

# Competitive Strategies of Trade Sector SMEs in Buleleng District

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## ABSTRACT

This study aims to (1) analyze internal and external conditions that exist in the trade sector, especially SMEs in the food industry sector in Singaraja City, (2) analyze the SWOT of the food industry sector SMEs in Singaraja City and (3) examine the business development strategy that SMEs in the food industry sector in Singaraja, Indonesia, should implement. City. This type of research is descriptive qualitative research. The subject of this research is Small and Medium Enterprises (SMEs) in Singaraja City and its surroundings, while the object is the competitive advantage strategy applied by each SMEs so that the business can develop and advance. The data analysis process was carried out in three stages. The first stage is data collection or input stage using the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices. The second stage is the matching stage using the Internal - External (IE) matrix and the SWOT matrix. The third stage is a decision making or decision stage using QSPM. The results of this study indicate: (1) The Internal External Matrix shows that the food industry MSMEs are located in quadrant V, namely at point (2.55; 2.85) which means that they have a stability / growth strategy in order to be able to develop themselves in the future. (2). The results of the SWOT analysis of the food industry for MSMEs in Singaraja City are that the strengths and opportunities that MSMEs have when empowered together will be able to increase their business.

**Key words:** *Competitive Advantage, Food Industry, SMEs, SWOT.*

## 1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are highly productive business players that contribute significantly to the national and regional economies. Food crop farms, plantations, cattle, fisheries and trade, and restaurants are all examples of SMEs' advantages in harnessing local and labor-intensive natural resources. As a result, small and medium-sized enterprises (SMEs) have a substantial impact on local governments by generating local money (PAD). Therefore, it is imperative that Indonesia's small and medium-sized enterprises (SMEs) be developed and improved.

Small and medium-sized enterprises (SMEs) play an important role in the Indonesian economy. Small and medium-sized enterprises (SMEs) are key players in economic activities across a wide range of sectors, providing employment and contributing to regional economic development and community

empowerment. SMEs also play a significant role in maintaining the country's balance of payments by exporting their goods and services [1].

As is the case with small industries in general, the development of the food industry in Indonesia is dominated by small businesses, not by large scale businesses. Therefore, the role of small businesses, especially micro, in the food industry is very important. However, the development of the food industry has resulted in greater competition and narrowing of market share, this is due to large numbers of producers and selling prices that are the same or close to the cost of production. Responding to these estimates, companies in this case the SME sector of the food industry need to implement and determine competitive strategies to achieve their company's competitive advantage.

Singaraja is one of the rapidly growing cities in Bali. As a city with a dense population and economic

activity, the city of Singaraja is increasingly improving itself so that it can compete in Bali to attract tourists. The city of Singaraja has an area of 27.89 km<sup>2</sup> which consists of rice fields, fields, plantations, yards, graves and others. Singaraja City has a population of 82,827 people. As a city that has a high population tendency and can serve the entire planning area as well as on a regional scale and is supported by the existence of facilities and infrastructure.

Based on the description above, the focus of this research is to examine the competitive strategy of the trade sector, especially the food industry SMEs in Singaraja City, so that SMEs can develop rapidly and advance and provide great job opportunities to job seekers. When looking at Singaraja City's food industry, the following questions might be asked: (1) What are the internal and external conditions of SMEs in this sector? (2) What are Singaraja City's SMEs in the food industry's opportunities, threats, strengths, and weaknesses? and (3) How could SMEs in the food industry sector in Singaraja City formulate a business development strategy?

## 2. LITERATURE REVIEW

### 2.1 Strategic Concept

There are several definitions of strategy as stated by the experts in their respective books. The process of creating a long-term strategy for the organization's top leaders, as well as the development of a method or endeavor to achieve these goals, is known as strategy [2].

Hammel and Prahalad [2] raised important core competencies concept. They consider strategy as a process that is both continuous and incremental (growing with time), and that is guided by the expectations of the company's customers for the future. In this approach, strategic planning almost always begins with what could happen, rather than what has already occurred. Core competences are needed to keep up with the rapid pace of market development and consumer shifts. Entrepreneurs should seek out their company's fundamental skills.

