Look for Strengthening the Competitiveness of Traditional Snacks-Based SMEs

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ABSTRACT
This study aims to analyze the strengthening of the competitiveness of the traditional snack home industry in the Traditional Snack Village in Mlatibaru Village Semarang. The research method was qualitative through structured interview data collection techniques. The subjects in this study were policymakers and the number of home industry players in the traditional snack village in Mlatibaru, Semarang. The data validity test included credibility test (internal validity), source triangulation (checking data from various sources in various ways, at various times), and using reference materials, namely supporters to prove the data that the researcher has found, such as interview data, photos, and recordings. The results show that traditional snack SMEs must prepare several strategies to compete with other business actors. Strengthening competitiveness through HR improvement strategies, product efficiency, marketing, and business bookkeeping.

Keywords: SMEs, snacks, innovation, competitiveness

1. Introduction

The small industry is the home industry on a micro-scale. Regulation of the Indonesian Minister of Industry 20/2016 states that home industry is a small company, where the economic activity is centered at home, the employees live in a place not far from the production house, use simple technology and machine, the other capital equipment is relatively simple, located in rural areas, access to reach markets that are outside the adjacent neighborhood is limited. In general, the home industry is a production system using simple technology and is related to local wisdom (Enyatno, 2011).

The existence of small industries has a potential strategy in accelerating local economic growth, especially in terms of employment and contribution to national income (Wijaya, 2016); small and household industrial businesses have a role in improving the local economy. In its development, small industries have some problems related such as the weak competitiveness of the products. Competitiveness is one of the criteria for determining the success and achievement of a better goal by a country in increasing income and economic growth. Competitiveness is identified with a productivity problem, namely by looking at the level of output produced for each input used. This increase in productivity is caused by an increase in the amount of physical input to capital and labor, an increase in the quality of the input used, and an increase in technology (Porter, 1990; Chikan, 2008).

Factors that cause weak product competitiveness include difficulty in raw materials, product quality, and lack of product innovation (Garelli, 2012; Siriphattrasophon, 2015). To penetrate the market, small industry entrepreneurs, especially traditional snacks, must innovate to improve product competitiveness. Product innovation includes product quality, market access, and continuity to manage competencies for achieving prosperity or profit.

Traditional snack innovation can be done by diversifying products, flavors, and packaging. Business actors must conduct market research to gather information from competitors, market information, and the environment so that they can launch products that meet market requirements and consumer preferences. Besides product quality, packaging design is an important part of increasing product competitiveness (Darmaria, 2014; D’ippolito, 2014).

The weak competitiveness of traditional food products is also experienced by household industry players in Mlatibaru Village, Semarang. The results of the preliminary study show that improving traditional food products both in quality and quantity faces several challenges, including 1) simple equipment, 2) minimal quality and motivation of workers; 3) Minimum capital, 4) lack of technology, management, information and markets; and 5) lack of access to government policies in the home industry development program.

Home industry players are the owners and managers of the companies, this condition makes the task of home industry players to be too heavy.
to make improvements in the production process. Improvement aims to improve the quality of the product, reduce ineffective time and costs, and eliminate some useless activities and improve marketing. Wiyadi (2009) revealed that the conditions of the business environment, each industry must be efficient to be able to compete with domestic products. This is how the industry must be able to offer good quality products at low prices to consumers.

Business actors must have a strategy for making their business success namely by increasing competitiveness through 1) improving the business actor’s quality or capability which can be carried out through various training/education and development; 2) business efficiency, that can be done by encouraging SMEs to achieve economical scale; 3) through the issuance of government regulations that favor small companies to make them more competitive (Nurhayati, 2014; O’Dwyer, 2008; Andrea, 2010; Ahmedova, 2015; Siriphattrasophon. 2017). Puticova (2011) stated that to increase competitiveness, it is necessary to strengthen the marketing of its products. Lestari (2010), small and medium industries are proven to be resilient in facing external turmoil even though they do not get facilities from the government.

The main factors affecting the competitiveness of small industries are divided into external and internal factors. Internal factors include aspects that determine the company’s internal competitiveness such as productivity and innovation. Aswicahyono and Hill (2014) show that the productivity of the Indonesian workforce and the level of innovation greatly influence the quality of human resources, corporate culture, the educational background of owners and workers, and the character of stakeholders in the company. Several external factors that influence and support the competitiveness of SMEs include business willingness, access to finance and capital, market access, infrastructure, and general macroeconomic conditions. Therefore, traditional snack products must be more innovative to have a competitive advantage so that they can compete in the market.

