



Analysis of Product Strategy to The Business Growth of Small Medium Enterprises

Kurnianing Isololipu^{1,*}, Antonius Widi Hardianto²

^{1,2}Department of Business Administration, Faculty of Administration and Communication Sciences, Atma Jaya Catholic University, Jakarta, Indonesia

*Email: kurnianing.iso@atmajaya.ac.id

Abstract: *A study has been conducted to examine the product strategy in relation to business growth among small medium enterprises in Setu District, East Jakarta, Indonesia. This study was critical since the small medium enterprises have limited access to gain understanding about marketing aspects of products. This study contributed to the understanding of product strategies importance that will lead to the business growth, specifically for the small medium enterprises. The study conducted by qualitative method of convenient sampling of twelve informants who was selected based on the criteria of informant. The results of this study showed that product quality has contributed to the increase sales. Meanwhile, the less various items of the product have to be considered since there might be new sellers penetrate the market existed.*

Keywords: *Business growth; marketing; product quality; product strategy; small medium enterprises*

Introduction

Marketing is essential in relation to disseminate persuasion to customer. As explained by Bernritter, Muller, and Ooijen (2017) that one of the marketing techniques is to present persuasion to influence customer behaviour. Precisely, this is suitable for the high involvement product based on the customer's perspectives. Besides that, this influence is critical since there are many products available in the market. The potential customer has a wide range of choices to find the product that can meet their needs. In this sense, the customer has a greater bargaining power to select and decide the right product for them. Only the right marketing strategy will likely succeed in directing the customer's buying behaviour up to the decision-making behaviour. The producer's encounters to customers will affect the buyer decision-making (Shocker, Bayus, & Kim, 2004).

The competition becomes vigorous, as there many products available in the market. In addition to, this creates more power to bargain for customer to choose the right products to meet their needs. The competition is not only for the similar products, but also for the substitute products which offer the similar value added to the customer. As stated by Kotler and Keller (2016) that competition consists of the product, the competitor and the substitutes. In fact, the substitute products are

expanding as there are many new products created to meet certain needs. For example, people can choose from mineral water, coffee, milk, yoghurt, tea or isotonic drink to satisfy their thirst. They probably choose the product for their thirst based on the advertisement or promotion of the product. Therefore, producer ought to understand the suitable marketing strategy in order to be able to persuade customer with the right tools. Furthermore, the type of customer is changing in a quite radical way as a result of technology invention and borderless world. Kotler, Kertajaya and Setiawan (2017) stated that the customer nowadays is likely to be mobile, move from one place to another, gadget friendly and instantaneous. The customer seems lessen their interaction physically and choose to surf the net and social media to find the product information, at first. Then, they select and buy the suitable ones for their needs and wants.

The business has changed since the rapid invention of technology. Especially, when the internet has launched and introduced to the world through websites, mobile phone and many things. As the result, it pushed the business environment to adapt. The internet has massively changed the way business is conducted. Indeed, internet is responsible to this enormous change (Kotler et al., 2017). However, it is obvious that there are many businesses still choose the conventional way

to market their products. It is because the consumer still prefers to buy things in the physical store so that they can select which product is suitable for them.

The situation that has explained above is also applied to small medium enterprises (SMEs). The SMEs existence in Indonesia's business environment is essential. It becomes one of the economic pillars for Indonesia's economy strength (Permana, 2017). According to Santia (Santia, 2020), there are 64 million small medium enterprises which share around 99,9 percentage of all business operated in Indonesia. The SMEs has contributed around 60,3 percentage of total gross domestic product. They employ 97 percentage of workforce and absorb 99 percentage of labour market. During the economic crisis, SMEs is one of the types of business that can survive and shows growth (Permana, 2017). However, only 13 percentage or 8 million of SMEs that involves in digital ecosystems (Santia, 2020). This is understandable since creating and maintaining a digital platform requires higher cost compared to a conventional method.

