



CASE STUDY OF CONCENTRATION STRATEGY IMPLEMENTATION IN SMALL AND MEDIUM SCALE MANUFACTURING COMPANIES (SMES)

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Abstrak

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This study aims to analyze how the implementation of the concentration strategy for small and medium enterprises in manufacturing companies. The method used is a qualitative method. The resulting data is descriptive data in the form of written or spoken which can be observed within a certain range from a comprehensive perspective. This study uses a literature study with a content analysis approach. The data used is secondary data in the form of writing sourced from articles and books. The research results show that: (1) The concentration strategy allows to build a strong reputation in the market as well as generate significant name value among consumers. (2) Shifts in consumer demand can mean the market for a single product starts to diminish, a situation that can put SMEs in financial difficulty. (3) Selection of the concentration sub-strategy is the most fundamental thing in efforts to increase SME sales. SMEs can choose market penetration if they want to get additional shares from the existing market by utilizing existing products. SMEs can choose a market development strategy in which SMEs sell existing products in new markets. This strategy is used to inspire SMEs to expand opportunities and find new customers. SMEs can choose a product development strategy whereby SMEs sell new products to existing markets. Horizontal integration can be used by SMEs which is aimed at increasing the strength of SMEs in the market.

A. INTRODUCTION

A global economic recession is expected to come in 2023. In the midst of a situation of increasing economic uncertainty, Micro, Small and Medium Enterprises (MSMEs) can be a savior if their presence can be maximized. Reporting from the official website of the Financial Services Authority, in general, an economic recession can be interpreted as a condition where a country's economy experiences a decline based on gross domestic product (GDP), the number of unemployed, and negative economic growth.

The MSME sector has an important role in advancing the country's economy. Experience has proven that during previous difficult times, such as the 1998 crisis and the Covid-19

pandemic, MSMEs became the frontline that could survive and become a solution in facing economic problems. MSMEs have become the backbone of the country's economy because they have contributed GDP or Gross Domestic Product and also added employment for the community. This can be seen from data from the Ministry of Cooperatives and Small and Medium Enterprises. Currently, there are 65.4 million MSMEs in Indonesia, which employ 114.7 million people or about 56% of the workforce in Indonesia. In addition, MSMEs also contribute more than 60% to the country's GDP. (MSME Empowerment Report, 2022:5).

Data from the Ministry of Cooperatives and Small and Medium Enterprises also shows that the contribution of MSMEs to GDP continued to increase before the pandemic. However, this contribution decreased to 37.3% during the pandemic. (MSME Empowerment Report, 2022:13). In order to survive in the midst of intense competition, especially since the pandemic, based on MSME Empowerment Report data (2022:38), there are 83.8% of MSME players who digitize or utilize technology to support their business operations. Digitalization is an opportunity for MSMEs to shift from traditional trade to new trends that apply technology.

Digitalization has caused many MSMEs to start promoting their products and services through digital platforms, both in the form of images and videos. Then, they also create an online store in the marketplace to make it easier for customers to find their products. Many MSMEs use marketplace networks to market their products during the pandemic (MSME Empowerment Report, 2022). As many as 40% of MSMEs use social media, 38% use instant messaging, use e-commerce 13%, and ride hailing 5%. This shows that only some MSMEs have adapted to digitalization.

Furthermore, when transforming to digitalization, of course, MSMEs will face several challenges. A survey conducted by DSInnovate to 1,500 MSME owners found several obstacles experienced by MSMEs. Generally, 70.2% of MSME owners have problems when marketing products. The next problem is related to access to capital (51.2%), fulfillment or supply of raw materials (46.3%), and digital adoption (30.9%) (MSME Empowerment Report, 2022).

In order to face challenges related to product marketing, MSMEs need to choose the right marketing strategy. Strategy is related to a basic decision taken by MSME actors that determines in the business field of the organization moving now and in what business field the organization will move in the future (Fauzi, 2015). Marketing strategy is a marketing mindset used to achieve marketing goals (Kotler & Armstrong, 2018). Marketing strategy contains specific strategies for the target market, positioning of the marketing mix and the amount of marketing expenditure (Kotler & Armstrong, 2018).

This study is aimed at small and medium enterprises (SMEs). SMEs are a type of business that plays an important role in increasing a country's economic growth. In Indonesia, SMEs have a major contribution to the economy. This type of business is run by individuals or business entities that are not subsidiaries or branches of large companies. SMEs play a role in expanding employment opportunities and employment. The vital role of SMEs will be felt in the formation of GDP (Gross Domestic Product). SMEs can absorb a lot of labor, more than large businesses. The contribution of SMEs in GDP is also greater than large-scale businesses.