Traditional snack products must be more innovative to have a competitive advantage so that they can compete in the market. In general, the problems faced by traditional snack business operators are the lack of increased competitiveness through quality, facilities, and infrastructure as well as selling prices. The formulation of the research problem, is “What kind of strategy that use to strengthen the competitiveness of the traditional snack home industry in the Traditional Snack Village, Mlatibaru Village, Semarang?”.

The research objective was to analyze the competitiveness of the traditional snack home industry in the Traditional Snacks Thematic Village, Mlatibaru Village, Semarang.

2. Methods

The research approach used descriptive qualitative research that is based on the philosophy of post positivism and was used to examine the conditions of natural objects, where the researcher was the key instrument, the sampling of data sources was done purposively, the collection technique was triangulation (combined), the data analysis was inductive/qualitative, and qualitative research results emphasize the meaning of generalization (Sugiyono, 2010). The object of this research described the management of the business and analyzes the situation and conditions of the external and internal environment, and formulates the right strategy to strengthen the competitiveness of the traditional snack industry in the Traditional Snacks Thematic Village. The subjects in this study are policymakers (Mlatibaru village head and Semarang City Cooperative and SMEs Office), SME players, and buyers of traditional snacks in Mlatibaru Village consisting of 4 households, 3 heads of community association groups, and 3 school principals.

The data collection method used semi-structured interviews, namely interviews that were included in the in-depth interview category, the implementation of which was freer than structured interviews. The purpose of this type of interview was to find problems more openly, in which the interview was asked for their opinions and ideas. In conducting interviews, researchers listened carefully and took notes on what the informants say. The data validity test included the credibility test (internal validity) namely, by extending the observation, the researcher returns to the field, makes observations, and interviews again with data sources that have been encountered or new ones. Source triangulation checked data from various sources in various ways, and at various times, and used reference materials, namely supporters to prove the data that the researcher has found, such as interview data, photographs, and recordings.

3. Result and Discussion

3.1. Traditional Snacks Thematic Village

In mid-2016, the Semarang city government began launching a thematic village. The thematic village aims to decrease poverty in Semarang, especially the problem for fulfilling basic needs, encouraging the local economy by exploring community economic potentials that have high selling value. The concept of a thematic village according to Idziak, Majewski, & Zmyslony (2015), offers the community to be proactively involved so that it is not only community-based but also the creation of a distinctively sustainable village space by the community. Born from the creative ideas of the community and society, thematic villages can also be called social innovations (Kloczko-Gajewska, 2014). The concept of a thematic village includes 1) mapping of problems, namely: the community looks for ideas in developing their village so that it can create jobs and increase local community participation; 2) determine the village theme by finding a group of interested people to be able to work together in implementing ideas; 3) coordination through ideas modified by the various actors involved until finally it is implemented.
The poverty problem is very complex, so it requires an integrated, comprehensive, and sustainable approach (Rejekiningsih, 2011). To overcome these problems, the Semarang City Government has arranged the development of residential areas along with supporting facilities and infrastructure in Semarang, through the “GREAT GATE” program, especially by forming thematic villages. (http://gerbanghebat.semarangkota.go.id).

One of the potential; the thematic village is the Traditional Snack Village in Mlatibaru Village, East Semarang District, Semarang City, to raise local wisdom in organizations that have high selling value in the community. Traditional snack villages produce various kinds of traditional snacks, run businesses in their homes, and buyers of traditional snacks go directly to the production houses. Some of the products produced in this traditional snack village have various types, variants, colors, and flavors. The traditional snack products produced by micro-entrepreneurs in Traditional Snack Villages include cake, pukis, cucur, lapis, onde-onde, mendut, jentik manis, nagasari, etc.

3.2. Discussion

A traditional snack business, a business that has many buyers, because it has a very familiar taste and is always sought after by consumers so it can generate a large turnover. To increase the traditional snack’s competitiveness, we examined some factors that affect the competitiveness of traditional snack products. These factors are divided into internal and external factors. Environmental factors include human resources, production, marketing, and finance. Meanwhile, the competition environmental factors among business actors, entry of new competitors, potency for product development, suppliers, and consumer bargaining power.

