

Analysis of Internal and External Factors in Small Industrial Products of Typical Food in Bukittinggi City

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Abstract

As one tourist destination in the province of West Sumatra, the city of Bukittinggi constantly develop themselves in areas that support tourism among others, typical food. Today the business of typical food products from Bukittinggi experiencing various problems that come from both internal and external. This research has the aim of analyzing the internal and external factors of small industrial food of typical products from Bukittinggi. Samples are as much as 60 entrepreneurs food industry of typical products in Bukittinggi. Random sampling. Data were analyzed by using the average and percentage. Results of studies have found internal factors, among others; Low investment, has intellectual property rights but has not been used to protect products, education level employers are relatively high, possessing secret recipe is limited, while the external factor is the emergence of new industries that produce the same commodity, their substitutes, input suppliers and consumers have bargaining power is high.

Keywords: internal factors, external factors, small industry, typical food

Introduction

Bukittinggi is a famous city for tourism in West Sumatra and Indonesia, because of the tourists visiting the city of Bukittinggi derived from domestic tourists and foreign nationals. Travelers generally buy a typical food² Bukittinggi. Based on data from the Department of Industry and Trade Cooperative Bukittinggi period 2011 - 2015 that the average rate of growth of total employment is 24% per year, the value of raw materials amounted to 15.01%, the value of the product amounted to 14.35%, and the value investment of 19.62% and turnover growth of 15.92% per year. These data illustrate that the development of the use of inputs, investment, production, and income from small industrial products of typical food of Bukittinggi is relatively low in the last 5 years.

Factors that allegedly led to issues in the case are as follows; Based on preliminary study data showed that small industry of typical food produce several types of products with different types and flavors are very limited, the packaging is still a simple and traditional, the products have been rebranded very little. Apart from that in the area around Bukittinggi also produce similar products. Government of Bukittinggi City has had IPR (intellectual property rights) for food of typical products. However, intellectual property rights owned untapped to protect local products), because of the problems of the related parties are tribal leaders, and government. Meanwhile various industries in size medium scale also produce similar products, products from industry-medium scale industries tend to be more attractive to tourists and other consumers, especially for consumers who use the product to be taken out of the area. This is probably caused by manufacturers of medium scale industries has given brands and attractive packaging, and produced the products according to consumer tastes.

Development of the snack food industry is so rapid is thought to be external factors that allegedly threaten the development of the food industry of typical products of the town of Bukittinggi. The prices of snack products are relatively cheaper than the price of products of typical food. This price differential led to a demand of consumers, especially the tourists will be snack food products is

increasing, due to the snack food products can be used as substitutes. Solving the problems above research has the objective to analyze the internal and external factors that are owned and small industrial entrepreneurs faced by products of typical food of Bukittinggi.

Methods

Small industrial entrepreneurs of typical food Bukittinggi as many as 70 people are in the study population. The number of samples is as much as 60 entrepreneurs of small industrial products of typical food. Slovin formula used to determine the sample with the error tolerance $e = 5\%$, the sample selection by simple random sampling. The data in this research is the primary data. Data were collected using a questionnaire. The collected data was analyzed using analysis of average and percentage. The internal potential is referred to in this study consisted of indicators: (1) Tangible the form, (a) Financial (cash, securities, borrowing capacity), (b). Physical (plant, equipment, land, mineral reserves). (2). Intangible include; (a) Technology (patents, copyrights, trade secrets). (3) Human consists of: (a). Skills / know-how, (b). Capacity for communication and collaboration. While the potential of the external covering; (1). Threat of new entrants, (2) Bargaining consumer, (3) Bargaining suppliers, (4) Competition between existing firms.

Result and Discussion

Result

Potential Internal

a. Tangible

1). Financial (cash, securities, borrowing capacity)

In Table 1 are presented the data from the initial investment amount of small industrial entrepreneurs of product for typical food in Bukittinggi. The data in Table 1 it is known that that the majority (66,67%) of respondents invested in a number of relatively small size is $< \text{IDR } 4.287.714$, and a small percentage (5%) is invested in a relatively large amount is $\geq \text{IDR } 12.857.142$. These data indicate that the funds invested by the respondent businessmen of small food industry of typical product in the city of Bukittinggi is low, so that the necessary additional funds for business development.