In an effort to develop an appropriate marketing strategy, it is necessary to know in advance the internal and external conditions of the company. Internal conditions are in the form of strengths and weaknesses owned by SMEs, while external conditions are macro environments outside SMEs that can provide opportunities and threats to the company (Redjeki et al., n.d.). The concentration strategy is a strategy that is widely adopted by SMEs. The concentration strategy is used in relatively small-scale or new businesses (Prayoga et al, 2022). Concentration strategy is a type of growth strategy and is the most common strategy found in various companies where the company only focuses on one main line of business by highlighting the principle of doing one thing very well (David & David, 2017).

The concentration strategy is used for companies that have a single business to pursue their growth (Isdarmanto, 2020) The focus of the concentration strategy is how to increase company growth by concentrating on its core business. SMEs can choose one or more of the sub-strategies of concentration in increasing sales or competition. Market penetration, imarket development, product development and horizontal integration are sub-concentration strategies that can be used in facing competition (Hutabarat, Jemsly & Huseini, Martani., 2018).

SMEs are the most important pillar in the economy in Indonesia. Based on data from the Ministry of Cooperatives and SMEs in the first quarter of 2021, the number of Small and Medium Enterprises in Indonesia reached 64.2 million. The contribution to GDP reached 61.07% or worth Rp 8,573.89 trillion. SMEs and MSMEs can also absorb 97% of the total workforce and collect 60.4% of the total investment.

A concentrated strategy where SMEs only focus on a small market segment, rather than a wider market (Usmara, 2017). SMEs only market products to a group of customers with unique, so if this strategy is successful, it can dominate the target segment of MSMEs (Z. Noor, 2021). A concentration strategy whereby SMEs can achieve business growth by creating strong loyalty to products (A. Mujahidin & I. Khoirianingrum, 2019). MSMEs can also build more intimate long-term relationships with customers (S. K. Tyas & Chriswahyudi, 2017).

Concentration strategies require relatively minimal resources (Kavale et al, 2016). MSMEs can also avoid competitive pressure from large companies. They often do not want to serve a niche market due to the small size of the market (David & David, 2017). However, in the market, MSMEs may also have to face many equivalent competitors (Ulya, 2016). Another disadvantage is that niche markets offer little revenue due to their limited size and growth prospects (Barusman et al, 2021). The problems faced by MSME players are related to how to choose a concentration sub-strategy that can increase their sales.

B. LITERATURE REVIEW

1. Small and Medium Enterprises (SMEs) Concept

Small and Medium Enterprises or SMEs are types of businesses that are run on a small to medium scale. SMEs are not subsidiaries, branches of companies, or part of large-scale companies or businesses. In Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. Micro Enterprises are businesses that have a turnover below 300 million per year and the number of workers is below 20 people. While Small Business is a business that has a turnover of 300 million to 2.5 billion per year. The number of Medium

Enterprise workers is between 30 – 100 people. Then for Medium Enterprises have a turnover of 2.5 billion to 50 billion per year.

Based on Law Number 20 of 2008, SMEs or Small and Medium Enterprises are divided into 3 groups, namely Micro, Small and Medium Enterprises.

a. Micro Business

Micro Enterprises are businesses owned by individuals and individually owned business entities. Micro Enterprises have a maximum asset of IDR 50 million (excluding land and buildings for business premises). Micro Enterprises have a maximum turnover of Rp 300 million per year.

b. Small Business

Small Business is a stand-alone business, not a subsidiary or branch of a medium or large business. Small Businesses have assets worth Rp 50 million to Rp 500 million, excluding land and buildings. Sales proceeds reach Rp 300 million to Rp 2.5 billion per year.

c. Medium Enterprises

Middle class businesses are also owned by individuals or privately owned enterprises. This business is also not a branch or subsidiary of another company. The total assets owned by Medium Enterprises are worth Rp 500 million to Rp 10 billion. As for the turnover or sales obtained amounted to Rp 2.5 billion to 50 billion per year.

2. Marketing Strategy Concept

Strategy is a broad concept that describes how an organization works to achieve its goals (Meilani & Nugroho, 2023). Strategy is a basic decision taken by top management that determines in the business field of the organization moving now and in what business field the organization will move in the future (Fauzi, 2015). Marketing is an activity that aims to identify and find human needs (Bassi et al., 2022a). In addition, one definition of marketing is a total system of business activities designed to plan, price, promote and distribute goods that can satisfy desires and achieve the target market and company goals (Bassi et al., 2022b). Marketing strategy is marketing logic and based on that business units are expected to achieve their marketing goals (Nadya et al., 2020).

3. Concentrated Marketing Concept

The concentration strategy is one part of the growth strategy. Concentration strategy is a company activity to improve the products produced. This strategy is carried out by the company with a focus on product lines that provide large results or acceptance. Concentration Strategy is divided into 2, namely: (1) Vertical Growth. This growth can be achieved either internally by expanding existing operations, or externally through acquisitions. (2) Horizontal Growth. Horizontal growth can be achieved by expanding the company's operations to other geographical locations and/or increasing the range of products and services offered in the current market.