3.2.1. Internal Environmental Analysis

1. Human Resources

Human resources are non-material/non-financial assets. Human resources have functioned as a driving force for a company to realize the company’s existence. As the main capital in a company, human resources must have the ability and work skills. The quality of human resources refers to knowledge, skills, abilities (Matutina, 2001). The fact is that the human resources owned by traditional business actors rely heavily on recipes from ancestral heritage and lack innovation. The competitive advantages of traditional snack products are product authenticity and taste that is quite good, the disadvantages are lack of innovation and unattractive packaging so that buyers are likely to respond very highly.

2. Production

The production process is an activity of changing shape by creating or adding to the value of an item to meet human needs. Traditional snacks produced in traditional villages are snack products that do not have a long shelf life, therefore business actors only produce traditional snacks according to buyers’ requests.

3. Marketing

Traditional snack business actors are business actors with a small business scale, owned and operated by themselves, marketing strategies for traditional snack products occur spontaneously, and as they are. Business actors try to fulfill buyers’ desires by observing and listening to buyers’ complaints. During running their business, business actors have never conducted online marketing, through print media or participated in culinary exhibitions held by the government or private agencies. Business actors acknowledge the lack of information regarding ways to expand market networks.

4. Finance

In running their business, traditional snack business operators think they do not need bookkeeping because they are considered complicated and a waste of time. All income is received by business actors, so it is difficult to distinguish between business cash and personal cash. As a result, the business actor does not know how much the sales contribution to the profit earned, whether the business financial management is effective and efficient.

3.2.2. Internal Environment Discussion

Strategies for strengthening the competitiveness of human resources, business actors must provide motivation, training, and education to human resources. Motivation is one of the key factors for business progress. The goal is to change the mindset, with motivation so that human resources will be more creative, innovative, and productive, able to produce products that have selling value and quality (Widiastuti et al. 2019). By providing comprehensive training and education it is hoped that it can improve the expertise/skills of business actors. Motivation is one of the key factors for business progress (Walu-kow, et. Al. 2016; Okoye and Raymond, 2013).

From the production side, creative innovation is needed to be able to revitalize traditional snacks to be able to compete with the onslaught of modernization which is constantly coming up with new things. The innovation of traditional snacks will create various forms and flavors of traditional snacks to increase choices, increase the benefits or value received by customers, which in turn will improve product quality as expected by customers. There is a close relationship between innovation and product quality, innovation determines a company’s ability to create products according to customer specifications (Prajogo and Sohal, 2003).

Marketing strategy is very important in running a business, the goal is the business being carried out not only running in place but also experiencing bankruptcy. A good marketing strategy can create long-term business opportunities (Izvercian et al, 2016). Business operators must
be more familiar with information technology to promote the traditional snacks they produce.

Financial bookkeeping is very important in managing a business, with financial bookkeeping business actors can separate business and personal finances. With orderly bookkeeping, the financial turnover can be identified, the finances obtained from the results of their business, and business actors can make good decisions. One of the benchmarks for success in running a business is the existence of financial bookkeeping carried out by business actors. Through financial bookkeeping helps business actors to obtain information related to the condition of the company and be able to make appropriate decisions. (David et al., 2009).

3.2.3. External Environmental Analysis
1. Business competition

Competition in traditional snack businesses is increasingly complex, business actors are competing to create innovations to face market competition. Various innovations created by business actors are quite effective in winning the market. One of the keys to win in market competition and to be effective in winning the market by paying attention to the tastes of the community, people’s lifestyles, purchasing power, sources of raw materials, creativity and product innovation. Competition in a way in which a company controls a competitive business competition (Porter, 1990).

An advantage that is not easy to imitate, can seize and maintain its position as a market leader and is a competitive strategy that can support success for a long time. (Matthews, 2005).

The number of competitors is a threat to business actors which can result in reduced customer impact, namely decreased sales. To face competitors, traditional snack business actors always maintain the quality, taste, and reduce the price of their products. Meanwhile, the weakness of the traditional snack business is the lack of marketing and efficiency of product manufacturing.

2. Potential entry of new competitors

Traditional snacks are very easy to produce by business actors because they do not require a large capital. The obstacle faced by competitors is the inability to produce with the same taste and quality because taste and quality are critical to the success of a traditional snack business.

The results of the interview revealed that new competitors in the traditional snack industry are a threat. It is serious for traditional snack business actors because it can take over consumers, thereby increasing sales and profits of competitors (Eskandari. et.al, 2015). New business actors will face difficulties in producing traditional snack products that are liked by the community, therefore business actors must have creativity and innovation, quality, and attractive prices.