Bateman [3] defines strategy as a framework or plan that incorporates the organization's goals, policies, and actions/programs. A strategy is an action plan and resource allocation meant to fulfill an organization's goals

### 2.2 Competitive Strategy in creating Competitive Advantage

[1] defines competitive advantage as anything a corporation accomplishes better than its competitors.

A competitive advantage is something that a firm can do or has that its competitors seek. A competitive edge is crucial to an organization's long-term success. Generally, a company's competitive advantage can only last so long before competitors replicate it and diminish it.

On top of everything else, competitive strategy is an amalgamation of what a company wants to achieve and how it plans to get there [3]. It's a basic formula for how a corporation will compete, what its goals should be, and what policies are necessary to attain those goals. The company's strategy should take into account four primary criteria that govern the company's constraints, notably [3]. The strengths and weaknesses of a firm are a snapshot of its resources and capabilities in comparison to those of its competitors, including its financial resources, technological capabilities, and recognition as a brand.

In order to successfully implement a plan, important executives and other staff members must be motivated and driven by their own personal values. The internal limits of the competitive tactics a firm can employ to succeed are defined by the strengths and weaknesses that go along with these ideals. The industry and its surrounding environment set the external boundaries. The competitive environment is defined by possibilities and threats in the industry, as well as the risks and benefits that come with them. Various external factors such as government policies, social interests, and the development of customs all play a role in this scenario.

According to Porter [1] strategy allows organizations to gain competitive advantage from three basics: price leadership, differentiation and focus. Porter mentions these basic generic strategies (generic strategies). Cost leadership produces standard goods at a very low per unit cost for price sensitive consumers [5]. As a means of attracting customers that aren't price sensitive, differentiating oneself from the competition is an important strategic goal. Focus means producing goods and services that meet the demands of a small group of people.

### 2.3 Internal Environmental Analysis

[6] mention that the environment includes factors outside the company that can pose opportunities or threats for the company. Strategic planning makes use of environmental analysis to keep tabs on potential possibilities and dangers to their business. In order to make strategic changes, it is necessary to conduct an environmental study. Strategic planning can use environmental analysis to foresee opportunities and build plans for responding to these possibilities in a preferred manner.

To put it simply, the concept of aligning the company's internal strengths and weaknesses with its

environment's possibilities and threats is known as the company's internal environment [6]. In [1], strategic planning examines marketing and distribution, research and development, production, as well as the company's resources and employees, as well as financial and accounting factors, in order to determine where the company has the ability important, so that companies can take advantage of opportunities and deal with threats in the environment.

## 2.4 External Environmental Analysis

External environmental analysis needs to be done to formulate the company's strategy. Identification of opportunities and threats is done externally. [6] state that the external environment of a company consists of two groups of interrelated factors that play an important role in determining the opportunities, challenges and barriers facing the company. First, is the societal environment which consists of variables that come from outside and usually do not look at the operational situation of a company, namely economic, socio-cultural, political, and technological factors. Second, are the variables that more directly affect prospects coming from the industrial environment itself, including the government, community, suppliers, competitors, consumers, groups, who are interested.

## 2.5 Small and Medium Enterprises (SMEs)

SMEs include industrial and trading firms. The definition of business comprises at least two characteristics, namely employment and business grouping in terms of the number of employees absorbed.

[7] defines a small business as a people's economic activity that meets the following criteria:

- 1) Have a total net worth of at least IDR 200,000,000 (excluding property and buildings for business purposes).
- 2) A maximum annual sales turnover of IDR 1,000,000,000 (one billion rupiah).
- 3) Belongs to an Indonesian.
- 4) Not a subsidiary or division of a corporation owned, controlled, or linked with a medium or big enterprise.
- 5) As an individual business, a non-legal business entity, or a legal business entity (including cooperatives).