As the market of SMEs is growing, it is inevitable for them to understand marketing strategy in order to deliver right products to the right customer. They are required to identify suitable approaches to be applied into their product. It is necessarily because the product created by SMEs, typically, is the answer of the customers' need (Awan & Hashmi, 2014). Basically, the SMEs can utilize the marketing strategy in the simplest way, since their resources are also limited. As the business grow and they are obtaining more understanding about the market, they can employ a more sophisticated marketing strategy. Nonetheless, the position of the SMEs in the business environment is impacted from the marketing strategy implemented (Dzisi & Ofosu, 2014).

In the meantime, there are many of the SMEs which have lack of marketing knowledge. As indicated by Bettiol, Maria and Finotto (Bettiol et al., 2012) that SMEs is characterised by limitations of resources and scarcity of expert in marketing and planning. They conduct the business traditionally based on their own understanding of buying and

selling products. They utilize traditional approach in influencing the customer. It is proven from the research done by Anggraeni, Hardjanto and Hayat (2020), Ariani and Utomo (2017) and Sheetal, Sengeeta, Kumar (2012). The studies revealed that the traditional approach such as promoting product from mouth to mouth, selling the product from house to house, the technology used, limited variation of products, simple and below packaging standard is likely the tool that the SMEs understand. They need to understand about market their product in several ways to reach more customer, distribution channel which can assist them to have more customer and many other concerns to develop the business. The SMEs constrained by the fact that they have limited network to obtain training about marketing strategy for the products.

Although there is plenty homework for SMEs, the owner of the SMEs realizes the room for improvement to enhance their business is still available. There are many chances for SMEs to learn to advance their marketing knowledge in order to develop their business and enter greater markets. For SMEs, marketing is essentially recognized as culture, strategy and tactics (Sheetal et al., 2012). Hence, this paper is aimed to identify the product strategy conducted by the SMEs. By having this study, the SMEs is encouraged to learn to improve the strategy to market the products so that the growth of the business increases.

Theoretical Foundation

Marketing

According to The American Marketing Association, marketing consists of activities, organizations and several processes include creating, communicating, delivering and modifying product that has value to customer, partner and social community (Kotler & Keller, 2016). It is the representation of the business and its product and services to the market and customer (Awan & Hashmi, 2014). Based on the definition, it is clear that marketing is about creating a product or a service that is beneficial and has added value to the customer. It is about communicating the value to the customer using appropriate tools for the targeted customer.

In the past, the producer creates products and the customer buy the products. The customer has less bargaining power since there are less various product in the market. Nonetheless, the classical pattern has changed since many products available in the market and the customer is more critical to the products offered. Customer nowadays are more educated in making purchase behaviours. They collect information, observe people reviews, ask to others so that they have adequate knowledge for a range of product selected to buy. Although, they process the information which lead to buying decision on selected products available (Shocker et al., 2004), they have changed their behaviour of buying, thinking and approaches to meet their demands (Wang, 2015). They also build connection with their group and create and share knowledge that can develop the product (Bettiol et al., 2012). This behaviour is shifting because the more accessible and open resources are available to customer to search the suitable product and service. Indirectly, this pattern has shoved producer to apply the precise strategy for the targeted customer.

As a result, marketing has changed over the years. The change has shifted based on the fact that environment has changed. The change has developed fast since the invention of internet, mobile phones and many other digital appliances (Apăvăloaie, 2014) which create easier life to people. As asserted by Kotler (Kotler et al., 2017) that internet has accountable for the revolution of changing lives. It allows information exchanged which result in the development of theories and practices of science, includes marketing. People who do business are encouraged to understand this change in order to maximize their strategy in conducting the business. They are required to explore more about digital things that affected the way marketing is executed nowadays.

The notable theory of marketing is known as marketing mix which introduced by Phillip Kotler. It explains about the 4P's (product, price, promotion, and place) for product creations and 7P's (product, price, promotion, place, people, process and physical evidence) for service creations. Conversely, the 7P's framework is also used

to product at certain situations. Specifically, when the 4Ps framework fail to meet the expectance to be a suitable method (Rafiq & Ahmed, 1995). For instance, a clothing line business which sell the product in an outlet needs to understand the people, process and physical evidence to be applied for the outlet concept.

