



## THE ROLES OF ENTREPRENEURIAL MARKETING IN PENETRATING THE EXPORT MARKET OF BALINESE HANDICRAFTS

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Penetrating international markets with high price standards is a challenge for Balinese export SMEs. A special strategy is needed to penetrate the international market. The purpose of this study is to analyze the role of entrepreneurial marketing in the implementation of the export trade of Balinese handicraft products in Indonesia. Respondents in this study were 25 SME businessmen in Badung, Gianyar, Tabanan and Denpasar, who engaged in Balinese handicraft businesses with international markets. Descriptive qualitative analysis with SWOT technique analysis was conducted to explore the role of entrepreneurial marketing, challenges and obstacles in the competition of export products of Balinese handicrafts. The finding of this research is that entrepreneurial marketing has a positive role in the competition to penetrate export market. Innovation, risk management capabilities, resource competencies, international relationships and understanding of export documents make it possible for export SMEs to penetrate international markets.

**Key words:** entrepreneurial, marketing, innovation, export

### Introduction

Tourism is a leading industry in Bali that is relied by the Indonesian government in achieving the country's foreign exchange targets. The carrying capacity of society, environment and infrastructure is needed to increase the tourists visiting Bali. Various hotels, restaurants and art shops are built as tourism support facilities. These units are in the form of companies, some are SMEs. Every traveler tends to shop



looking for the local area souvenirs. The development of tourism in Bali is growing rapidly. It also followed by the rapid development of art shop, gift shop, souvenir shop, cargo, packaging and shipping. The high demand of souvenirs, impacts souvenir shops in Bali. The existence of art shop gallery is sometimes combined with a restaurant or art gallery cafe concept. This increases the demands of Balinese souvenir products for foreign countries. Souvenirs sold in Bali are generally wood-based or similar. Foreign tourists like souvenirs and furniture such as wood carvings, wood furniture, or products from wasted wood on the beach, often called drift wood. The utilization of drift wood and logged logs as the basic material of handicraft that is valuable art and expensive, strongly supports government efforts in realizing eco-environment, eco-tourism souvenirs, go-green, go-clean for the beach and other awareness programs in favor of environmental conservation. Community participation in maintaining coastal hygiene indirectly materialized due to the encouragement of collecting raw materials from drift wood. Similarly, wood-based products, which directly utilize the remaining logging, would make the forest clean again and ready for reforestation. Growing the SME export craft will absorb the workforce of the local community.

This paper is more focused on the challenges, obstacles and the roles of entrepreneurial marketing for Balinese crafts export SMEs. The combined concept of entrepreneur and marketing is expected to solve the challenges that Balinese export SEMs are facing.

According to the Balinese Central Bureau of Statistics (2017), Balinese export commodities are very diverse. Products that are made from wood ranked fourth after Garments, jewelries and on the top, fishes and shrimps. Because of the people's skill and talent on wood carving, exporting products from wood has a big factor for the people's income. The Table 1 below shows the Balinese export commodities of 2017.



**Table 1. Exports of Bali Province by Major Commodity, 2017**

| <b>Commodity Group</b> |                                | <b>Volume (kg)</b> | <b>Value (US\$)</b> | <b>Export Segment (%)</b> |
|------------------------|--------------------------------|--------------------|---------------------|---------------------------|
| 1.                     | Fish and Shrimps (03)          | 23 831<br>675      | 131 794<br>879      | 24.56                     |
| 2.                     | Jewelries (71)                 | 681 923            | 75 609<br>464       | 14.09                     |
| 3.                     | Garments (62)                  | 3 520 474          | 69 396<br>849       | 12.93                     |
| 4.                     | Wood, Wood Crafts (44)         | 13 200<br>372      | 48 210<br>299       | 8.99                      |
| 5.                     | Furniture, House Lighting (94) | 12 319<br>278      | 39 278<br>961       | 7.32                      |
| 6.                     | Knitworks(61)                  | 595 060            | 16 806<br>877       | 3.13                      |
| 7.                     | Coffee Beans, Tea, Spices (09) | 474 912            | 11 844<br>434       | 2.21                      |
| 8.                     | Leather Crafts (42)            | 493 954            | 11 358<br>755       | 2.12                      |
| 9.                     | Processed Meat and Fish (16)   | 2 667 883          | 9 985 070           | 1.86                      |
| 10.                    | Crafts from Stone, Gypsum (68) | 12 164<br>929      | 9 705 456           | 1.81                      |

Source: Bali Statistic (2018)

In this era, an ideal marketing strategy will determine a company's success. From our interviews with the owners or managers of several export SEMs, most stated that to penetrate the international market, Export SEMs have to use certain strategies. Other challenges that prevent export SEMs to penetrate the international market are bureaucracy on filing documents, market competition, product standards, and patent rights.