3. The potency for developing substitute products

The potency for developing substitute products is quite high because there are so many kinds of traditional snacks that it is easy to replace them with one other. The quality of the replacement product is better and the price offered varies. The levels of competition that comes from substitute products are increased because the price of substitute products decreases and the consumers switch to another product that has a lower price (Eskandari. et.al, 2015). The best way to measure the competitive strength of substitut-ed products is by monitoring the market that obtained by the product. These products, also by monitoring the company’s plans to increase capacity and market penetration (Porter, 1990). These things make it easy for customers to switch to replacement products. Efforts are being made, namely by adding flavor variants, making product innovations using different raw materials, to avoid customers from boredom.

4. Bargaining power of suppliers

The bargaining power of suppliers to traditional snack business actors is quite high because the entrepreneurs and suppliers have been cooperating for quite a long time. The constraint of the supplier’s bargaining power is that if the price of raw materials is high, the sales profit will decrease. Business actors always maintain good relationships with suppliers by building trust with one another; subscribing / frequently buying at these suppliers to be able to bid on raw material prices. Efforts to increase competitiveness can be done by accelerating the availability of new product components, improving product quality, and carrying out efficiency from various sides. The power of the supplier increases when establishing a relationship and providing lower prices. (Dobrivojevic, 2013). Therefore, business actors must have good relationships with their relations, one of which is by way of payment on time so that raw materials can be fulfilled.

5. Bargaining power of consumers

The influence of consumer bargaining power is very high, this is because there are quite a lot of traditional snack sellers. Therefore, the price of traditional snacks must be suppressed, as a result, the profits earned will decrease. Efforts made in dealing with consumers’ bargaining power are by improving product quality so that consumers feel satisfied and will return to buy traditional snack products.

3.2.4. External Environment Discussion

Companies that compete in the industry perform some competitive actions and responses. With the strategy implemented, the opportunity to achieve success is very large. Companies that develop a more effective strategy will perform better (Putis, 1999 in Hitt et al. 2001).

The strategy pursued by business actors will be a success when the products produced have a competitive advantage. The competitive advantage of traditional snack business operators is that they use recipes from ancestral heritage, have the quality and taste of products that are...
above average, compared to other traditional snack products. Besides, business actors try to reduce prices while maintaining product quality, carry out production efficiency, and establish good cooperation with suppliers so that prices for raw goods can be reduced.

### 3.2.5. Strengthening Competitiveness

Strategies to strengthen the competitiveness of traditional snacks in the thematic Traditional Snacks are set out in the SWOT table, below.

#### Table 1. SWOT Analysis

<table>
<thead>
<tr>
<th>SWOT</th>
<th>Strength (S)</th>
<th>Weakness (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Skills to make snacks with ancestral recipes</td>
<td>1. There is no training and mentoring to increase knowledge and skills</td>
</tr>
<tr>
<td></td>
<td>2. Have a good quality taste and product hygiene, without preservatives.</td>
<td>2. Products are not durable, lacking innovation</td>
</tr>
<tr>
<td></td>
<td>3. Raw materials are easy to obtain</td>
<td>3. Limited production capacity, lack of facilities and infrastructure</td>
</tr>
<tr>
<td></td>
<td>4. Competitive prices in the market</td>
<td>4. Marketing is still weak</td>
</tr>
<tr>
<td></td>
<td>5. Consistent work morale</td>
<td>5. Business management is not well managed</td>
</tr>
<tr>
<td></td>
<td>6. Financial management capabilities are very limited</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunity (O)</th>
<th>Strategy SO</th>
<th>Strategy WO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The increasing trend of traditional snacks</td>
<td>1. Collaborating with Semarang City Government for promotional activities (market penetration)</td>
<td>1. Cooperating with the Semarang City Government to provide training on how to make products in an innovative, efficient, and effective manner (W.1., O.1.)</td>
</tr>
<tr>
<td>2. Availability of raw materials</td>
<td>2. Increase marketing with new ways, such as marketing through social media, participating in exhibitions (W.2., O.2.)</td>
<td></td>
</tr>
<tr>
<td>3. There are still many techniques and methods of marketing that have not been done (marketing through online media).</td>
<td>3. Expanding marketing using online media (S.1., O.1. O.3.).</td>
<td></td>
</tr>
<tr>
<td>4. The market potential is still wide.</td>
<td>4. Expanding marketing by entrusting products in more stores (S.1., S.2., O.3.).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Threat (T)</th>
<th>Strategy ST</th>
<th>Strategy WT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The number of competitors in the same industry, very large.</td>
<td>1. Traditional snack products are packaged modern and classy (product development)</td>
<td>1. Innovating products to be able to compete with modern cake products</td>
</tr>
<tr>
<td>2. The trend of increasing raw material prices</td>
<td>2. Cooperate with bakeries and catering businesses to supply traditional snacks (market penetration)</td>
<td>2. Creating a brand on traditional snack products</td>
</tr>
<tr>
<td>3. There is no business strategy</td>
<td>3. Registering products at BPOM and MUI halal certification</td>
<td>3. Registering products at BPOM and MUI halal certification</td>
</tr>
<tr>
<td></td>
<td>4. Improve business management</td>
<td>4. Improve business management</td>
</tr>
</tbody>
</table>

