

## PRODUCT DEVELOPMENT STRATEGY IN MSME DEFIA OYSTER MUSHROOM IN JAMBI

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### **Abstract**

*Micro Small Medium Enterprises (MSME) gives the latest innovation to the development of its business. Enterprises in order to maintain their survival in order to survive in a competitive climate should have a strategy to attract consumers to switch to their products. One strategy to choose from is product development strategy. So the purpose of this research is to know the internal and external conditions of MSMEs Nugget Oyster Defia in determining product development strategy and analyze and recommend product development strategy based on SWOT analysis to MSME Nugget Oyster Defia. This research was conducted at MSME Nugget Oyster Defia fungus located in Jambi City. Data collection using secondary and primary data. The method of data collection by using observation and direct interview which result will be processed using IFE, EFE and SWOT matrix. Based on the results of the analysis obtained IFE matrix which shows a score of 2.802 score that identified wide space and business improvement and EFE matrix with a score of 2.6255 shows nugget business can be said to be successful and able to attract profits. In the IFE and EFE matrix, the SWOT analysis is to increase the number of outputs and business performance inputs, expand marketing area and increase promotion, increase the number of experts and cooperation, use good technology and planning system, improve nugget business quality and cooperate with other agencies to development*

**Keywords:** Product Development Strategy, Defia Oyster Nugget, SWOT Matrix

### **Introduction**

The development in the economic field is the driving force of the key development. Hence, agricultural sector is expected to support development in the economic field. The development of SME industry when that happens by leaps and bounds. It was because industry in SME scope hired people in surrounding with limited skills to be trained together with skills better. The selection of products that are right to sell at market, that should be focus in a business venture when this is an increasingly strong competition. The competition in the business is a oyster mushroom nuggets. Oyster mushroom nuggets is the one of innovation the development of product which is very popular.

MSME Defia oyster mushroom nuggets is one of the SME that utilizes oyster mushroom as a main ingredient for making nuggets. This MSME provides the latest innovations in business development. The innovation given by MSME provides opportunities for competitors and newcomers. The MSME also contributes to the oyster mushroom cultivation community so that it will provide economic benefits to the farmers and the surrounding community. However, the existence of these business opportunities has an impact on the development of oyster mushroom nuggets where there are new competitors who see that this business opportunity. With the presence of new competitors, other oyster mushroom nuggets have a negative impact on the development of Defia oyster mushroom nugget products. The strategy that can be taken to increase growth and maintain the viability of MSMEs is through product development strategies, such as the ingredients product, packaging and marketing. Determining the policy for a product development strategy is a challenge. This requires a strategy that can prove whether the strategy is appropriate for the MSME business concerned. The formulation of the problems of this research are to : 1) What are the internal and external conditions of the MSME Oyster Mushroom Nuggets Defia in determining product development strategies; 2) What is the product development strategy based on a SWOT analysis to the MSME Oyster Mushroom Nuggets Defia.

### **Research Method**

This study use a mixed method, which is a combination of qualitative and quantitative research methods. The type of combination research used is Sequential Exploratory Design, which is the early stages of the study using qualitative methods and next stage using quantitative methods.

This study primary data and secondary data collected from several sources. Primary data were obtained from direct observations in the field and direct interviews with owner of Defia. Data needed were area location, level of productivity, sales data, production data and number of buyers. While secondary data is obtained from various MSME oyster mushroom and the central bureau of statistics (BPS). The selection of research location is carried out for six months.

Descriptive statistical analysis is used to provide a descriptive or empirical description of the data collected in the study (Ferdinand, 2008). This study uses descriptive statistical analysis in the form of average statistics.

The data obtained was translated descriptively according to internal environmental analysis to determine the strengths and weaknesses faced by the company in order to compile the matrix of Internal Factor Evaluation (IFE). Whereas External Factor Evaluation (EFE) environmental analysis is used to identify opportunities and threats. The combination of the IFE and EFE matrices produces an IE matrix containing nine types of cells that show a total combination of weighted values from the IE matrix.