Table 1 Number of Initial Investment Entrepreneur Typical Food in Bukittinggi

No	Interval (Rp)	Total	Per cent
1.	$<4.287.714$	40	66,67
2.	$4.285,714 - 8. 571.427$	9	15,00
3.	$8.571.428 - 12.857.141$	8	13,33
4.	$12.857.142 - 17.142.855$	1	1,67
5.	$>17.142.855$	2	3,33
Total		60	100,00

Source: Primary data, 2016

Sources of investment funds in the business of production of typical food in Bukittinggi, namely: (1) of the money which it owns 96,67% of the respondents, and (2) family loan with the number of respondents 3,33% (see in table 2) These data indicate that the typical food industry entrepreneur in Bukittinggi has not been able to use the resources of third parties such as banks and other financial institutions, as well as from government assistance.

Table 2 Entrepreneur of Industry for Typical Food in Bukittinggi Town Based on Sources of Investment Funds

No	Sources of Investment Funds	Total	Per cent
1	One's own	58	96,67
2	Borrowed from family	2	3,33
	Total	60	100,00

Source: Primary data, 2016

Total capital is currently owned by businessman small industrial for typical food products Bukittinggi can be seen in Table 3. Employer-food products by the majority (90%) have a relatively small amount of capital is around IDR 2,5 million - IDR 73.571.428, and a small percentage (10%), the other has a relatively large amount of capital that is greater than IDR 73.571.428. This indicates the need for additional funds. But different things can be seen in table 3.

Table 3 Total Capital from Entrepreneur of Small Industries for Typical Food in Bukittinggi at This Time

No	Interval (IDR)	Number of Respondents	Percentage of Respondents
1.	< 2.500.000	1	1,67
2.	2.500.000 - 73.571.428	54	90,00
3.	73.571.429 - 144.642.857	2	3,33
4.	144.642.858 - 215.714.236	1	1,67
5.	>215.714.286	2	3,33
	Total	60	100,00

Source: Primary data, 2016

Based on the data in Table 4 can be obtained information that a small portion (6,67%) respondents stated that require additional capital, and the vast majority (93,33%) stated they do not need additional capital in the business. This indicates that the need to receive training on business development that can change the mindset of entrepreneurs about the importance of expanding business.

Table 4 Number of Entrepreneurs Small Industrial Products of Typical Food Based on the Additional Capital Needs

No	Category	Total	Per cent
1.	Require additional capital	4	6,67
2.	Not require additional capital	56	93,33
	Total	60	100,00

Source: Primary data, 2016

The data in table 5 contains the number of respondents of small industrial entrepreneurs for typical food products based credit application to the Banking Institution. Based on the data in table 5 it can be seen that the majority (67,67%) of respondents had filed a bank loan and a small percentage (33,33%), others never. These data illustrate that that they needed training capability loan application to the bank for entrepreneurs of Sanjai cracker industry in Bukittinggi in order to increase the amount of venture capital.

Table 5 The Number of Entrepreneurs by Obtaining Loans to Banking Institutions

No	Category	Total	Per cent
1.	Ever apply for credit to banking institutions	40	67,67
2.	Never apply for credit to banking institutions	20	33,33
Total		60	100,00

Source; Primary data, 2016

2). Physical (plant, equipment, land, mineral reserves)

The data in table 6 contains information about the ownership of business premises. The number of entrepreneurs of typical food products that has its own place of business is 68,33%, the rest (31,67%) is a tenant.

Table 6 The Number of Entrepreneurs Based on Business Premises Owners

No	Status of business sites	Total	Per cent
1	One's own	41	68,33
2	Rent	19	31,67
Total		60	100,00

Source; Primary data, 2016

The amount of the rental amount is varied ranging from IDR 1,2 million per year to IDR 34.457.147 per year (see in table 7). This gives the information that the amount of the rent can be grouped on a low rent up to the high rents. Large variations in rents are likely influenced by the location and extent of the business premises.

