

# *An Analysis Of Small Industry Development Of Malay Woven Cloth In Province Of Riau*

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## **ABSTRACT**

*Small industry is an important factor in sustain the national economic of Indonesia, as it capable in significant contribution for. In general, micro industrial development progress had classical impediment occurred including unqualified human resource, feeble management, low access to the market and finance, as well as shortage in information and owned technology. There are two problems examined in research. Firstly, how the development progress of micro industry of Malay woven cloth in Province of Riau. Second, any impediments experienced by business person of Malay woven cloth in Province of Riau. An academic implication of research is that there is theoretical insight of failure and successful factor in development of micro industry. Meanwhile, it is expected that the practical implication could be considering element to the micro business in the development. A method used in data collection and information is survey, while the analysis and observation units are micro industry of Malay woven cloth in Province of Riau. By the result, it is concluded that total micro industries in Province of Riau do not spread evenly. To the concerned sector spreading on 12 Regencies, there are only 4 City/Regencies had the weaving industry.*

*Any impediments experienced by businessperson of Malay woven cloth is capital shortage, high cost of production, plain technology and difficult to obtain the raw material, as well as shortage in promotion and rarely the businesspersons make an innovation to their product.*

**Keywords:** *small industry, product, price, promotion, distribution, resources, innovation*

## **Introduction**

Small industry is an important component in sustain the economic development in Indonesia, as it can gives the contribution to national economy. According to the total small industry in Indonesia, it is slighter than other one, only 1.04% (546.567 units). The contribution, however, provided in non-oil and gas more than threefold of total number (3.56% compare with 1.045%), and contribute to gross domestic product (GDP) almost 10 times (9.96%) of total small industry (1.04%). Macro business provides excessive contribution of total GDP (43.47%), only 0.01%. The small industry,

however, is persistent with superiority in labor absorption of 1.3 times larger than bigger one or 3.56% compare with 2.70% (Kemenkop and UKM, 2012).

Any several problems experienced in industrial sector development are: first, high dependency of material import whether in raw, secondary, semi-finished product or component; second, correlation between industrial sector with other old economic relatively; third, industrial structure dominated only by industrial branch with short phase in the process; fourth, weak in mastery and application of technology; fifth, generally more than 60% of industrial sector located in Java thus the ratio of IKM reach of 60:40 in ratio (Kepmen Perindustrian of 2013); and sixth, weak of small industry (Performance Accountability Report of Governmental Institution of Industrial Ministry of 2012).

The development of small business in developed country hindered by any impediments. They are can laid in area and another one. There is, however, found any common problem for all small business in any other country, especially in the group of developed countries. The general obstructions including capital or investment, marketing problems, distribution and raw material supply and input, restriction of access on information of market opportunity and other, communication shortage, high cost by administration procedure and complex bureaucratic especially in business licensing and indeterminacy of regulation and economic policy (Tambunan, 2009:51).

The development and industrial existence over the years between areas to the other is dissimilar in Indonesia, also occurred in small industry. It is can be firm as data for small business always combined to the micro and middle ones. By the development,

however, over the years it is experiences fluctuation.

In table below shown that even a part of area had fluctuation in the industrial development, but comprehensively occurred increase in total unit of micro and small industries according to the unit. The provinces experiences that situation including Province of Riau, Riau Islands, etc. The description on manufacture industrial existence in Indonesia with small industrial scale of 2010-2012 periods shown in table:

Total provincial micro and small industries  
of 2010-2012 periods

No	Province	Years		
		2010	2011	2012
1	Aceh	56.118	62.225	35.490
2	North Sumatera	66.722	79.369	70.049
3	West Sumatera	53.050	56.149	88.936
4	Riau	12.227	12.383	8.550
5	Jambi	18.900	20.001	19.273
6	South Sumatera	51.531	59.626	45.698
7	Bengkulu	9.091	9.427	10.549
S	Lampung	81.637	95.957	73.285
9	Bangka Belitung	5.666	6.327	4.472
10	Riau Islands	11.970	15.585	6.707
11	DKI Jakarta	28.570	39.612	179.296
12	West Java	397.331	425.154	476.930
13	Central Java	659.126	627.167	65.442
14	DI Yogyakarta	63.526	69.570	65.442
15	East Java	518.327	627.561	594.212
16	Banten	65.528	100.508	162.359
17	Bali	84.701	87.401	113.032
18	Nusa Tenggara barat	83.214	87.271	88.651