[8][9]state that the general criteria for SMEs in terms of their characteristics can basically be considered the same, namely as follows: (1) a very simple organizational structure, (2) without excessive staff, (3) a "slack" division of labor. ", (4) Has a short managerial hierarchy, (5) Few formal activities, and little use of the planning process, (6) Lack of distinguishing personal assets from company assets.

According to Gaedeke and Tootelian in Partomo and [2] SMEs have 4 characteristics, namely: (1) ownership, (2) operations are limited to the environment or a collection of investors, (3) the area of operation is limited to the surrounding environment, although marketing can extend beyond the region. local area, and (4) the size of the company in the industry concerned is smaller than other companies in the same line of business.

Meanwhile, according to Balton in Partomo and [2] states that the leaders or management of SMEs in general lack or do not receive formal education or have a weak opinion on the need for education in training. The history of the world economy shows that SMEs plays undoubtedly significant economic roles. First, the very fast economic growth in Japan, is associated with the size of the small business sector. Second, in creating jobs in the United States after World War II, the contribution of SMEs cannot be ignored [10]

Although large-scale competitors underestimate SMEs, SMEs have various advantages over large-scale firms, including 1) Easy technological innovation in product development; 2) Intimate interpersonal relations; 3) create or absorb large numbers of jobs; 4) Flexibility and adaptability to changing market; and 5) Managerial dynamism and entrepreneurship.

[2] argue, in fact SMEs have obstacles in maintaining and developing weak businesses in the field of marketing. To overcome this, SMEs must have the right business strategy that needs to be taken, including:

- 1) To be able to develop SMEs, it is necessary to first study the characteristics of the weaknesses and the available potentials as well as the legislation which set it up.
- 2) Managerial assistance is needed in order to grow innovations in managing SMEs side by side with big businesses.
- 3) Vertically in the business cluster system, SMEs can make themselves business complements for the industry of the main producer companies. So we need a strategy for SMEs to establish complementary work with big businesses.

The cooperation that exists can be in the form of a cooperative and jointly operate in a particular business. In Indonesia, business partnerships in the form of cooperatives are a very important business strategy, so the government considers it necessary to form a special department to deal with SMEs and cooperatives.

## 2.6 Analysis of Strategy Formulation

The influence of political, economic, socio-cultural, demographic, and technological factors on strategy design is first identified. Then conduct a competitive analysis by identifying five competitive forces in the company's industry: threat of new entrants, threat of alternative products, buyer and supplier negotiating power, and competition between companies. The analysis will reveal opportunities and dangers. Meanwhile, internal factors analyzed the company's strengths and flaws. Some of the analytical tools used are:

## 2.7. Matrix of Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE)

[1] states that the IFE matrix is used to assess a company's internal strengths and weaknesses in management, marketing, finance, manufacturing, education and development, and computer information systems. Using the EFE matrix, the organization can identify potential possibilities and dangers. Aspects of the external analysis include economics and competition.

How to assess IFE and EFE metrics:

- 1) Identifying internal and external influences.
- 2) Weighting of each factor.
- 3) Rank (rating)
- 4) For each factor, multiply its weight by its rating.
- 5) Total the weighted scores of each factor.

## 3. METHOD

### 3.1. Research Design

Small and medium-sized businesses in Singaraja City were the focus of this study, which sought to identify the city's competitive edge strategy (Competitive Advantage). Descriptive qualitative research is employed. It is important to remember that qualitative research is a type of research that attempts to comprehend social reality, which means that a qualitative researcher must have an open mind. Understanding the psychology and social realities of the world can be gained by conducting qualitative research in the correct manner. Observations, interviews, photo shoots, document analysis, and field notes are all examples of data that can be used in analytical descriptive research, although they are not stated numerically.

### 3.2. Research Subjects and Objects

The subject of this research is Small and Medium Enterprises (SMEs) in Singaraja City and its surroundings. While the object is the competitive advantage strategy applied by each SME so that the business can develop and advance.

