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## Strategy For Improving Performance and Competitive Advantages of Export-Based Shoe Msme in Bogor in The Free Trade Competition

**Gen Gen Gendalasari and Triandi**  
Sekolah Tinggi Ilmu Ekonomi Kesatuan

gengengendalasari@gmail.com, lemlit@stiekesatuan.ac.id

**Abstract.** Cooperative and MSME development is a strategic step to foster a level of development and become a concern both nationally and internationally. Based on the statistical data of the business unit, the number of MSME businesses is 62.9 million business units, of which the most are micro-enterprises with a percentage of 98.70% (Ministry of Cooperatives and UMKM, 2018 @KemenkopUKM)

The specific objectives of this research are as follows: 1) Availability of evaluation and mapping of shoe MSMEs in Bogor, in the form of information relating to problems and solutions. 2) Availability of recommendations regarding the development of shoe MSMEs. The results showed 1) several attributes, including production processes, production equipment, production control, buildings and facilities, markets, quality standardization, business management, capital, and promotion need to be improved. 2) Shoe MSMEs need better guidance in terms of production processes and production facilities in the form of equipment and training assistance to produce more high-quality products, as well as assistance in coaching in the promotion and promotion of market share both domestically and internationally.

**Keywords:** Strategy, mapping, performance, competitive advantage, export, free trade, shoe area.

### 1. INTRODUCTION

Development of Cooperatives and Micro, Small and Medium Enterprises (MSMEs) is a concern, both nationally and internationally. This was marked by the announcement on June 27 as International UMKM Day (Ministry of Cooperatives and UMKM, 2018 @KemenkopUKM). Based on the statistical data of the business unit, the number of MSME businesses is 62.9 million business units, of which the most are micro-enterprises with a percentage of 98.70% (Ministry of Cooperatives and UMKM, 2018 @KemenkopUKM). One form of government attention that has just been given is the issuance of Government Regulation Number 23 of 2018 concerning MSME tax incentives in the form of a reduction in tariffs to 0.5% (@KemenkopUKM, 2018).

The policy can be felt as a concrete solution to improve people's welfare. (<http://www.depkop.go.id>, 2017). The development and growth of MSMEs today is inseparable from the existence of commitments, policies, and government programs on an ongoing basis with the aim that SMEs in Indonesia can continue to grow and be highly competitive so as to be able to compete in the global economy. Moreover, the strategic role of the sector contributes to 60.3 percent of Gross Domestic Product and 97.2 percent of employment (BPS, 2016, [www.bps.go.id](http://www.bps.go.id)). In the period of five years, 2015-2019, the development of MSM was carried out through various policies to improve the competitiveness of MSMEs. (<http://www.depkop.go.id>, 2017)

One of SMEs which has big potential to be developed is SME shoes. Shoes produced by Indonesia are not inferior to products from foreign countries. In 2012 sports shoes, including Adidas and Nike are produced in Tangerang Banten. In that year the value reached US \$ 3.3 billion (Bisnis Indonesia, 2012. [www.bisnisindonesia.com](http://www.bisnisindonesia.com)). In 2014 the value of Indonesia's footwear exports exceeded US \$ 4.5 billion, an increase of 18.4 percent from the previous year's achievement of only US \$ 3.8 billion. (Ministry of Industry, 2015, [www.kemenperin.go.id](http://www.kemenperin.go.id)).

However, MSMEs still face various obstacles in the development of the business.

#### **Formulation of Research Problems**

The formulation of the problem of this research is to examine the performance of shoe SMEs in Bogor, where the description regarding the performance is obtained through the results of studies in the form of in-depth data and information regarding shoe MSMEs, which are the results of the evaluation and mapping of shoe MSMEs. The description of the performance is beneficial for stakeholders in building shoe UMKM in general and shoe SMEs in Bogor in particular.

The formulation of the next problem is to find out how a coaching model can be developed for shoe SME actors so that they have a competitive advantage.

#### **Special Objective**

The first specific goal (Year One) is 1) The availability of an evaluation and mapping result, in which the results are in the form of data and information that are presented in depth regarding the problem along with the solution and supported by mapping the performance of the shoe UMKM in Bogor. 2) The availability of a conceptual model recommendation regarding the development of shoe MSMEs (including the development of soft skills).

## **2. LITERATURE REVIEW**

#### **Definition of Strategy**

According to Stoner Freeman and Gilbert in Husein Umar (2003), the notion of strategy is divided into two perspectives, in which the first perspective states that strategy is defined as a program to determine and achieve organizational goals and implement its mission. Then the second perspective, states that the strategy is defined as a pattern of responses or organizational response to their environment at all times

#### **Definition of Performance**

Gomes in Mangkunegara, (2014) put forward the definition of performance as an expression such as output, efficiency, and effectiveness often associated with productivity.

#### **Definition of Competitive Excellence**

Kotler and Armstrong (2012) explained that competitive advantage is superior to competitors obtained by offering lower value or by providing greater benefits because the price is higher.

#### **Overview of SME**

Micro Enterprises Based on Law Number 20 the Year 2008 concerning SMEs (Small and Medium Enterprises) is productive business owned by individual and/or individual business entity that fulfill the criteria of Micro Business as regulated in Law.