19	Nusa Tenggara Timur	80.465	80.996	88.651
20	West Kalimantan	29.532	31.600	22.051
21	Central Kalimantan	14.145	15.809	8.354
22	South Kalimantan	55.416	57.645	33.156
23	East Kalimantan	12.071	13.390	7.996
24	North Sulawesi	28.494	31.367	24.240
25	Central Sulawesi	26.767	32.986	29.402
26	South Sulawesi	84.155	87.710	91.986
27	Southeast Sulawesi	53.373	54.587	30.205
28	Gorontalo	18.605	19.468	9.605
29	West Sulawesi	20.551	20.554	9.484
30	Maluku	26.344	34.353	63.743
31	North Maluku	5.834	7.772	3.880
32	West Papua	1.900	2.301	1.194
33	Papua	7.837	8.240	3.414
	Total	2.737.724	2.979.071	3.218.033

Source : Industrial ministry of Indonesia Republic 2013

Any impediments experienced by small industries Riau of Malay is similar to the other one that exist in Indonesia or national problem—limited human resources, capital

problem, high cost production, marketing and the limited coverage area of marketing, including difficulty of raw materials, the simple technology and price competition among businesses person.

The marketing problem is also obstacle in the middle of the market's inability of Malay woven fabric with a particular motif design and high prices. Pricing applied by small industries of woven fabric is high when compared with the products from Malaysia, China and Thailand set the inexpensive prices with motifs, materials and attractive design. This is due to high raw material, thus it is difficulty in standardize the normal price.

There is desirability to develop the potential region in order to have high competitiveness. The reality has not been able to realize the development of Malay weaving industry comprehensively. Difficulties in obtaining capital from banks and other financial institutions has become one of obstacles hampering the development of small industries of Malay weaving, including bookkeeping order, and human resource skills.

### **Formulation**

There are two issues were examined in this study, first, how the development of small industries of Malays woven fabric and the constraints experienced by the businesses in the Province of Riau.

### **Literature Review**

The study use marketing management theory (Kotler and Keller, 2012). According to the American Marketing Association in Kotler and Keller (2012; 27), marketing is defined as the activity of institutions, and processes for creating, communicating, delivering and exchanging offer value to

customers, clients, partners, and community. Meanwhile, marketing management is defined as the art and science of choosing target markets and achieves, maintain and increase total customers by create and communicating values of superior customer.

Moreover, Kotler and Keller (2012; 40) arguing that in connection with the various developments and changes in marketing, the evolution of the market orientation of business has developed as follows: Production concept, it is states that customers prefer products that available in large numbers and inexpensive. The production-oriented business managers concentrate to achieve high production efficiency, low cost and mass distribution. The concept of products state that customers prefer products that offers performance quality or best innovative features. The manager of the organization focused in creates superior products and constantly update it. Sales concept, assume that when customers and businesses do not considered they would not buy the products thus organizations must make an aggressive efforts in sales and promotions.

Marketing concept has made business move into the philosophy of sense and respond of customer-centered. The marketing not run for looking proper customers to product only, but find the right product for customers.