## Theoretical Review

BPS Bali Statistical Data (2017) describes the number of Balinese exports of \$536,547,921, with a trade balance of \$412,116,860. At 2017, it grew 8.9%. Bagawinata (2018), stated "The Bali Provincial Industry and Trade Office recorded foreign exchange of USD220.60 million from the export of handicrafts on a household scale in 2017. The increase was USD19.84 million compared to the previous year which was USD200.76 million. Efforts to ship the handicrafts were able to contribute 32.46 percent of Bali's total export value of USD679.59 million.

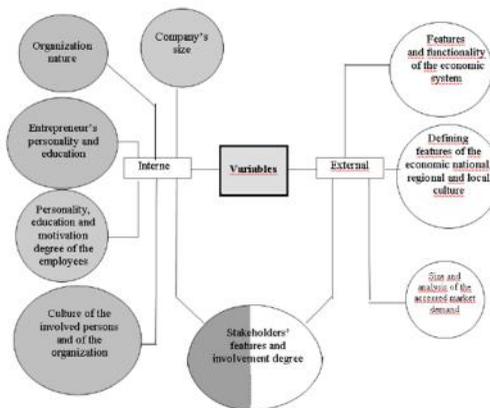
Home industry-based craft business is growing rapidly in tourism centers in Gianyar and Badung. "The handicrafts that highlight the art elements that break through the foreign market consist of 17 types of commodities which are generally very favored by consumers from various countries around the world are wood-based souvenirs. Bagawinata (2018).

UNESCO's *Methodological Guide to the Collection of Data on Crafts*, published in 1997, divides artisanal products under broad categories based on the materials used. The six main categories of this classification are: Baskets/wickers/vegetable fibre-works; Leather; Metal; Pottery; Textiles and Wood. The guide also identifies complementary categories comprising materials in craft production that are either very specific to a given area, or rare, or difficult to work, such as: stone, glass, ivory, bone, shell, mother-of-pearl, etc. Extra categories are also identified when different materials and techniques are applied at the same time and refer to decorations, jewellery, musical instruments, toys, works of art, etc.

The uniqueness of Balinese handicrafts requires a special strategy in its marketing. In the era of digitalization, the combination of marketing capabilities and entrepreneurial spirit play an important role. Internal and external factor should be consider in facing the tight competition in international market. The relationship between the company to the external will decided how the SME will winning the competitor. Nicolescu (2009) in his research found that there are internal and external variables that affect the performance of SMEs. Internal variables consist of the size of the company, stakeholder personality, and educational background (owner and worker), as well as corporate

culture. Meanwhile, external factors that affect performance include national culture, a country's economic system, regional economic integration, and people's purchasing power.

Furthermore, Nicolescu (2009) states that internal factors influence performance rather than external factors by considering the economic scale of these SMEs. This also makes the company able to survive. Figure 1 describes the influence of entrepreneurial activities.



**Figure 1. The main variables that have influence on the entrepreneurial activities**

Another variable that should be consider in managing SMEs is Human Resources Management (HRM) aspect. Marlow (2006) state that HRM deals with the attraction, selection, training, assessment, and rewarding of employees. Other research likes Sidabutar (2014) found that another advantage of SMEs in Indonesia lies in their production, because most of them do not use raw materials from outside / import so that they are not affected by the increase in the price of imported raw materials, and still be able to maintain their business continuity. However, there is a decrease in the total value on non-oil and gas exports by SMEs in 2011 to 2012, because SMEs have weaknesses in productive resources, product adaptation, production capacity, knowledge of documents and export costs.

According to Kraus, Harms & Fink (2009), marketing in new and small ventures faces several challenges that can be overcome by the entrepreneurial approach to marketing. Marketing and entrepreneurship have been traditionally considered as two different



fields of study. Entrepreneurial Marketing as an organizational function of marketing by taking into account innovation, risk taking, proactiveness and the pursuit of opportunities without regard to resources currently controlled. This definition must be restricted to young and small ventures, but can be applied to larger firms. We illustrate the concept of Entrepreneurial Marketing by highlighting Guerrilla Marketing, Buzz Marketing and Viral Marketing, Kraus, et al. (2009). The awareness of the importance of entrepreneurship and innovation for marketing, and entrepreneurial success, led to the efforts to combine two disciplines as entrepreneurial marketing. The main thrust of entrepreneurial marketing is the emphasis on marketing to adapt forms that are suitable for small and medium enterprises (SMEs), recognizing the possible important role of entrepreneurs in every marketing activity (Stokes, 2000: 47). Martin (2009) findings; Entrepreneurs with Corporate Traditional marketing (CTM) was expertise privilege elements of Entrepreneurial Marketing. Rather than relying on the traditional four Ps (product, price, place, and promotion), their marketing strategy and practice is reminiscent of the entrepreneurial four P's (purpose, practices, process, and people). Communication competency is foundational to successful EM.