## **3. RESEARCH METHODS**

1. Mapping of shoe SMS profile
2. Performance analysis and shoe SMS competitive strategy
3. SWOT analysis
4. Strategy feasibility and development model concept of show SME.

## **4. RESULTS AND DISCUSSION**

### **4.1. Existing condition of show SME in Bogor**

Overview with regard to the existing condition of SMEs of shoes in Bogor with reference to the condition of some SMEs of shoes

Table 4.1. General description

No	Names of SMEs	A brief history
1	SMEs of sandals of Mr. Heri	Hereditary from 1960
2	SMEs of sandals of Mr. Itang	Hereditary
3	SMEs of shoes of Mr. Aceng	The SME was established by Mr. Aceng in 2000 with the experience as a shoe laborer and initial capital amounting to Rp. 5 million

Table 4.2. Overview of Quantitative Market

No	Names	Product demand
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1	Sabina Sandal SME	Standard product quantity demand is 100 scores per week. When the market demand is low, the quantity is only 60 scores per week.
2	Sandal SME of Mr. Itang	In the next 5 years, the demand projection is 200 scores per week.
3	Sandal SME of Mr. Teddy	Product demand is 90 scores per week
4	Sandal SME of Mr. Aceng	Product demand is 40-80 scores per week

Tabel 4.3 Description of Production Technique

No	Names of SMEs	Brand of product	Technical specification of product/standard product quality
1	Sandal SME of Mr. Heri	Sabina	There are no special specifications. The resulting quality is still fairly simple or standard because MSMEs have not used sophisticated technology
2	Sandal SME of Mr. Itang	Product labeled by the buyer	There are no special specifications. The resulting quality is still fairly simple or standard because MSMEs have not used sophisticated technology
3	Sandal SME of Mr. Teddy	Product labeled by the buyer	There are no special specifications. The resulting quality is still fairly simple or standard because MSMEs have not used sophisticated technology
4	Shoe SME of Mr. Aceng	Product labeled by the buyer	There are no special specifications. The resulting quality is still fairly simple or standard because MSMEs have not used sophisticated technology

#### 4.2. Performance of Shoe SMEs in Bogor

The results of performance measurement are shown in Figure 4.1 below.

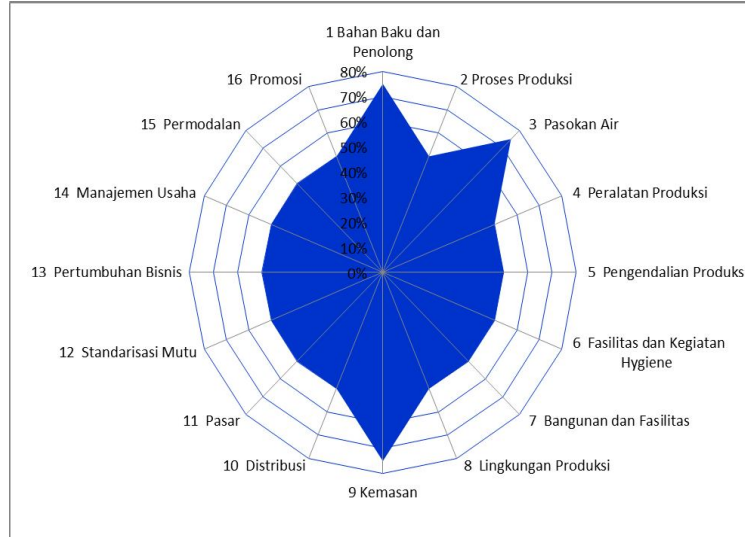


Figure 4.1 Spider diagram on performance achievement of shoe SMEs in Bogor

Figure 4.1 shows that the performance for the attributes of the production process, production equipment, production control, building, and facilities, market, quality standardization, business management, capital, and promotion are moderate. In this case, the performance measure is based on the perception of SMEs on a medium scale, while expectations are on a high scale. Thus there needs to be an increase in these attributes.

#### 4.3. Development Model of shoe SMEs in Bogor

Shoes SME which is a reliable business in Bogor needs better coaching in terms of production processes and production facilities in the form of equipment and training assistance to produce higher quality products. Equally important is the assistance in terms of market share development both domestically and abroad, as well as assistance in promoting the development of promotion for the product more widely known

#### 4.4. Development Strategies of Show SMEs in Bogor

The survey results revealed the strengths and weaknesses that are owned by shoe SMEs in Bogor, as shown in Table 4.4. and Opportunities and the threat of which is owned by shoe SMEs in Bogor as seen in Table 4.5

Table 4.4 Analysis of Internal Factors Strategies of shoe SMEs in Bogor

Internal Strategies Factor	Weight	Rating	Score
<b>I. Strength</b>		<b>0,5</b>	
a. Product quality	0,15	4	0,60
b. Competitive price	0,20	4	0,8
c. Uniqueness of product	0,10	3	0,30
d. Innovation of the shoews	0,15	3	0,45
<b>II. Weakness</b>		<b>0,5</b>	
a. Irregular financial governance,	0,20	1	0,20
b. Inventory management of irregular raw materials,	0,10	2	0,2
c. Supervision of production processes and poor quality,	0,15	2	0,3
d. Workplace is less comfortable,	0,05	1	0,05
<b>Total</b>	<b>1,0</b>		<b>2,9</b>

