Analysis Business Model Of SMEs Craft Industry In The North Sumatra Province

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Abstract
The aim of this research is to determine and analyze the SWOT formulation of the shell industry business in Provinsi Sumatera Utara. The data processing and analysis methods used were factor tests and discriminant analysis using the Cochran and Kaiser Meyer Olkin Measure of Sampling (KMO) tests. It is hoped that the results of this research can strengthen the results of previous year's research by exploring potential marketing strategies and comparisons of each industry. The formulation of a blue ocean strategy that can be recommended to Provinsi Sumatera Utara Small and Medium Industries (HCI), includes: (1) Through the six paths framework, there are four alternatives that can be used by Provinsi Sumatera Utara SMEs to reconstruct its market boundaries, including looking at alternative industries, strategic groups, complementary product and service offerings, and emotional-functional appeal for buyers. (2) Formulation of a four-step framework by enhancing hospitality and decorum; as well as creating hall or auditorium packages for exhibitions as well as product packages, supporting facilities, promotions via social networks, light visualization concepts, and rental of stands to provide appetizers. (3) Strategy formulation has three good characteristics, namely focusing on service and improving product marketing, divergent with the creation of new factors that can make Provinsi Sumatera Utara SMEs stay away from competition. Formulation Model The competitive strategy for the Shellfish industry is formulated using the SWOT Strategy, namely (1) The appropriate SWOT strategy for Shellfish SMEs in developing their business and facing competition between businesses (commercial studies) is another market penetration strategy that emerges from the QSPM matrix. (2) The factor that is the advantage of the Shell Shell HCI which can be used to increase competitiveness in facing competition between used tire businesses is the cheaper price factor. (3) There are 9 key strategic factors that influence competition between HCI Shellfish and its competitors, these strategic factors are finance, price, operational techniques, operational costs, facilities and infrastructure, promotion and advertising, transportation facilities, service quality, completeness of business operational equipment.

Keywords: Blue Ocean Formulation, SWOT Analysis Model for Small and Medium Industries
1. Introduction

Home Craft Industry (HCI) is a business sector that has a strategic and important role in overcoming unemployment. On the other hand, HCI is also able to contribute to encouraging regional economic growth. The HCI sector has several advantages compared to large/medium businesses. The advantages of this sector include the ability to absorb labor and use local resources, and its business is relatively flexible, so that the development of business strategies becomes an important momentum for advancing the region. The HCI sector turned out to be more resilient in facing the crisis and was able to save the Indonesian economy and become a dynamist of economic growth after the economic crisis. HCI is also a source of social and economic life for the majority of Indonesian people which is capable of absorbing a large number of workers.

The development of the Home Craft Industry has great and strategic potential in increasing regional economic activity, including providing domestic goods and services. The widespread existence of HCI in North Sumatra Province will play a major role in employment. The Regional Government, especially the North Sumatra Provincial Cooperative Service, in carrying out its role and realizing its great potential, HCI is still facing various problems. One of them is the still less conducive business climate, which includes (1) aspects of the legality of business entities and unclear licensing procedures which result in high transaction costs, lengthy licensing processes and the emergence of various unofficial fees; (2) unfair business practices and business competition; (3) uncertainty of business location; and (4) weak cross-agency coordination in empowering HCI. Currently, the city of North Sumatra Province continues to improve itself to develop tourism potential by prioritizing the local wisdom of its people. Starting from cultural performance activities as well as attractions sailing along the Asahan and Silau rivers. Plus the shellfish party is a regular agenda every year. As a historic city, North Sumatra Province has a number of ancient buildings from the Netherlands, such as the Grand Mosque, a legacy from the Asahan Sultanate.

Seeing the tourism potential it currently has, North Sumatra Province is also building a people’s economic engine by mobilizing various other sectors, including accommodation services, restaurants and trade, even creative industries that produce
souvenirs and the regional food industry. This creative industry is spread across six sub-districts in the city of North Sumatra Province. It cannot be denied that the Home Craft Industry is an economic pillar for a developing region like Indonesia. With the spirit of developing a creative economy through the creation of added value, we can answer the challenges of an environmentally friendly industry (Affif, 2012). Unfortunately, in facing business changes, small and medium industry (HCI) entrepreneurs prioritize competition with each other in order to pursue business growth, compete for competitive advantage, fight for market share, and struggle to create differentiation. So it is not uncommon for competition in the market between business actors to result in bankruptcy.