Concentration strategy is a type of growth strategy and is the most common strategy found in companies where the company focuses only on one main line of business by highlighting the principle of doing one thing very well. This strategy is used for companies that have a single business to pursue their growth. The focus of

the concentration strategy is how to increase the company's growth by concentrating on its core business. Concentration strategies are meant to compete in a single industry.

The concentration sub-strategy is divided into market penetration, market development, product development, and horizontal integration. (1) Market Penetration. Market penetration means SMEs gain an additional share of an organization's existing market by leveraging existing products. Market penetration is an effort to increase company sales without departing from the original product market strategy. Companies strive to improve business performance either by increasing sales volume to existing customers or by finding new customers for existing products (Ansoff in Alkasim et al., 2018). (2) Market Development. Market development means SMEs sell existing products in new markets. This strategy is used to inspire organizations to expand opportunities and find new customers (Sidi et al., 2018). Market development is a strategy in which a company tries to adapt its current product line (generally with some modifications in product characteristics) to a new mission (Ansoff in Alkasim, 2018). (3) Product development. Product development involves building and selling a new product to an existing market. Product development strategies, on the other hand, maintain the current mission and develop products that have new and different characteristics such as will improve mission performance (Ansoff in Alkasim, 2018). (4) Horizontal integration. SMEs can collaborate or merge with several MSMEs, thus minimizing the level of competition and the cost of economies of scale (Ansoff in Alkasim, 2018).

C. RESEARCH METHODS

The method used in this study is qualitative according to Sugiyono (2013) qualitative methods are used to examine the natural condition of objects that understand the phenomenon of things that are assessed based on the research subject. The data produced is descriptive data in the form of written or oral that can be observed in a certain scope seen from a comprehensive point of view. This study used a literature study with a content analysis approach. The data used is secondary data in the form of writing sourced from articles and books (Moleong, 2018).

D. DISCUSSION

Concentration strategies are used in business and investment situations. As an approach to doing business, strategy involves SMEs choosing to focus most of their resources on developing a specific product or at least a small group of products aimed at a specific market. As an approach to investing, concentration strategies require selecting a small group of stocks to compose a portfolio, rather than opting for a more diverse collection of investments. The concentration strategy aims to provide a singular focus on product lines, and markets in which SMEs choose to compete.

The concentration strategy allows to build a strong reputation within the market as well as generate significant name value among consumers. In fact, a single product name can create a positive perception in the minds of consumers for all products of that type, whether

made by SMEs or not. Concentration strategies can be very effective very well, but there are some obstacles that must be anticipated. A shift in consumer demand could mean the market for a single product begins to dwindle, a situation that could leave SMEs in financial trouble. Innovations in technology can make products less desirable, effectively ending production. SMEs that do not diversify are often vulnerable during an economic slowdown, especially if the product is perceived as an exclusive product rather than a necessity. Unless SMEs have sufficient financial reserves to weather the downturn, there is a high chance that SMEs will fail.

Furthermore, the selection of concentration sub-strategies is the most fundamental thing in an effort to increase SME sales. SMEs can choose market penetration if they want to get an additional share of the existing market by utilizing existing products. SMEs seek to increase sales volume to existing customers or by seeking to find new customers for existing products. SMEs can choose a market development strategy where SMEs sell existing products in new markets. This strategy is used to inspire SMEs to expand opportunities and find new customers

Furthermore, MSMEs can choose a product development strategy where SMEs sell new products to existing markets. Horizontal integration can be used by SMEs which is aimed at increasing the strength of SMEs in the market. Unlike vertical integration, horizontal integration involves mastery over other SMEs that provide similar products or services. It helps SMEs increase size or expand into new areas or markets.

E. CONCLUSION

1. The concentration strategy allows to build a strong reputation within the market as well as generate significant name value among consumers.
2. A shift in consumer demand could mean the market for a single product begins to dwindle, a situation that could leave SMEs in financial trouble.
3. The selection of concentration sub-strategies is the most fundamental thing in an effort to increase SME sales. SMEs can choose market penetration if they want to get an additional share of the existing market by utilizing existing products. SMEs can choose a market development strategy where SMEs sell existing products in new markets. This strategy is used to inspire SMEs to expand opportunities and find new customers. MSMEs can choose a product development strategy where SMEs sell new products to existing markets. Horizontal integration can be used by SMEs which is aimed at increasing the strength of SMEs in the market.

F. SUGGESTIONS

1. The need for MSMEs to transform digitalization to promote MSME products and services through digital platforms, both in the form of images and videos. Then, MSMEs also create online stores in the marketplace to make it easier for consumers to find their products.

2. MSMEs in marketing products need to choose the right sub-concentration strategy by paying attention to access to capital, fulfillment or inventory of raw materials, and digital adoption.

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