**External Factor Evaluation (EFE) Matrix**

According to David (2008), the matrix External Evaluation Factor (EFE) enables strategy makers to summarize and evaluate economic, social, cultural, demographic, environmental, political, government, legal, technological and competitive information.

**Table 1. Matriks Eksternal Faktor Evaluation**

External Factor	Strategic	Weight	Rate	Weighted Score
Opportunity				
1.....				
2.....				
3.....				
.....				
Threats				
1.....				
2.....				
3.....				
.....				
Total				

Source: David 2008

**Internal Evaluation Factor Matrix (IFE)**

The Internal Evaluation Factor Matrix (IFE) is a strategy formulation tool to summarize and evaluate key strengths and weaknesses in the functional area of the business. After gathering all the information that affects the continuity of the company, the next stage is the matching stage by utilizing all of the information. The model that can be used as an analysis tool is the SWOT matrix (Strength, Weakness, Opportunities, Threats) (David, 2008). The SWOT matrix is an important analytical tool that can assist managers in developing four types of strategies, namely strength - opportunity strategies (SO Strategies), weakness - opportunity strategies (WO Strategies), weakness strategies - threats (WT Strategies) and strength - threat strategies (ST Strategies).

Intensive strategies (market penetration, market development, and product development) or integrative (backward integration, forward integration, and horizontal integration) can be most suitable for these divisions. Second, divisions included in cells III, V, or VII can be managed in the best way with a guard and maintain strategy, market penetration and product development are two strategies commonly used for this type of division. Third, recommendations that are commonly given for divisions included in cells VI, VIII, and IX are harvested or divested.

		TOTAL SCORE INTERNAL FACTOR EVALUATION					
		STRONG		AVERAGE		WEAK	
		3,0 – 4,0	3,0	2,0 – 2,99	2,0	1,0 – 1,99	1,0
TOTAL SCORE EXTERNAL FACTOR EVALUATION	HIGH	I		II		III	
	3,0 – 4,0 3,0						
	MEDIUM	IV		V		VI	
	2,0 – 2,99 2,0						
	LOW	VII		VIII		IX	
	1,0 – 1,99 1,0						

Source : David, 2008

**Figure 1. IE Matrix**

SWOT analysis is a systematic way to identify factors and strategies that describe the best fit between various alternative strategies that exist based on strengths, weaknesses, opportunities, and threats. Through

this analysis, it allows users of the SWOT Matrix to determine alternative strategies based on a combination of internal and external factors.

<b>PERFORMANCE</b> <b>FACTORS</b>	Enhancers	Inhibitors
Internal	<b>STRENGTHS</b> List of all the valuable resources that an organization can use to exploit the external environment	<b>WEAKNESSES</b> List of all the resources that an organization requires to perform in the external environment
External	<b>OPPORTUNITIES</b> List of all the possibilities that an organization can pursue or exploit to gain benefit	<b>THREATS</b> List of all the factors that have the potential to reduce an organization's performance

Source : David (2008)

**Figure 2. SWOT Matriks**

**Result and Discussion**

In the stage of market development strategy, there is a strategic management process consisting of several stages, namely the strategy formulation stage consisting of the mission development stage, external and internal environmental audits, determination of long-term goals to the making and selection of strategies. The strategy implementation phase consists of the stages of policy setting and annual goals and resource allocation. The strategy evaluation phase includes the stages of measuring and evaluating performance, (David, 2006). The marketing mix can be used to examine the internal and external environment in a business. Based on the results of the study, it was found that the marketing mix of broiler breeders consisted of products (products), price (price), place (place) and promotion (promotion).