As noted by (Kim and Moubourgne, 2005), business actors in an industry use various methods to overcome market changes by deliberately creating market boundaries to inhibit and minimize new business actors. This is done in order to protect the market share that has been achieved by existing business actors in the industry. This action shows the existence of a situation of intense industrial competition which is termed a bloody ocean or red ocean (Kim and Moubourgne, 2005). Here the market space is increasingly full, prospects for profits and business growth are also reduced, the goods produced have become commodities.

This is different from the Blue Ocean, which is in an un-reached market space, creating demand and still large growth opportunities. The blue ocean strategy is a strategy that challenges business players in an industry to get out of the red ocean which is crowded, price wars are getting hotter and profit margins are shrinking. Blue Ocean Strategy tries to focus on growing demand and away from competition. By using this strategy, business actors are encouraged to enter a new market arena that is potentially overlooked by competitors.

This research aims to formulate a strategy by prioritizing the Blue Ocean Strategy concept, which will map out the strategy canvas for each small industry based on local wisdom. The business model that will be presented will describe the current situation and the value innovation that will be implemented to provide a complete picture and answer the problems that occur for each small industry in the city of North Sumatra Province.
2. Literature

Red Ocean Strategy

Red Ocean Strategy is where the boundaries within the industry have been defined and accepted, and the rules of competition are known to Kim and Mauborgane. (2014:21)

Blue Ocean Strategy

The term Blue Ocean emerged when Kim and Mauborgne (2005) tried to define a new market space that was not strict with elements of competition. The mention of Blue Ocean refers to an industry or market that has not yet been discovered so that it has not yet been explored by competition. Demand in a blue ocean is created and not fought over, so the size of the market and demand in the market are unlimited.

Value Innovation

Value innovation is the stepping stone for the blue ocean. According to Kim and Mauborgane (2014: 31), value innovation is created in areas where company actions positively influence the cost structure and offers for buyers. Cost savings are carried out by eliminating and reducing factors that become points of competition in the industry. The difference between red ocean and blue ocean strategy can be seen in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Red</th>
<th>Blue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compete within existing market space</td>
<td>Creating market space that does not yet exist</td>
<td></td>
</tr>
<tr>
<td>Win the competition</td>
<td>Making competition irrelevant</td>
<td></td>
</tr>
<tr>
<td>Exploit existing demand</td>
<td>Create and capture new requests</td>
<td></td>
</tr>
<tr>
<td>Value cost-trade-off</td>
<td>Breaking down the value – cost trade-off</td>
<td></td>
</tr>
<tr>
<td>Integrating the entire activity system companies with a strategic choice between differentiation</td>
<td>Integrating the entire activity system companies in pursuit of differentiation and cost leadership</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kim and Mauborgne (2005)

Four Step Framework

To realize a blue ocean through value innovation, an analytical framework called the four-step framework is needed. Kim and Mauborgane (2014: 60) namely eliminate, reduce, increase and create. A strategic profile that has high blue ocean potential has three complementary qualities Kim and Mauborgane (2014: 65), namely: Focus, the company does not spread its efforts to all the main factors in the competition.
Divergence, moving away from other players, is a result of looking for and looking at alternatives and not comparing competitors. An attractive motto, a good motto must not only be able to convey clearly, but also advertise the offer or product honestly.

**Kanvas Strategy**

The strategy canvas is an action framework as well as a diagnosis for building a good blue ocean strategy (Kim and Mauborgne (2014: 47). In the strategy canvas, the value curve is a basic component. The value curve depicts a graph of the company’s relative performance with respect to competitive factors in the industry. The strategy canvas produces three things, namely: by drawing a canvas the strategy can show the profile strategy of an industry by clearly describing the factors (and possible factors in the future) that influence competition among fellow industry players, showing the strategic profile of current and potential competitors, identifying factors that become strategic investment opportunities for them, shows the company’s strategic profile or company curve value which describes how the company invests in these factors in the future.

**Creating a Blue Ocean Strategy**

**Steps to realize the Blue Ocean Strategy**

Specifically, Kim and Mauborgne (2005) identified six basic approaches to reshaping market boundaries, referred to as the six paths framework. These six paths challenge the six basic assumptions that underlie the strategy of many companies, which keeps companies trapped in competing in a red ocean.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Competition on the Red</th>
<th>Creation of the Blue Ocean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kelompok Strat Strategie Group egis</td>
<td>Focus on deep competitive position</td>
<td>Path 2: Pay Attention to Groups-Strategic Groups in Industry</td>
</tr>
<tr>
<td>Industry</td>
<td>Path 1: Pay close attention to industries</td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Six Paths Framework
Path 3: Pay Attention to the Buyer Chain

The scope of the product or service offering: Focus on maximizing value product and service offerings within industry boundaries.