**Source:** Processed data

Strategies for strengthening competitiveness through Human Resources can be more effective by referring to the Hitt theory, et al. (2001) in Rivai (2001), that every person who will manage a business is required to have the capability to be able to run a business that is competitive so that the business can continue to grow in the intense competition like today. In general, the quality of human resources at traditional snack SMEs is still low. To help improve the quality of human resources, the government through related agencies/ agencies as well as independent parties such as universities helps improve the quality of human resources in traditional snack SMEs by holding training (Vandarlier, 2016), but programs to improve the quality of human resources have not shown satisfactory results so that efforts must be made; prepare superior human resources in traditional snack SMEs. The strategy in strengthening human resources has a close correlation with work productivity improvement, in winning over competition rapid changes needed. Therefore, traditional snack business players are required to have a high commitment to preparing and building competitive human resources in various programs and strategic policies (Sugiarto, 2019). The strategy to strengthen competitiveness through business efficiency means that in producing goods or services...
the company reaches economies of scale, that is, the scale of business is carried out with minimum average costs. Economical business scale can be achieved if the turnover or business volume is large. Conditions in the field, the turnover of traditional snack SMEs businesses is not so large that they have not been able to reach economies of scale.

Strategies that can be carried out by traditional snack SMEs are collaborating with suppliers to get special prices in purchasing raw materials and making product innovations. The results show that cooperation with suppliers has been carried out but SMEs have not made product innovation so that less attractive to buyers and the result is stagnant. Innovation is used to implement creative ideas in products, processes, and marketing as well as its success in selling innovative products in the market which is usually done in stages to generate profits. An innovation strategy is a basic tool that determines the direction of business innovation based on business strategy and strategic objectives (Hittmár et al. 2014).

Innovation is needed by business actors to be able to compete because innovation can provide both added value to the products and better solutions for solving problems faced by consumers. Innovation can also be interpreted as solving problems for all management functions (Marketing, Production, Finance, and Human Resources) or all efforts made by business actors to make their business effective and efficient so that they can produce better products than competitors at higher prices. Competitive. From the marketing perspective, innovation must be able to create: more competitive prices, higher quality products, convenience for consumers to obtain products, and good information about the products produced (Lee et al. 2015). Therefore, policymakers must facilitate collaboration to increase the knowledge and skills of SMEs actors to be more innovative in producing products and ready to accept changes, awareness, and responsiveness to their potential (Handayani and Supriati, 2019).

Marketing needs serious attention from traditional snack business actors. The determination of the marketing strategy must be mature so that the chosen marketing strategy will be able to penetrate the market. In conditions of the increasing competitor, the ability to grab market share will affect the continuity of the business itself (Wibowo et al. 2015). Marketing strategies can be done in ways such as more attractive products packaging, collaborating with bakeries or caterers, advertising them, or online shops. Creative and innovative marketing ideas influence the value of a business that is created (Gupta et al. 2016). And for Traditional Snacks, SMEs Finance can make bookkeeping to see the performance of their business, separating business finances and personal assets. To increase accuracy, efficiency, and responsibility. Good and correct financial management to make it easier to predict income and conduct evaluations (Kumiasanti et al. 2014).

4. Conclusion

Based on research findings, It can be concluded that strengthening the competitiveness of the traditional snack home industry can be done through increasing sales through product innovation and product diversification, introducing products to new areas as a marketing strategy, and making financial books to determine business performance.

Recommendations for strengthening competitiveness are carried out by intensifying government policies to support traditional snack SMEs through traditional snack fairs so that the sustainability of traditional snack production can be maintained and the survival of traditional snack SMEs is guaranteed.

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