Table 7 The Number of Entrepreneurs Based on the Amount of The Lease Business Premises

No	Interval of rent (IDR)	Total	Per cent
1.	1.200.000 - 6.742.857	2	10,53
2.	6.742.858 - 12.285.715	7	36,84
3.	12.285.716 - 17.828.573	4	21,05
4.	17.828.574 - 23.371.431	2	10,53
5.	23.371.432 - 28.914.289	1	5,26
6.	28.914.290 -34.457.147	3	15,79
Total		19	100,00

Source; Primary data, 2016

Table 8 presented data on the number of small food industry for typical product in Bukittinggi based on ownership of the main raw material of 3,33%. These data indicate that the majority of the food industry entrepreneurs for typical product in the supply of key raw materials is highly dependent on the supplier.

Table 8 The number of Entrepreneurs Based on The Ownership of Key Raw Materials

No	Category	Total	Per cent
1.	Owns / produces the main raw material	2	3,33
2.	Not having a main raw material	58	97,67
Total		60	100,00

Source; Primary data, 2016

b. Intangible

1). Technology (patents, copyrights, trade secrets)

The data in Table 9 include the number of respondents small food industry for typical product by Bukittinggi based on ownership secret recipe. From the data it can be seen that only a small percentage (16.67%) of respondents who have a secret recipe and the vast majority (83.33%) do not have secrets in manufacture, so the taste of crackers Sanjai generated will be the same as the others. the resulting production will have a taste that is not different from the others.

Table 9 The Number of Entrepreneurs Based on Proprietary Secret Recipe

No	Category	Total	Per cent
1.	Have a secret recipe	10	16,67
2.	Do not have a secret recipe	50	83,33
	Total	60	100,00

Source; Primary data, 2016

In the case of a Patent (IPR), the typical food of Bukittinggi Town has had a patent owned by indigenous leaders of Bukittinggi. Patents owned but have not been utilized properly. This has led to a kind of commodity can be produced by outside producers Bukittinggi with the same product name.

Table 10 The Number of Entrepreneurs Based on The Use of Technology in Production

No	Types of technology	Total	Per cent
1	Traditional technology, simple equipment	21	35,00
2	Modern technology (machinery)	39	65,00
	Total	60	100,00

Source; Primary data, 2016

The data in Table 10, it can be seen that the majority (65%) of respondents have used modern technology in production and a small portion (35%) are still using traditional technology or equipment is simple in production. These data indicate that still needs to be done training in business development so that all respondents' small industrial producers of typical food products will use modern technologies. This will have an impact on increasing production and income and employment in Bukittinggi.

c. Human

1). Skills/know-how

Table 11 shows highest formal education attained by small industrial entrepreneurs of typical food in Bukittinggi i.e high schools and universities with the amount of 76,67%, and the rest as much as 16,67% primary school and junior high school. This shows that the majority of small business entrepreneurs of typical food industry in the city of Bukittinggi has a relatively high level.

Table 11 Number of Respondents by Level of Formal Education

No	Formal Education Level	Total	Per cent
1.	Elementary school	1	1,67
2.	Junior high school	9	15,00
3.	Senior high school	34	56,67
4.	University	12	20,00
	Total	60	100,00

The data in Table 12 shows the majority (68.31%) of respondents attended training in a relatively short time is 5 days down, and a small percentage (8.34%) were getting training in a relatively long time. These data indicate that in the development of small industries of typical food in Bukittinggi, the need to improve the implementation of business training so as to increase profits.

Table 12 Number of Respondents by Lengthy Training

No	Interval (Days)	Total	Per cent
1.	<3	19	31,67
2.	3-5	22	36,67
3.	6 -8	4	6,67
4.	> 8	1	1,67
Total		46	100,00

Source; Primary data, 2016

Based on data from table 13 the majority (56,67%) of the business of typical food products in the city of Bukittinggi is the work done by generations, while a small portion (43,33%), the other is a new business started. This condition is expected to influence the management of small industrial typical products.