### **Product**

The concept of product should show something can offered by manufacturers to be consider, required, sought, bought, used, or consumed in accomplish market needs or demand. According to Kotler and Armstrong (2012; 33) concept of product is states that customer must support and offering qualified product, performance and innovative feature. Quality and

improvement of products is the most important part of the marketing strategy. Meanwhile, Mullins and Walker (2010; 241) defines that marketing policies offering the nature of product business will concentrate on the target market. The policy concerns the extent of diversity of product lines, level of technical sophistication, and target of the competitor's product quality. Products defined as anything that satisfied the demand or needs as well as consumption. Thus, they are include products are objects, services, places, people, events and ideas. Well-managed marketing provides attention to all of the attributes of the products, product features, packaging, warranties and service and brand name will bring the benefit of the target of product market.

### **Price**

Price could be interpreted as total of cash (monetary units) and/or other aspects (non-monetary) containing specific uses required to obtain the product. Price is the only element of the marketing mix that provides revenue for the organization. The decision on costs will not be easy to do on one hand when set high prices may increase short-term profits, but in other hand it will result in difficult to reach by customers.

According Tjiptono and Chandra (2012; 317) the strategic dimensions of price are: 1) the price is a statement of product value, 2) the price is apparent aspect (visible) for buyers, 3) the price is a major determinant of demand, 4) the price is related to revenues and earnings directly, 5) prices are flexible means to be adjusted quickly and 6) the price is the number one problem experienced by managers.

The prices, in company, also play a dominant role in product marketing. Set the price is to capture the value or anything is possible. Pricing is often also associated

with the promotion, for example, in discounts pricing to make customers feel that the product is lower-priced. Thus the buyer will be excited and buy it. According to the buyer the price is on product quality, sacrifice, values and the desire to buy.

### **Promotion**

In pursuing the successful marketing the management or marketers should make decision to develop the promotional mix. The tool or element of promotion according Assauri (2012; 239) as follows:

1. The advertisement is payable promotion model and non-personal that implement through multiple media such as radio, press, direct mail or e-mail, with presentation and promotion of ideas, goods and services of the sponsors.
2. Personal selling is process that sustaining and persuade one or more prospects to buy the product, in form of goods or services, or act in a certain ideas through the use of an oral presentation.
3. Sales promotion is incentive providing design for stimulate or encourage the purchase or sale of a product in short term.
4. Public relations is free promotion, non-personal stimulation of demand for product, service or business unit by stick of real news about it, or a delightful presentation to the issue in the media.

Promotion is a communicating process of one of the marketing mix variables in the marketing of products produced by management. Also, promotion is a marketing function in a persuasive marketing programs communicate to customers or prospective customers in

encourage the exchange transactions occurred between companies and customers. While the activities of promotion as marketing communication activities with the goal to spread information then influence and constantly reminded that the target market is willing to accept and buy and eventually become loyal to a product offered by the seller. The goal of campaign is to encourage repeat purchases by customers.

The combination of promotion instruments is known as the promotional mix consisting of advertising, personal selling, sales promotion, public relations, and direct marketing and online marketing.

### **Distribution**

Distribution and sales program can be defined as a program consisting of wide range of marketing activities to expedite and facilitate the delivery of goods and services from producers to customers, so its use as required. Tjiptono and Chandra (2012; 393) arguing that the distribution is a marketing activity that is able to: 1) create value-added products through marketing functions which can realize the usefulness of utility form, place, time and ownership, 2) facilitate the marketing channel flow physically and non-physical that includes the flow of physical goods, the current ownership, information flow, promotion, negotiation, payment, financial, current underwriting and reserving risk. Distribution is also a place that deals with all decisions in bringing the right product to the target market area (Cannon 2008; 44). The products can reach customers through distribution channels. Channel distribution is a set of companies or individuals who participated in the product stream from the producer to the end user (customer).