Product Strategy

Product as one of elements in marketing mix plays important role, along with price, place, and promotion in creating the best offer to customers. It is very important for sellers to have deep knowledge about how product can affect sales, customer satisfaction, and competitive advantage. Although according to previous study price is the most effective element to create competitive advantage, product still has a significant impact on SME sector (Al Badi, 2018)

Product strategy is essential to influence customer in their buying behaviour. In fact, the strategy for high involvement product needs stronger persuasion to influence the customer (Bernritter et al., 2017). The suitable product strategy will likely direct customer to choose the product. Consequently, the producer has to identify the appropriate strategy to their products. Based on Kotler, Armstrong, Harris and He (Kotler et al., 2020), it consists of the quality, feature and style and design. The quality of product means the attribute of the product that serve the customer needs. This usually becomes the important consideration for customers to buy a product and determine their satisfaction. Customer satisfaction can be defined as the result of overall evaluation of consumption experience which is done by customers (Gustafsson, Johnson, & Roos, 2005). The result of previous study explained that good quality can have positive impact on customer satisfaction, and later it also had positive impact on profitability (Anderson et al., 1994). The high profitability will lead the business to growth and sustainability. Other aspect of product strategy is feature. The feature of product implies set of property that embedded with the product. This influence customer in relation to the ability of product to meet the customer needs. While the style and design entail the presentation of the product in

terms of exterior and utility of the product. This enhances the product performance to the customer. Both needs to be aligned so that customer will receive maximum benefits.

The implementation of product strategy can be done by creating differentiation to increase product sales. The benefit of well-differentiated product is creating competitive advantage. As asserted by Kotler and Keller (Kotler & Keller, 2016) that by applying four product mixes, it enlarges the opportunity for companies to grow its business in four ways; a new product line, a lengthen product line, a various product line and a consistent product line. Thus, there are many things that can be differentiated. Sellers can create differentiation in terms of form, features, performance quality, conformance quality, durability, style, repairability, and customization (Kotler & Keller, 2016). Sellers also should observe their customers continuously because customers' preferences regarding product can change from time to time, because of the rising appearance of consumer co-production networks (Dellaert, 2019).

Small and Medium Enterprises (SMEs)

Small and medium enterprises can be found in many countries, such as Indonesia, Singapore, Philippines, Malaysia, South Africa, United Kingdom, and other European countries. Each of those countries has their own categorization and rules. In Indonesia, there are three types of enterprises which are classified based on the net worth and annual sales. Those three types are micro enterprises, small enterprises, and medium enterprises. Each type has its own legal criteria. According to Law of the Republic of Indonesia Number 20 of 2008 regarding Micro, Small, and Medium Enterprises, it is stated in article IV section 6 (1) that the criteria for micro enterprises are having net worth at most IDR 50,000,000, excludes land and buildings or having annual sales at most IDR 300,000,000. Small enterprises have their own criteria. In article IV section 6 (2) the criteria for small enterprises are having net worth more than IDR 50,000,000 until IDR 500,000,000, excludes land and buildings, or having annual sales between IDR 300,000,000 until at most IDR 2,500,000,000. In Law of the Republic of

Indonesia Number 20 of 2008 regarding Micro, Small, and Medium Enterprises, there is criteria for medium enterprises. According to article IV section 6 (3), the criteria for medium enterprises are having net worth more than IDR 500,000,000 until IDR 10,000,000,000, excludes land and buildings, or having annual sales between IDR 2,500,000,000 until at most IDR 50,000,000,000.