### 3.3. Data Analysis Method

For processing and analyzing data quantitatively statistically in this study using Microsoft Office Excel 2003 software. Quantitative analysis starts from weighting and calculating the score of each strategic factor of the internal and external environment, to calculating the Attractive Score (AS) of each alternative. strategies obtained from the analysis of the IE matrix and the SWOT matrix of the food industry SMEs in Singaraja City. The weighting calculation is first carried out on each expert respondent, then combined to determine the average. The data analysis process was carried out in three stages. The first stage is data collection or input stage using the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrix. The second stage is the matching or matching stage using the Internal – External (IE) matrix and the SWOT matrix. The third stage is decision making or decision stage using QSPM.

### 3.4. Data Analysis Technique

All variables in the research design help in formulating strategies, SWOT Matrix and IE Matrix assist in further analysis.

#### 3.4.1 SWOT Analysis

SWOT analysis is carried out in order to obtain an overview of the strengths, weaknesses that are influenced by the company's internal policies, while opportunities and threats are influenced by policies that cannot be controlled/done by the company, in the sense that they are influenced by the company's external factors.

The external and internal strategic elements (EFAS and ISF) must be known before creating a SWOT matrix (IFAS). EFAS and IFAS are prepared in the following ways. List of EFAS's potential and dangers, and IFAS's strengths and weaknesses, in column 1. When the questionnaire is completed, the management of the companies that have been designed in the questionnaire assigns the weights in column 2, which range from 1.0 (extremely important) to 0.0 (very unimportant). The whole amount of weight must be 100%. On a scale of 4 to 1 (Very Good) to 1 (Very Poor), the rating of each item in column 3 is based on the impact that these elements have on the company's current situation. Management also gives a rating value to the organization. Calculate a score ranging from 4.0 (Extremely Good) to 1.0 by multiplying the weight by the rating (Poor). Finally, comments or annotations on why particular factors were selected and how their weighted scores were computed should go in Column 5 of the table

## 4. RESULTS & DISCUSSION

### 4.1. Results

#### 4.1.1. Internal factors consist of strengths and weaknesses

The strengths of the food industry SMEs in Singaraja City are:

- 1) Various types of dishes are sold.
- 2) Affordable prices for lower middle class especially for students.
- 3) Abundant raw materials at affordable prices.
- 4) Good relationship between owner and employees
- 5) The owner has high morale.

The weaknesses of the food industry SMEs in Singaraja City are:

- 1) Not much capital
- 2) Parking space is not wide
- 3) The toilet is not clean
- 4) The standard of food quality still doesn't exist
- 5) Service standards do not yet exist
- 6) Many have not used online media for promotion

#### 4.1.2. External factors consist of opportunities and threats

The food industry SME opportunities in Singaraja City are:

- 1) Local government supports SME development
- 2) In Singaraja City there are several State Universities and Private Universities
- 3) People's lifestyles that make food a basic need, lifestyle and recreation
- 4) People and students are busy so they don't have time to cook for themselves

The threats of food industry SMEs in Singaraja City are:

- 1) Many new competitors have emerged, both from SMEs and non-SMEs
- 2) Tight price competition
- 3) Easy to imitate dishes
- 4) Changes in consumer lifestyle caused by technology

### 4.2. Discussion

Products and services that have good quality can make the food industry SMEs to survive in times of economic crisis like today. This is because SMEs have been assessed positively by the community and will get good feedback from the community so that the community will become loyal customers or will make repeated purchases. So that SMEs must always pay attention to aspects of customer satisfaction related to the quality of service they have. The types of services that can be provided include convenience, speed, ability, and hospitality. Analysis of Internal Factors and External Factors of SMEs Food industry in the Singaraja City area. shown through attitudes and actions directly to consumers.

Pricing should be directed towards the achievement of SME goals. The competitive strategy during the Covid-19 pandemic must be full of innovation, conducting market research and always adjusting to consumer demand and tastes. increase sales, namely innovation with an Islamic breath by using the SO strategy formulation, namely a strategy by using Strengths to take advantage of the opportunities that SMEs have, namely:

- 1) The quality of products and services has standards.
- 2) Product and service quality is developed.
- 3) Pricing must be careful and pay attention to the prices of competitors
- 4) Empowering local potential.