### **Resource**

Resource is a potential value owned by a particular material or element in life. Resource is not always physical but also non-physical (intangible). Resource can change, either becoming increasingly large and some are missing and eternal resources (fixed always). In addition, it is known that the term resource can recover or renewable and nonrenewable. While in general terms the resources defined as something that deemed to have economic value. According Rufaidah (2012; 100) real resources (intangible) is the number of assets that can be easily identified as financial resources (cash accounts, accounts receivable, borrowing capacity), physical resources (plant and modern facilities, strategic location of plant, machinery and equipment sophisticated factory), technological resources (trade secrets, innovative production processes, patents, intellectual property rights, and trademarks), and organizational resources (effective strategic planning process, control and evaluation systems that excel). While resources are not real (intangible resources) is a routine activity and the accumulation of attached to the companies that are difficult to imitate competitors because it does not look directly. Among of them are HR (experience and capability, the ability to be trusted, the effectiveness of work teams, managerial skills), innovation resources reputation (brand name, reputation for fairness with suppliers, with customers for reliability and product quality).

### **Innovation**

Innovation is one of the keys for the successful business to be champion in competition. The business survival depends on how fast and the response of the company to face the existing dynamics. As in the manufacturing firms that always

required in produce better product at lower costs when compared with their competitors. Technology is often associated with innovation, as it is considered as an important factor to improve of profits for the business, positioning and performance in the face of market dynamics.

Innovation is the capability to apply creative solutions to problems and opportunities to improve or enrich the people living (Zimmerer, 2008; 57). Meanwhile, according Okpara (2007), innovation is process of bringing the best ideas into reality that triggers creative ideas, which resulted in an innovative event. Innovation is the creation of new value. Innovation is a modifier of new ideas into the new value. Innovation is a modifier of new ideas into the new value. Okpara (2007) also identified the elements of innovation as follows: challenge; creativity; focus on subscription, communication, collaboration, accomplishment, contemplation, culture, and context.

According to Kemp, et al. (2003), innovation can be applied to large and small businesses. There are three dimensions of innovation: 1) innovation inputs that companies conduct research and development or developed investment and the results of the research can examine the results of what has been developed, 2) innovation process that managers must always increase with the passage of the technological innovation activities of the organization without supported it impossible enterprise technology innovation can win the competition and 3) innovation output on new products or processes developed or become attractive to the customers.

**Research Method**

The study uses survey methods in data collection and information. Survey arranged

in descriptive and explanatory one use questionnaire to obtain specific information from population. The unit of analysis in the study was small industries Malays weaving fabric of Riau province, while the unit of observation is small industrial businesses of Malay weaving.

**Analysis Result**

The distribution of small industry in district and the city of Riau province is uneven, and many small industries is small industrial Malay woven fabric. The existence of the Malay weaving industry also not evenly distributed as there are only four regency and cities from the twelve districts/cities, i.e Bengkalis (85.55%), Pekanbaru (10.48), Siak (3.39%) and Dumai (0.56%), which has small industrial centers of Malay weaving. Based on a survey conducted with respondents businesses Malay weaving industry illustrate the state of the business. Small industries such as can be seen in the following figure:

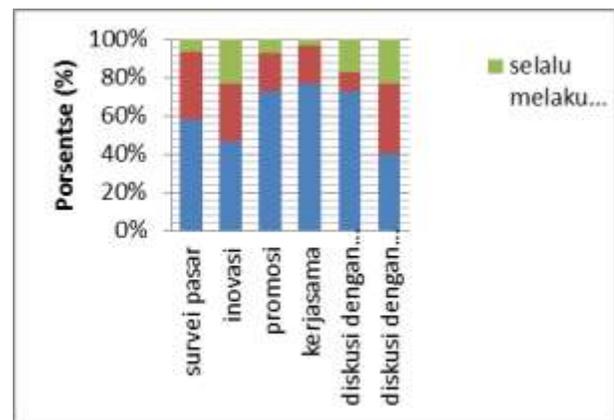
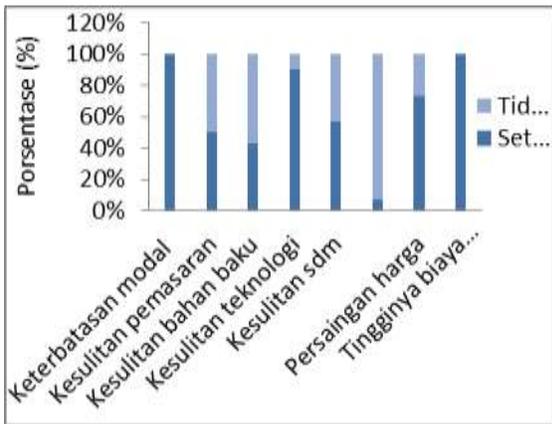