Small and medium enterprises can be found in capital cities, suburban, small towns, and even villages with various type of industry and product. It is a favourable option for those who cannot get a job in companies because the requirement capital is low. However, there are some problems in small and medium enterprises, especially which related to the funding, partnership, human resources management, and legal permission. Small and medium enterprises are quite vulnerable, especially when they have to compete with foreign products and brands, or big local companies. They need more capital to develop or expand their business. The most important aspect to develop SMEs is human resource. It is because to develop their business, entrepreneurs need to improve their technical and managerial skills, so that they are capable to produce better-quality product (Anggraeni et al., 2020). Due to limitations which they face, small and medium enterprises need help from other parties, such as government and other external parties, such as *Koperasi*. External parties may collaborate with the government to give various help. The Law of the Republic of Indonesia Number 20 of 2008 regarding Micro, Small, and Medium Enterprises does not explain regarding criteria of micro, small, and medium enterprises only, but also it regulates types of supports which can be given by the government and how they will be delivered to small and medium entrepreneurs. For example, by collaborating with *Koperasi*, the government give capital access, facilitate trainings for entrepreneurs, and facilitate promotion by creating events to enhance sales of SMEs products (Anggraeni et al., 2020).

Method

This study was using a qualitative method which emphasized in its explanatory

and naturalistic approach. As explained by Denzin and Lincoln (Denzin & Lincoln, 2018) that a qualitative method is a study that convey objects, situations and events based on its natural truth. This is aligned with the aim of the study that is to discover the product strategies executed that impact on the business growth in SMEs. This method is applicable to this study because it attempts to discover the strategies used to increase the business growth, specifically the sales.

This study involves twelve female owners of SMEs in East Jakarta, Indonesia as informants in two months of data collection. The business consists of catering and home-bakeries and cakes which was established around one year, since the stability of business is more seen in this period of established time. The business is still conducted with conventional ways. The interview has conducted with open-ended questions that enables interviewers to add other questions based on the answers at the real time interview. The information gathered were analysed based on the interactive model of analysis as discussed by Miles and Huberman (Miles & Huberman, 1994) to ascertain the product strategy that has been applied to products created in order to increase the product sales.

Results

The SMEs understand that they need to learn about marketing strategy, particularly the product strategy. As they have limited knowledge since lack of training access, they use those knowledges effortless. They have applied the product strategy to encourage potential customer to buy the product. As asserted by informant 1, 3 and 7 that they establish the business by using their experience in making cakes and bakeries for their close relatives. As the demand expand to outside relatives, they are trying to utilize the opportunity to run the business. However, they still have limitation of ensuring that their product is well-created.

The product strategy is executed through several modes. Firstly, the product quality has been a concerned, given the fact that there is plenty other business that offer similar products to the same market segment.

Thus, the SMEs is required to understand and implement about product qualities in order to obtain potential customer. They have to know about product quality for foods, cakes and bakeries because these kinds of product are favourably individual which require a detailed recognition of the customer targeted. They need to observe the product quality refers to their potential customer.

The quality is ensured from the first step of the production processes, that is choosing the good qualities of the ingredients for creating the product. The raw materials, such as flavour, sugar, eggs, salt are kindly selected. These materials will determine the good taste and texture to the customer. Based on the interviews, it reveals that they exchange information among them although they may compete each other. They inform about some flavour brands that are good for baking, agent that sell eggs and sugar with cheaper price but has better quality or buying cooking and baking utensils in some specific store.

Besides that, they also consider to maintain the taste and texture of the product. This is about the consistency of the product. This is critical because when customers have repeat order, but they experience different taste and flavours, the customers may decline repeat order. They ensure this by do some trial and error. They learn how to mix the ingredients properly so that it results in the moist and crunchy textures. They use different brands to know how good those ingredients are mixed. It discovers from the interviews that they are sending *YouTube* videos of cooking and baking.

Secondly, the feature of the product has related to the items that serve customers. It includes taste, range of flavours, edible decorations, the baked level and the size. For the SMEs, they create the products that are mass-customization and made-by-order. The mass-customization product has fixed feature that created from the standard ingredients, taste and texture. Meanwhile, the made-by-order product depends on the customer's request order. They may ask for different ingredients in terms of higher qualities or special designs or new flavours. It conceals

that they open to made-by-order because the sales from this order is reliable.