**Interpretation:** Based on the above IFAS matrix, the score is 2.90

Table 4.5 Analysis of Internal Factors Strategies of shoe SMEs in Bogor

External Strategy Factors	Weight	Rating	Scores
<b>I. Opportunities</b>		<b>0,5</b>	
a. People know the product	0,10	4	0,4
b. Availability of human resources	0,15	4	0,6
c. Location is near supplier	0,05	3	0,15
d. Having centered marketing system	0,05	3	0,15
e. Strategic selling place	0,15	4	0,6
<b>II. Threats</b>	<b>0,5</b>	<b>0</b>	
a. Business competitor with no regular customers	0,35	2	0,7
b. Many of the businesses bankrupt ut	0,30	1	0,30
c. Fast changing models	0,35	2	0,7
<b>Total</b>	<b>1,0</b>		<b>3,6</b>

		4,0	Kuat	3,0	Rata-rata	2,0	Lemah	1,0
Total Skor Faktor Eksternal	Tinggi	Pertumbuhan melalui integrasi vertical		Pertumbuhan melalui integrasi horizontal		Penciutan melalui turn around		
		Stabilitas		Pertumbuhan melalui integrasi horizontal		Divestasi		
				Strabilitas (Tidak ada perubahan profit strategi)				
	3,0	Pertumbuhan melalui diversifikasi konsentrik		Pertumbuhan melalui diversifikasi konglomerat		Likuidasi		
Sedang								

Figure 4.2 Internal and External Matrix

After knowing the value of IFAS score of 2.9 and the EFAS value of 3.6, we got the Internal-External Matrix (IE Matrix).

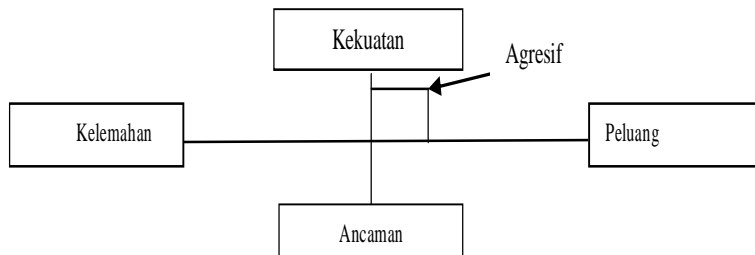


Figure 4.3 Matrix Space  
Source: Data managed in 2018

Below are some strategies that can be used to market the shoe SME business:

1. Make a unique shoe product
2. Being a Networker.
3. Determining to segment, targeting, and positioning (STP).
4. Utilize E-commerce.
5. Consistent.

Some of these marketing strategies can be done to develop the business of UMKM. In a business, in addition to marketing strategies, it is also necessary to make financial reports that are no less important. Now, SMEs can create financial reports using accounting software. A journal is an online accounting software that helps create financial reports easily, quickly and real-time

Referring to the explanation above, the next step to improve the performance of shoe MSMEs is through training and guidance that are recommended to be carried out as shown in Table 4.7 below

Observing that one aspect that is important for MSMEs is capital, then UMKIM can access capital at LPDB-KUMKM which is the work unit of the Ministry of Cooperatives and SMEs in the financing sector that manages revolving funds for strengthening capital for cooperatives and MSMEs. In 2018, LPDB appeared with a new paradigm in the management of revolving funds. Even the government, through several national

banks, provides easy access to credit, where for Micro KUR, it can borrow up to 25 million without collateral.

## 5. CONCLUSION

1. The attributes of the production process, production equipment, production control, buildings and facilities, markets, quality standardization, business management, capital, and promotion have moderate performance. Thus there needs to be an increase in these attributes. Difficulties in terms of capital make the company still survive with conventional and manual technology, so production capacity is also relatively limited. In terms of business management, a

large gap was also found based on an assessment of perceptions of existing expectations and conditions. The company's bookkeeping system is still controlled directly by the owner of the company and has not fulfilled the rules of the accounting system. Thus, efforts are still needed to improve these attributes so that shoe SMEs are more developed in the future.

2. Development of MSME of shoes refers to the existing condition profile, needs, and local regulations. Based on mapping the performance of shoe MSMEs, there are problems, as follows: (1) weaknesses in the form of gaps in most of their attributes; (2) competitive advantage of UMKM is based on comparative advantage; and, (3) the types of assistance from the government / related institutions are relatively more oriented towards the type of assistance that contains economic content rather than knowledge content, so that the perceived positive impact is short term.

3. Shoes that are superior products of MSMEs need better guidance in terms of production processes and production facilities in the form of equipment and training assistance to produce higher quality products. Equally important is assistance in terms of developing market share both domestically and abroad. As well as coaching assistance in the development of promotion for the product more widely known

4. MSMEs have opportunities and strengths so they can take advantage of opportunities.

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