Figure 1. Small Industries Development of Malay weaving

Figure 1 shows that there are many businesses do not conduct market surveys which it means that businesses only make a product without knowing what the customer needed. Although the existing innovation do not, however maximized because not all

businesses doing weaving. It is seen that not all businesses can create and innovate on the products of Malay woven fabric. Knowledge of the Malay weaving obtained by businesses generally to learn on their own or hereditary family. Malay woven fabric that was originally only used as subordinate fabric clothes brackets wilt, is now beginning to be modified into clothing that can be directly used with the motif or pattern that is typical Malay motifs, such as bamboo shoots, water rose petals, crimson flowers, stars and diamonds and others, especially to the mother and father of cloth, usually to suit the Malay brackets with woven design/songket of Malay.



In addition, industrial products woven Riau Malay is used also for formal dress, wedding reception, wedding apparel, and clothing of various modes both boys and girls. The last few years have woven wilt developed by businesses into a wide variety of products such as bags, tablecloths, place betel, sandals, shoes and souvenirs. But no many businesses can create and innovate on the Malay woven fabric.

Type of production offered by businesses of Riau Malay weaving is in the form of woven fabric so called Weaving and Weaving Lejo Siak. The production of Malay woven fabric is not always desired by businesses themselves, but often tailored to the

willingness of customers either hue or color. This will be achieved if businesses have the ability to do that, because not all businesses can do the Malay weaving in accordance with the wishes of customers. If the level of complexity of workmanship fabrics such patterns, motifs and colors of yarn and more use of gold thread, the selling price will be higher. The price ranged from Rp.450.000 up to \$1,000,000 for one piece in average.

Likewise, sales promotion Malay woven fabric do not maximized, most businesses rely solely on the campaign carried out by local governments through Dekranasda. The partnership pattern was applied to small and medium-sized industrial woven fabric of Riau Malay, among others, in the form of marketing, capital, equipment and training were obtained from government, private and banking (relating to capital). But not all businesses that use it. It is seen very few number of businesses that take advantage of these opportunities. Here is a picture that shows the constraint experienced by businesses Malay weaving in Riau province.

Figure 2. Any impediments experienced by Industry of Riau Malay weaving

By Figure 2 above shows that the small industry of Malay weaving face many constraints in various aspects as other small industries. The constraints experienced by small industries Riau Malay is similar experienced by the other one that existing in Indonesia or national problem, the problem of limited human resources, the problem of capital, high cost of production, marketing problems and the limited coverage area of marketing, including the difficulty of raw materials, the technology used is very simple and price competition among businesses.

Marketing problems is also an obstacle in the middle of the market's inability Malay

woven fabric has a particular motif design and high prices. Pricing is applied by small industries of Malay woven fabric is high when compared with the flood of products from Malaysia, China and Thailand are set prices cheaper fabric with motifs, materials and attractive design. This is due to high raw material, so the difficulty in standardize the normal price.

The desire to develop the potential of the region in order to have high competitiveness, the reality has not been able to realize the development of Malay weaving industry comprehensively. Difficulties in obtaining capital from banks and other financial institutions to be obstacles hamper the development of small industries Malay weaving, including also order books, skills/human resource skills.

### Conclusion

1. The existence of Malay weaving in the province of Riau is not distributed evenly it is because not all regency have a small industrial centers of the Malay weaving.
2. Constraints experienced by small industries of Riau Malay weaving is similar to that experienced by other small industries in Indonesia, namely the problem of limited capital, the difficulty to obtain raw materials, high production costs, the technology used is simple and problem in market the product.

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