Time: Focus on adapting to trends external events occur.

This principle is the key to reducing the risk of planning too large an investment of energy and time with the result only being a red ocean tactical step. Here, we develop an alternative approach to the strategic planning process of the strategy canvas. This approach consistently produces strategies that unlock the creativity of various types of people in one organization, open the company to blue oceans, and are easy to understand and communicate to be implemented effectively.

**SWOT Analysis**

SWOT is a strategic planning method used to evaluate the strengths, weaknesses, opportunities and threats in a project or business speculation. These four factors form the acronym SWOT (strengths, weaknesses, opportunities and threats). This process involves determining the specific goals of a business speculation or project and identifying the internal and external factors that support and those that do not in achieving those goals. SWOT analysis can be applied by analyzing and sorting various things that influence the four factors, then applying them in a SWOT matrix image, where the application is how strengths are able to take advantage (advantage) of existing opportunities.

**Methodology**

Collecting data through questionnaires to respondents related to the production results of the shell craft industry and raw material suppliers and industry partners is the basis for creating a blue ocean strategy. Apart from that, it is also felt that information from respondents can make research more objective. In this research, respondents were divided into two parts, namely consumers and non-consumers so
that the information obtained could be more objective. The minimum sample size used for research was 38 people. The operationalization of variables and their measurements are as follows:

Table 3. Operasional Variabel

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Ind</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Factors which is a strategic consideration</td>
<td>1)</td>
<td>Product uniqueness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2)</td>
<td>A touch of art</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3)</td>
<td>Work in detail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4)</td>
<td>Proximity to sources of raw materials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5)</td>
<td>Strategic location</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6)</td>
<td>Labor availability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7)</td>
<td>Creativity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8)</td>
<td>Prices are not fixed to market prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9)</td>
<td>Can be used as a souvenir</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10)</td>
<td>Employee expertise and skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11)</td>
<td>Attraction and impact after participating in the exhibition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12)</td>
<td>Sensitivity to market options</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13)</td>
<td>Organizational commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14)</td>
<td>Work environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15)</td>
<td>Availability of online ordering facilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16)</td>
<td>Managerial experience and ability</td>
</tr>
<tr>
<td>2</td>
<td>Main factor in influencing business</td>
<td>1)</td>
<td>Unique Selling Products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2)</td>
<td>Promotion and Communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3)</td>
<td>Pricing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4)</td>
<td>Sales and Distribution Channels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5)</td>
<td>Customer Management</td>
</tr>
</tbody>
</table>

The data analysis technique used is qualitative analysis which has the following steps (Moleong, 2011):

1. Review all data obtained from interviews
2. Data reduction is an attempt to create abstractions. Abstraction is an effort to summarize the core, processes and statements that remain in accordance with the research objectives. After reduction, the data is arranged in units (utilizing)
3. Checking the validity of the data using an inspection technique called triangulation.
4. Interpretation of data, namely to answer the problem formulation which is carried out with analytical descriptions, namely the design is developed from the categories found and looking for relationships that are suggested or emerge from the data.
5. In carrying out qualitative analysis there is a stage of checking the validity of the data. The data validity check test was carried out using triangulation. The types of triangulation used are source triangulation and engineering triangulation, cocran test and KMO factor test.

6. The resulting model that will be produced is a SWOT analysis model.

4. Result

Industry is an economic activity that cannot be separated from geographical concentration conditions. The concentration of economic activity in a country shows that industrialization is a selective process seen from the geographical dimension. Clusters are a reflection of the geographic concentration of a group of the same industry. Industry in the narrow sense is a collection of companies that produce similar products where there are similarities in the raw materials used, processes, final product form, and final consumers. Meanwhile, in a broad sense, industry is a collection of companies that produce goods and services with positive and high cross price elasticities of demand.