Table 13 Number of Respondents by Establishment

No	Establishment	Total	Per cent
1.	Hereditary Business	34	56,67
2.	New business	26	43,33
Total		60	100,00

Source; Primary data, 2016

The data in Table 14, it can be seen that the majority (60%) of respondents acquire knowledge in production is coming from parents or family, and a small percentage (40%) more gain knowledge of how to produce from other sources i.e. from friends, observations and impersonation, as well as from training

Table 14 Number of Respondents by Knowledge Source in Produce

No	Originally Knowledge	Total	Per cent
1.	Parents (Families)	36	60,00
2.	Friends	13	21,67
3.	Observation and imitation	8	13,33
4.	Training	3	5,00
Total		60	100,00

Source; Primary data, 2016

Most respondents (51,67%) using the manpower of 4 -5 people, and for (33,33%) of respondents use manpower with the amount of 1-3 people, and a small percentage (15%) of respondents use manpower with the amount of 6-13 people (see in table 15). These data indicate that efforts by the food industry of typical products need to be developed in order to absorb more labor.

Table 15 Number of Respondents Based on the Use of Labor

No	Total use of Labour (People)	Total	Per cent
1	<2	3	5,00
2.	2-3	17	28,33
3.	4-5	31	51,67
4	6-7	3	5,00
5	8-9	3	5,00
6	10 -11	2	3,33
7	>12	1	1,67
	Total	60	100,00

Source; Primary data, 2016

2). *Capacity for communication and collaboration*

Partnerships are forged by the typical food industry entrepreneurs Bukittinggi is still relatively low at 1,67% and the vast majority (98,33%) of respondents have not established partnerships with other businesses. In table 16 at these data indicate that the need for training in order to seek partnership for typical food industry in the city of Bukittinggi, so that with the partnership entrepreneur for typical food products can develop their business.

Table 16 Number of Respondents Based Partnership

No	Partnerships with Other Businesses	Total	Per cent
1	Partnership	1	1,67
2	No partnership	59	98,33
	Total	60	100,00

Source: Primary data, 2016

2. External Potential (External factors – opportunities and threats from the operating environment)

a. Threat of new entrants

In table 17 shows number of respondents by the typical food industry entrepreneurs in the city of Bukittinggi who feel there is a threat in the development of production of a new industry that is an average of 71,67%, while the remaining 28,33% of other respondents did not feel any threat in the attempt

Table 17 Number of Respondents by The Perceived Threat of New Industries

No	Type of threats	Respondents who feel there is a threat		Respondents who feel there is no a threat	
		Total	Percent	Total	Percent
1.	Appear similar efforts in the area around Bukittinggi	55	91,67	5	8,33
2.	The emergence of business (shop) Sanjai crackers which can generate higher profits	52	86,67	8	13,33
3.	The emergence of the products have famous brands	40	66,67	20	33,37
4.	Appears products that have permission from the Center for drug and food control	36	60	24	40,00

No	Type of threats	Respondents who feel there is a threat		Respondents who feel there is no a threat	
		Total	Percent	Total	Percent
6.	The main raw materials are scarce	34	56,67	26	43,33
7.	The presence of well-known entrepreneurs	50	83,33	10	16,67
8.	Consumer loyalty to the brand famous	43	71,67	17	28,33
9.	Entrepreneurs who have capital to provide specialized services for consumers	39	65	21	35,00
10.	A newly established business has a license	41	68,33	19	31,67
	Average	43	71,67	17	28,33

Source: Primary data, 2016

In addition to feeling the threat of a new industry, the typical food industry entrepreneurs also felt the threat of substitutes. Employers of typical food in Bukittinggi Town who feel the threat of substitute goods by 60% and the rest (40%), others do not feel any threat. Types a threat of substitutes are presented in Table 18.

Table 18 Number of Respondents by Type Threat of Substitutes Goods

No	Types of Substitution	Respondents who feeling there threats		Respondents who are not feel threats	
		Total	Per cent	Total	Per cent
1.	The emergence of a new snack food industry	38	63,33	22	37,67
2.	Prices of products are relatively cheaper	35	58,33	25	41,67
3.	easily obtained	33	55,00	27	45,00
4.	The product quality is relatively higher	27	45,00	33	55,00
5.	The emergence of a kind of typical food products by the City and other areas	43	71,67	17	28,33
6.	The likelihood of changes in consumer tastes	40	66,67	20	33,33
	Rata-rata	36	60,00	24	40,00

Source; Primary data, 2016

b. Power Bargaining Power of Buyer / Consumer

Employers of typical food industry Bukittinggi expressed their bargaining power possessed by consumers in purchasing a product that is equal to 71,67% (see in table 19). Type of bargaining power is possessed by consumers in the form: 1) the existences of a large number of consumers make purchases, 2) Special services and discounts on a large number of purchases. 3) There are lots of choices for consumers, 4) The products are not different patterns.