**Table 1. Internal and External environmental Analysis**

<b>Internal Environmental Analysis</b>	<b>External Environmental Analysis</b>
<ol style="list-style-type: none"> <li>1. <b>Management :</b> Management, has an important role to assist in an effort to deal with competitors and develop to become a larger scale business.</li> <li>2. <b>Finance :</b> the capital needed by entrepreneur in Jambi City ranges from an average Rp 5.000.000.</li> <li>3. <b>Production and Operational :</b> The production amount of nuggets based on the latest data in 2015, production process is still manual and in 2016 has used machine.</li> <li>4. <b>Marketing :</b> MSMEs sell their products in interesting package. The price Rp 15.000 per pack with contains 15 nuggets and there are some reseller in the marketing.</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Economic Factors :</b> Economic factors directly influence the production and demand of nugget from consumers and suppliers of eggs. Household expenditure is one of the factors that influence Nuggets.</li> <li>2. <b>Social, cultural, demographic and environmental factors:</b> shape the way people live, work, produce and consume. These factors create a need for different products, services, and strategies. Population growth is one of the things that can affect a business.</li> <li>2. <b>Political, governance and legal factors :</b> BPOM contributes in industry production of oyster mushroom nuggets.</li> <li>3. <b>Technology Factors :</b> Technological advances will affect products, services, markets, suppliers, distributors and competitors. Such as internet and others.</li> <li>4. <b>Competitive Factors :</b> competitive factors that makes MSMEs should have substitution product.</li> </ol>

### Market Development Strategy

After conducting an analysis of the internal and external environment of the business, the preparation of the strategy will obtain key factors that will get strengths, weaknesses, opportunities and threats from the MSMEs which can be seen in table 2 below :

**Tabel 2. Strengths, Weaknesses, Opportunities and Threats**

Strength	Weakness	Opportunities	Threat
1. Family relations between owners, employees and agents	1. The small number of skilled workers	1. The level of public consumption is getting higher	1. The price of raw material is increasing
2. Source of funding only from the owner	2. Accounting financial is still traditional	2. Technological advances in the administration and production	2. There are same business
3. Interesting certified Packaging	3. None of business administration system	3. Uniqueness of product	3. The development of other health foods
4. Internet is one of marketing media			
5. Low price			

**Tabel 3. The Result of IFE Matrix**

No	Internal Strategy Factor	Weight (A)	Rate (B)	Score (AxB)
<b>Strength</b>				
1.	Family relations between owners, employees and agents	0,116	3,00	0,348
2.	Source of funding only from the owner	0,115	3,50	0,4025
<b>3.</b>	<b>Interesting certified Packaging</b>	<b>0,134</b>	<b>4,00</b>	<b>0,536</b>
4.	Internet is one of marketing media	0,12	4,00	0,48
5.	Low price	0,128	3,50	0,448
<b>Weakness</b>				
1.	The small number of skilled workers	0,124	1,00	0,124
<b>2.</b>	<b>Accounting financial is still traditional</b>	<b>0,138</b>	<b>2,00</b>	<b>0,276</b>
3.	None of business administration system	0,125	1,50	0,1875
Total		1,00	22,50	2,802

In Table 3 obtained a total score from the IFE matrix of 2.802. This value indicates that the Defia Oyster Mushroom nugget has a strong internal position because the score is above 2.5. The main strengths of the Defia oyster mushroom nugget are the interesting certified packaging (0,536). The main weakness that is the defia oyster mushroom nugget based on the score value is the none of business administration system (0,276). While for the EFE matrix can be seen in table 4.

**Tabel 4. The result of EFE Matrix**

No	External Strategy Factor	Weight (A)	Rate (B)	Score (AxB)
<b>Opportunity</b>				
1.	The level of public consumption is getting higher	0,155	3,50	0,5425
2.	Technological advances in the administration and production	0,160	4,00	0,64
<b>3.</b>	<b>Uniqueness of product</b>	<b>0,165</b>	<b>4,00</b>	<b>0,66</b>
<b>Threat</b>				
1.	The price of raw material is increasing	0,158	1,50	0,237
<b>2.</b>	<b>There are same businesses</b>	<b>0,184</b>	<b>2,00</b>	<b>0,368</b>
3.	The development of other health foods	0,178	1,00	0,178
Total		1,00	16,00	2,6255

The Table 4 describes the total score obtained from the EFE matrix is 2.767. This value indicates that MSMEs can be said to be able to take advantage of external opportunities and avoid threats that confront MSMEs. The main opportunity is product uniqueness compared to other similar products (0,66).