In this research, the industry studied is a collection of Home Craft Industries of North Sumatra Province which produces and markets products in the form of handicrafts, embroidery and food and drinks typical of North Sumatra Province. Home Craft Industry of North Sumatra Province is defined as a collection of home businesses (home industries) that have production and marketing locations in the North Sumatra Province area. Competition factors in an industry are defined as important factors or elements that serve as a means of competition to increase excellence and profits for companies in an industry. In this research, the factors that create competition in the Small and Medium Industries of North Sumatra Province were obtained by conducting literature studies and field observations. The literature study was carried out using the results of previous research related to the topic of consumer behavior towards small industries. This literature study produced several attributes that were used by previous researchers in conducting consumer assessments. These attributes are then used by researchers as small industry
The competition factors that have been obtained are the basis for determining the strategic profile of each company within the Small and Medium Industries of North Sumatra Province. These factors are identified by the first group, namely the consumer and non-consumer groups. The competition factors proposed to consumers and non-consumers are not only factors contained in product attributes, but also factors related to supporting services and marketing systems contained in the Small and Medium Industries of North Sumatra Province. There are 17 competitive factors identified, including the following:

1. Product specificity
2. Portions and product sizes
3. Prices offered by the Home Craft Industry of North Sumatra Province
4. Diversity of products offered
5. Entrepreneur skills in providing fast and precise service
6. Providing accurate information about processed products
7. Speed of processing and/or presentation
8. Responsiveness in responding to consumer complaints
9. Transaction speed
10. Friendliness and politeness of HCI entrepreneurs
11. Cleanliness and tidiness
12. Strategic industrial location
13. Adequate parking area
14. Attractive signage
15. Availability of adequate supporting facilities (musholla, toilet, playground)
16. Availability of online ordering facilities
17. Product updates. Popularity of the products offered

Competition factors among consumers and non-consumers were identified through questionnaires. In this study, two different types of questionnaires were used which were given to each group. The competition factors asked in the questionnaire for the first group use a nominal measurement scale, namely YES answers and NO answers. This is done to find out that the factors asked about are factors that are used as competition in the Home Craft Industry.

In this research, a strategy canvas is used to describe the competition that is
currently occurring in the HCI of North Sumatra Province based on the competition factors that have been formed. The creation of this strategy canvas was produced from the second stage of questionnaire information which was distributed to the North Sumatra Province HCI consumer group and 38 other consumers. In creating the North Sumatra Province HCI strategy canvas, it was necessary to have a comparison of the North Sumatra Province HCI to obtain the competitive situation in the industry.

The strategy canvas is a map image connected by a horizontal axis and a vertical axis. The horizontal axis on the strategy canvas shows the competition factors based on the Cochran Test method. The competition factors include number of product variations, product cleanliness/hygiene, product information (expiry date/certification/BPOM, halal, etc.), product efficacy/benefits, ease of obtaining the product (sales location).

The following Cochran test is carried out to assess the degree of importance of each Small and Medium Industry in North Sumatra Province which can be seen in Table 5.7 below:

<table>
<thead>
<tr>
<th>Business</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerajinan Bordir</td>
<td>0</td>
</tr>
<tr>
<td>Industri Kuliner</td>
<td>26</td>
</tr>
<tr>
<td>Kerajinan Lidi</td>
<td>8</td>
</tr>
<tr>
<td>Kerajinan Eceng</td>
<td>0</td>
</tr>
<tr>
<td>Kerajinan Batok</td>
<td>27</td>
</tr>
<tr>
<td>Kerajinan Kulit</td>
<td>6</td>
</tr>
</tbody>
</table>

The frequency table above shows information regarding the amount of data processed for each variable, where:

1. HCI Embroidery Crafts showed that all respondents said this business was important in formulating the Blue Ocean strategy.
2. HCI Culinary Industry showed that 26 respondents said this business was not important in formulating the Blue Ocean strategy, while 12 respondents said this business was important in formulating the Blue Ocean strategy.
3. HCI Lidi Crafts showed that 8 respondents said this business was not important in formulating the Blue Ocean strategy, while those who said this business was important in formulating the Blue Ocean strategy were 30 respondents.

4. HCI Water Hyacinth Crafts shows that all respondents said this business was important in formulating the Blue Ocean strategy.

5. HCI Coconut Shell Crafts 27 respondents said this business was not important in formulating the Blue Ocean strategy, while 11 respondents said this business was important in formulating the Blue Ocean strategy.

6. HCI Shell Crafts showed that 6 respondents said this business was not important in formulating the Blue Ocean strategy, while 38 respondents said this business was important in formulating the Blue Ocean strategy.

<table>
<thead>
<tr>
<th>Tabel 5. Test Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Cochran's Q</td>
</tr>
<tr>
<td>Df</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
</tr>
</tbody>
</table>

a. 1 is treated as a success.

The table above provides value information as a basis for decision making. To determine whether there are differences in the interests of the Home Craft Industry, we first create a hypothesis as follows:

H0 = The six Home Craft Industries have the same level of importance.

H1 = The six Home Craft Industries have different levels of importance.