The feature, in fact, has limited features since the SMEs is still understanding their market. The market is quite specific in terms of purchasing power and preferences. The SMEs ought to conduct some surveys to the customer to identify the improvement of the product. Although, they have captured feedback from the customer, but it seems that they need more information about advancement of the foods, cakes and bakeries nowadays in terms of techniques, methods and trial and error. They realize that they require more practices to be mastered in applying new methods or techniques in cooking and baking.

Thirdly, the style and design of the product is created to attract customer to buy. It is more likely giving the art sense to the product. However, this really depends on the skill of the owner, especially for foods, cakes and bakeries business. For those who have involved in foods, bakeries and cakes training is expected to have more various styles and designs applied to the product. The customer can have a range of options that meet their needs. As the result, the SMEs that identified have various style and design such as traditional cakes and bakeries, birthday cakes, wedding cakes, is likely have more customer.

It also offers mass-customization and made-by-order. Usually, the made-by-order is designed for birthday cake and wedding cake. If the order is a new one, they will try to receive the order. It is a part of their learning to create a new style and design for the product. The made-by-order from customer is indirectly shows whether the SMEs need to improve their skill by join some trainings.

The product strategy that is implemented by the SMEs affects the fruitfulness of the business. The product qualities, the product features and the product style and design have proven their essential roles in persuading the customer in their buying behaviour. The concern to the qualities has created a good taste and texture of foods, cakes and bakeries. It, then, also results in repeat order to several customers. The feature of the products has provided customer with a

number of options in terms of taste, flavour, decorations, size and baked level. When there are new product variations launched, it is likely new and loyal customers keen to try it and do repeat order. The product style and design has offered the customer with many kinds of choices. The customers are delighted by the SMEs which is willing to learn new styles and designs that they are ordered.

Discussions

The product strategy is a tool to facilitate the product success in the market. It includes the quality, feature, and style and design of the products (Kotler et al., 2020). It influences the way customer making decision to purchase the product needed. Since the business is on small and medium scales, it still needs some improvement in order to enlarge the market and reach more customer. Moreover, the food, cakes and bakeries industry are growing rapidly nowadays. This brings concern to pay more attention in selecting the right product strategy to be implemented.

The area concerned is related to enhance and add more skills to create more innovate products. Besides searching information about the trends of food, cakes and bakeries on the Internet, watching on *YouTube*, they also have to practice it by entering training classes. However, they find a bit difficult to join training class because the fee for the class is quite expensive. They choose to learn from *YouTube* or try to find recipes on the Internet and do trial and error to create new foods, bakeries and cakes. In fact, the massive development of technology also supports the owner to gain knowledge to develop their business. As stated by Kotler (Kotler et al., 2017) that technology is the main cause of paradigm shifting of business.

Another thing that is mattered is when it is peak season such as religion's day and holiday seasons. The order increase while they have limited employees to make the products. They need to schedule the production process carefully in order to meet the customers' request. The schedule includes order the raw material for ingredients, the time setting to process the orders and the product delivery to customers. This implicitly demonstrates that

even though, the business is small and medium size, they are encouraged to have learn about management skill. As the business growth, they will see that management is important to run the business efficiently.

Conclusions

The product strategy has proven to be an essential tool to persuade customer in their buying behaviour. The business is urged to examining the product strategy that best applies to their created product. In terms of foods, bakeries and cakes businesses, the business is required specifically to understand the business environment. Since this business is still growing and given the opportunity that the food market is very large, the business must ensure creativity for the products. In addition, they also need to understand the customer preferences and the competitors, so that they can craft a wide range of product to differentiate them from the competitors. As the competition is growing promptly, they also need to up to date with the trends of this business.

This research is conducted in a limited object of research. Therefore, the similar research can be organized in to different object of research since the foods, bakeries and cakes business is a growing business nowadays. Besides that, this business which dispersed with various offerings in terms of quality, service and price, it is interesting to study different groups of SMEs which runs the similar business.

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