The main threat is the existence of similar industries (0,368). The SWOT Matrix can be arranged based on the result of identification of the IFE and EFE Matrix by describing the strengths, weaknesses, opportunities, and the threats. These alternative strategies can be seen in Table 5.

**Table 5. The Result of SWOT Matrix**

Internal Analysis	<b>Strong (S)</b>	<b>Weakness (W)</b>
	<ol style="list-style-type: none"> <li>1. Family relations between owners, employees and agents</li> <li>2. Source of funding only from the owner</li> <li>3. Interesting certified Packaging</li> <li>4. Internet is one of marketing media</li> <li>5. Low price</li> </ol>	<ol style="list-style-type: none"> <li>1. The small number of skilled workers</li> <li>2. Accounting financial is still traditional</li> <li>3. None of business administration system</li> </ol>
External Analysis		
<b>Opportunities (O)</b>	<b>Strategy S-O</b>	<b>Strategy W-O</b>
<ol style="list-style-type: none"> <li>1. The level of public consumption is getting higher</li> <li>2. Technological advances in the administration and production</li> <li>3. Uniqueness of product</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase the amount of output and business performance (S1, S2, S5, O1)</li> <li>2. Expanding the marketing area and increasing promotion (S3, S4, O2, O3)</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase the number of experts and cooperation (W1, W2, W3, O1)</li> <li>2. Using a good technology and planning system (W3, O1, O2, O3)</li> </ol>
<b>Threats (T) :</b>	<b>Strategy S-T</b>	<b>Strategy W-T</b>
<ol style="list-style-type: none"> <li>1. The price of raw material is increasing</li> <li>2. There are same business</li> <li>3. The development of other health foods</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve the quality of the nugget business (S1, S3, S5, T1, T2, T3)</li> </ol>	<ol style="list-style-type: none"> <li>1. Collaborate with other company to develop products and businesses (W1, W3, T2, T3)</li> </ol>

**Conclusion**

Internal factors that influence MSME nugget of oyster mushroom are divided into strengths and weaknesses. The most important factor to succeed in the nugget business and at the same time become the strength of the business is the packaging of attractive products and the existence of proof of certification. The biggest weakness of the business is financial recording is still manual. External factors that influence MSME nugget of oyster mushroom are divided into opportunities and threats. The most important factor to succeed in the nugget business and at the same time become the biggest business opportunity is the uniqueness of the product compared to other similar products. The biggest threat to business is the existence of similar industries.

Analysis of the IFE matrix with a total score of 2.802 indicates the existence of vast space and business improvement and the EFE matrix with a total score of 2.6255 shows that the nugget business can be said to be successful, able to take advantage of external opportunities and avoid threats that hamper the business.

Alternative product development strategies that can be applied by MSME defia oyster mushroom nuggets based on the SWOT matrix are Increasing the amount of output and business performance (S-O Strategy); Expanding the marketing area and increasing promotion (S-O Strategy); Increase the number of experts and cooperation (W-O Strategy); Using a good technology and planning system (W-O Strategy); Improving the quality of the nugget business (S-T Strategy); Collaborate with other agencies for development (W-T Strategy).

**Recommendation**

MSME nuggets of oyster mushroom defia have limited resources when implementing all alternative strategy recommendations. The advice that can be given to MSMEs is to implement a strategy according to their needs and priorities. Products produced at this time still have low durability because they do not use preservatives. Products can be made more durable without using preservatives. Market development can be done by expanding marketing areas and increasing promotions. Promotions are currently being carried out using brochures and the internet. Brochures made by business people are distributed through agents so that more people know about them. Increasing the amount of output is also important to note so that agents can be loyal to the business. Especially if the market will develop, the number of requests will certainly increase.

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