Based on the results above in the Asymp Sig line, it can be seen that the probability value is 0.000, so H0 is rejected (0.000 < 0.05) and Ha is accepted. Thus the decisions taken are: The six Home Craft Industries have different levels of importance in strategy formulation Blue Ocean.

| Tabel 6. Correlation Matrix |
The first assumption of Factor Analysis is:

Determinant of Correlation Matrix Test. The correlation matrix is said to be related to each other if the determinant has a value close to 0. The calculation results show that the Determinant of Correlation Matrix value is > 0.05. This value is away from 0, thus the correlation matrix between variables is not related to each other.

The second assumption of Factor Analysis is: Kaiser Meyer Olkin Measure of Sampling (KMO) is an index comparing the distance between the correlation coefficient and the partial correlation coefficient. If the sum of the squares of the partial correlation coefficients between all pairs of variables is small compared to the sum of the squares of the correlation coefficients, this will result in a KMO value close to 1. The KMO value is considered sufficient if it is more than 0.5. The research results show that the Kaiser Meyer Olkin Measure of Sampling value is 0.530. Thus, the KMO requirements meet the requirements because it has a value above 0.5 with a significance of 0.000 < 0.05.
Processing data on 5 competition factors, using factor analysis with the principal component extraction method, produces 2 main components. The grouping of competition factors into main components is seen from the loading value or correlation value which is chosen based on the largest absolute number. Based on the table above, the loading value or correlation value obtained from the results of orthogonal varimax rotation carried out on 5 competition factors also produces 2 main components, namely volume of contents and contract system for the first component and ease of raw materials and facilities for the second component.

5.2. Discussion

The competitive strategy carried out by HCI North Sumatra Province is a strategy in applying the abilities of business actors in analyzing the external and internal environment, formulating strategies, implementing plans designed to achieve company targets, and conducting evaluations to obtain feedback. back in formulating future strategies. The indicators used by HCI North Sumatra Province in facing business competition are:

1. Always introduce new products
2. Creating different products (differentiation)
3. Conduct market research
4. Keeping costs lower than competitors e) Products with efficient costs
5. Improved coordination of various products
6. Optimizing production tools and facilities h) Carrying out cost analysis
7. Increased availability of work equipment j) Focus on certain customers
8. k) Focus on certain products
9. l) Focus on certain market segments

This competitive strategy is carried out by identifying competition factors in the
Home Craft Industry of North Sumatra Province which consist of the price factors offered by the Home Craft Industry of North Sumatra Province, the diversity of products offered, the skills of entrepreneurs in providing fast and precise services, providing information about products - processed products accurately, Speed of processing and/or presentation, Responsiveness in responding to consumer complaints, Speed of transactions, Friendliness and politeness of HCI entrepreneurs.

Before business actors choose the right strategy, they need an attraction from two bases of attraction, namely functional and emotional, Home Craft Industry actors in North Sumatra Province need to first determine their orientation. North Sumatra Province’s Home Craft Industry has three orientations, namely eating activities, providing atmosphere, and providing souvenirs. The first and last orientations are functional orientations. Meanwhile, the second orientation is an emotional orientation. The second orientation is currently still a cost for the Home Craft Industry of North Sumatra Province, especially in the culinary industry. This can be seen during holidays or weekends where there are many consumers queuing to get a place, while consumers who have finished consuming food do not leave quickly because they want to enjoy the atmosphere. To overcome this, HCI in the culinary industry needs to improve the performance of waiters to provide good service to these consumers. This can be done by continuously offering products by waiters to consumers. This method provides two possibilities, namely the consumer feels self-conscious about going home or the consumer will make another purchase. This method will minimize the costs borne by culinary entrepreneurs if consumers are still not quick to go home but consumers still order other menus.

Based on the SWOT matrix above, it can be used as a basis for determining the company's position in order to find the right competitive strategy for shell craft business actors. From the analysis of the external and internal environment included in the SWOT matrix, it is known that Shell Craft Business Actors have internal strengths, especially in terms of competitive prices. While promising market opportunities and the external environment also support the company to develop, it
can be concluded that Shell Craft Business Actors must focus more on using internal strengths to be able to take advantage of opportunities from the external environment.

The recommended strategy is a market penetration strategy. Based on the SO strategy above, it produces 4 strategies based on market penetration strategies. The SO strategies above are: expanding market share, maintaining and maintaining consumer loyalty, improving services for consumer satisfaction, carrying out promotions and advertising effectively. So the market penetration strategy can be implemented by implementing the four strategies that emerge from the SO strategy from the SWOT Matrix.

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