Table 19 Number of Respondents by Bargaining Power of Consumers

No	Bargaining power of consumer	There is strength		There is no strength	
		Total	Per cent	Total	Per cent
1.	Consumers make purchases in large numbers	47	71,67	13	21,67
2.	Special services and discounts on a large number of purchases.	37	61,67	23	38,33
3.	There are lots of choices for consumers	46	76,67	14	23,33
4.	Product is not different patterns	40	66,67	20	33,33
Average		43	71,67	17	28,33

Source; Primary data, 2016

c. Bargaining supplier

Employers of typical food stating the input of cassava have bargaining power that is equal to 58,33%), while most of the remaining 41,67% stated that cassava input providers do not have bargaining power. See in table 20.

Table 20 Number of Respondents Based Bargaining Power of Cassava Input Provider

No	Bargaining Power of Cassava Input Provider	Have bargaining power		Not have bargaining power	
		Total	Percent	Total	Percent
1.	Cassava farm is owned by farmers who have capital on a large scale	45	75,00	15	25,00
2.	Cassava farmers have had certain business customers	44	73,33	16	27,67
3.	Prices of cassava purchased from farmers is considering large capital	24	40,00	36	60,00
4.	Special cassava raw material	25	41,67	35	58,33
5.	Raw materials are produced by the small farmer households	40	66,67	20	33,37
6.	Prices of cassava from ordinary farmers (small) is cheap	31	51,67	29	49,33
7.	Farmers sell cassava to entrepreneurs of subscriptions	35	58,33	25	41,67
Average		35	58,33	25	41,67

Source; Primary data, 2016

d. Competition between existing firms

Employers of typical food industry that suggests the presence of competition among enterprises in the city of Bukittinggi is amounted to 86,67%, and the remaining 13,33% is put forward did not feel any competition from some form of competition that occurs among industries in Bukittinggi can be seen in table 21.

Table 21 Number of Respondents by Industry Fellow Competition of Sanjai Crackers

No	Competition fellow Sanjai cracker industry	There is competition		There is no competition	
		Total	Per cent	Total	Per cent
1.	Price competition between businesses	60	100,00	0	0,00
2.	Competition in product quality	60	100,00	0	0,00
3.	Competition of various flavors	57	95,00	3	5,00
4.	Competition in the forms / types of new	51	85,00	9	15,00
5.	Competition in business scale	55	91,67	5	8,33
6.	Competition in the use of technology	55	91,67	5	8,33
7.	Their price leader	24	40,00	36	60,00
	Average	52	86,67	8	13,33

Source; Primary data, 2016

B. Discussion

1. Potential Internal

The study found potential tangible internal which are; 1). Financial (cash, securities, borrowing capacity) include a). a small initial investment in the industry typical products of food in the city of Bukittinggi is low. b). There are two sources of initial capital in the venture cracker production Sanjai namely; (1) of the money which it owns 96.67% of the respondents, and (2). a family loan with 3.33% of the respondents. The value of the investment at present is also relatively small. 2). Physical (plant, equipment, land, mineral reserves) include: a). Most employers of typical food products in Bukittinggi which has its own place of business, and the rest is a tenant. b) All employers have main equipment used in the production. c). Employers who have a garden of cassava as input is relatively small, because the supply of cassava input is highly dependent on the supplier.

Furthermore, the research also found that shaped Intangible internal potential, namely: Technology (patents, copyrights, trade secrets) include; a) .Entrepreneur who has a secret recipe in the product is very slightly so that the taste of the products are not different. b). Patent rights (IPR) already owned. But it is not utilized properly due to problems of various parties in Bukittinggi. c). have mostly been using modern technology in production and a small portion (35%) are still using traditional technology or equipment is simple in production.