The results of the SWOT analysis of SMEs in the food industry in Singaraja City are that the strengths and opportunities of SMEs when empowered together will be able to increase their business.

SMEs The food industry has an internal external matrix showing that SMEs are located in quadrant V, namely at the point (2.55; 2.85), which means that they have a stability/growth strategy to develop during the Covid 19 pandemic. The competitive strategy carried out is by combining strategies stability/growth and using the SO strategy formulation from the SWOT analysis, the competitive strategy of SMEs in the food industry in Singaraja City is as follows: The quality of products and services has standards. This strategy is to maintain the strength of the food industry SMEs and maintain the quality of existing products by setting standards and quality of products and services. In setting product and service quality standards, they must comply with health protocols during the covid 19 pandemic. For example, from the process of selecting raw materials, cooking until the process of serving to consumers must always maintain cleanliness and wear masks. In addition, it must dare to guarantee to consumers that the quality of products

and services is truly in accordance with standards. So consumers will get compensation if someone gets a product or service that is not in accordance with the standard, the compensation for example can be a replacement for a new product or money back.

The quality of products and services developed by SMEs must always develop the quality of products and services while still being guided by the quality standards of existing products and services, especially health standards in the Covid 19 era. The development of product and service quality must also be adapted to consumer needs, consumer desires and changes in style consumer life. For example, by providing facilities for delivering orders to consumers' places so that consumers do not need to leave their homes or offices.

The pricing process must be careful and pay attention to the prices of competitors. The pricing process must be careful and must pay attention to many factors because if it is too expensive it will not be able to compete, but if it is too cheap, consumers will be suspicious of the quality of the product. So that in determining the price must go through a direct survey to the field.

Empowering local potentials of SMEs The food industry has internal strengths as follows. Various types of cuisine are sold, Affordable prices for the lower middle class, especially for students, Abundant raw materials at affordable prices, Good relationship between owner and employees, Owner has high work spirit. With this power, it can be utilized and empowered so that it can advance the SME business. Utilization and empowerment is by maintaining the uniqueness of taste and always innovating in its products and services. For example, by adding a variety of flavors and food menus as well as adding the facilities provided. SME Opportunities The food industry in the campus area is the local government to support the development of SMEs. There are several State Universities and Private Universities, People's lifestyles make food a basic need, lifestyle, identity and recreation, as well as the busyness of the community and students so they don't have time to cook for themselves. These opportunities should be used as best as possible. For example, by using government programs needed by SMEs and the service process must be adapted to the lifestyle of today's society. For example, by utilizing technology in running a business.

Implementing the brotherhood system and always maintaining trust in all activities The brotherhood system means establishing good relations with suppliers, competitors and customers. Suppliers who consider us brothers will supply goods on time, guaranteed quality and competitive prices. Competitors who consider us brothers and sisters will

compete in a healthy and mutually beneficial manner. Customers who consider us brothers and sisters will be loyal to our efforts. This system of brotherhood can continue if there is trust. This trust must be maintained and there should not be the slightest scratch.

## 5. CONCLUSION

The Internal External Matrix shows that the SMEs in the food industry are located in quadrant V, namely at the point (2.55; 2.85) which means they have a stability/growth strategy in order to be able to develop themselves in the future. The results of the SWOT analysis of SMEs in the food industry in Singaraja City are that the strengths and opportunities of SMEs when empowered together will be able to increase their business. Application of competitive strategy to SMEs Food industry on campus by combining stability/growth strategies and using SO strategy formulation from SWOT analysis.

Carrying out a strategy to maintain existing products by improving their taste and developing products and services must always be in accordance with the needs, desires, and lifestyles of consumers as well as health standards during the Covid-19 pandemic. SMEs in the food industry are expected to implement the SO strategy, which is to develop product quality such as old products being innovated with various variants that are expected to still be accepted by consumers, setting prices that attract consumers and taking advantage of the strategic location of food industry SMEs such as locations close to the campus area and more and more students from outside the city of Singaraja study in the city of Singaraja.

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