The study found that the internal potential with respect to human (Human) is as follows: 1). Skills / know-how include: a). Formal education of entrepreneurs of small food industry businesses souvenirs in the city of Bukittinggi is relatively high at SLA and PT. b). Most training with a relatively short time is 5 days down. c) the work is done by generations d). mostly gained knowledge in production is coming from parents or relatives, d). Labor utilization is relatively low, 4 -5 people, 2). Capacity for communication and collaboration include; a). Most have not formed a partnership.

Based on research results relating to the internal potential above it can be seen that some of the potential of internally can be used as a force (Strength) in industrial development in the future, in addition there is also a weakness (weaknesses) needs to be improved. This is in accordance with the opinion of Porter (1980, 1998), and Kotler and Kevin Lane Keller, (2012: 39-40), which suggests that the internal factor is a very important factor in determining the development of an industry of the future.

2. External Potential

The study found that; 1). Threat of new entrants where most of the typical food industry entrepreneurs Bukittinggi who feel there is a threat in the development of production of new industries. The threats are: a) It comes a similar business in the area around the city of Bukittinggi b).

The emergence of famous brand c). Raw materials are controlled by the new media industry, d). Consumer loyalty to the brand famous. e). Amenities specialized services are provided by the business medium. 2). Threat of substitutes. Type a threat of substitutes is; a). The emergence for a new snack food industry, b). Snack low product prices, c). Facilities for obtaining it, d). relative higher quality products, e). The emergence of similar products in the town and other areas.

A side from external factors above, small industrial food for typical products Bukittinggi also face their bargaining power is possessed by consumers in buying the product in the form of buying in bulk will get discounts, obtain special services, availability in large quantities so consumers have choices.

Small industrial of typical food products in the city of Bukittinggi is also facing external factors such as the bargaining power of an input provider of cassava in the form; a). Cassava farmers have had certain business customers, b). Special cassava, c). Prices of cassava purchased from farmers venture capital is high, d). Cassava farm is owned by farmers who have capital on a large scale. In addition, the vast majority of employers the food industry by-by that suggests the presence of competition among businesses in Bukittinggi Some forms of competition are; 1). Price competition among businesses, 2) Competetion for quality product, 3). Competition ideals various flavors, 4). Competition forms / types of new, 5). Competition of business scale, 6). Competition in the use of technology. The emergence of these threats shows that food commodity market of typical food products are in the market conditions of imperfect competition (Besangko & Braeutigan, 2006: 481-500: Hubbard and Partrick, 2008).

External factors are mentioned above is a threat in the development of small food industry for typical products in the Town of Bukittinggi. These threats can be used as a force to contend this is in accordance with the opinion of Porter (1998). Apart from that industrial entrepreneurs of small food products souvenirs Bukittinggi can also make the external and internal factors as opportunities. The results of this study are relevant to the findings Eravia, et al. (2015) and Budi, et al. (2016) that the small scale industry are facing various internal and external problems in the development.

Conclusion

Conclusion

1. Internal factors are owned by entrepreneurs of small food industry for typical goods Bukittinggi a). Small investment, capital is now too small, b). Has a place of business itself, all the infrastructure and facilities required in the production is the property itself, the main input supply is highly dependent on the supplier. c). Limitations in possession of the secret recipe has patent rights (IPRs) but has not been used, modern technology in production. d). Have a higher formal education, e). Enterprises hereditary, low labor absorption, has not established partnerships.
2. External Factors in the form of threats that we face comes from; a). the emergence of new industries that produce similar commodities, which uses the brand and packaging, providing good service, as well as the control of raw materials. In addition, other threats are in the form of b). The threat of substitutes with a relatively cheap price, high quality, with a variety of flavors. Apart from that c). The input suppliers have a high bargaining power. Similarly, the supplier, d). Consumers also have high bargaining power.

Suggestion

1. Intellectual property has been owned by the Bukittinggi Town can be used to protect the food industry for typical goods in Bukittinggi.
2. Improvement of product quality and service quality to the consumer can be used as a way to reduce the threat of similar products, product substitution, and the bargaining power of suppliers and customers.

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