### **Methodology**

To find out more about the implementation of the concepts of entrepreneurial marketing and barriers and challenges in the competition of SME exports, a survey was conducted on 25 Bali handicraft SME players located in Badung, Tabanan, Denpasar, and Gianyar Regencies. Data and information on SMEs are collected through interviews and questionnaires. The data was analyzed by descriptive qualitative, then tabulated in graphical form for the cell to be reviewed using the SWOT analysis approach. Clarification of the government, which in this case is the Office of Industry, Cooperatives and SMEs is carried out to synchronize the government program with the efforts to promote the UKM of Bali Exports.

### **Discussion**

The tourism of Bali makes this island the world's spotlight. Various businesses emerged and developed rapidly as supporters of tourism activities. Hotels, restaurants, art shop galleries, tour and travel packages, tourist attractions, cultural performance, culinary and shopping centers of international class. Other supporting businesses

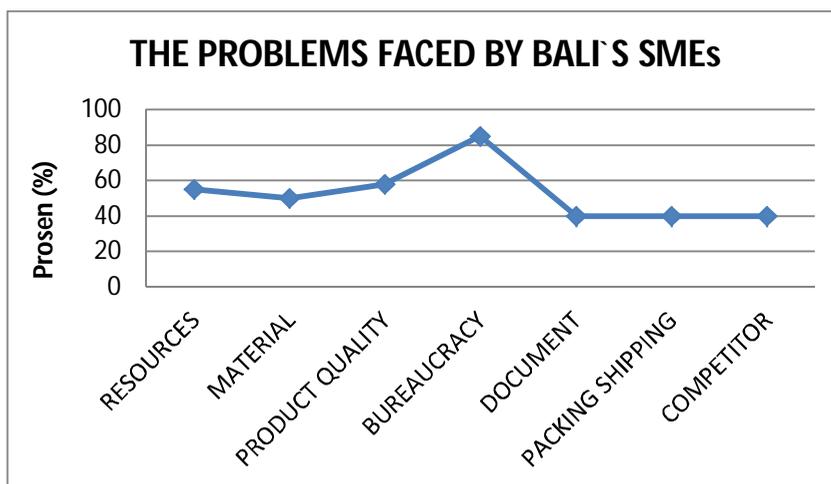


include packing and shipping cargo, property, cars and motorbike rental. This business development certainly strengthens each other and makes Bali an island that has a complete tourism service. Every tourist destination has an artshop that sells various art and garment crafts made by the local community. All Balinese people focus on providing tourism supporting facilities. They join Tourism SMEs, build restaurants, build properties for rent, and provide vehicle rental services and consultants. The existence of SMEs in Bali is not only for domestic production, but also for export capacity. Demand for art crafts for export to foreign countries requires special handling. Various products of wooden handicrafts, fabrics, silver and Balinese architectural model houses are exported to various countries according to tourist demand. The intense activity of export of Balinese handicrafts made this business a promising SME, but its implementation has found several obstacles

Various efforts have been made by the government in order to help increase this handicraft export commodity. The Office of Industry, Cooperatives and SMEs foster SMEs continuously in the container of the Export SME Development Group. Granting permission to open property in Bali, are required to use SME products for furniture, design and decoration. The government through related agencies also organizes cooperation with other government company such as PT Post Export, the Customs and Immigration Division, and the Ministry of Law and Human Rights to help the export process become faster and safer. Based on the results of data collection from 25 SMEs in Bali, data was obtained about the problems faced by SMEs in Bali, as listed in Table 2 below:



**Table 2. Summary of Problems Faced by UKM of Bali Exports**



Source: Data collecting 2018

Based on these data; It can be seen that the main problems faced by SMEs are 85%bureaucratic problems, 58%product quality problems, 55%human resources problem, 50%material problem, and 40% to document constraints, packing and shipping and competitors.If we look at various export cases that occur, both from newspaper, TV news, and the search results of SMEs, it appears that the difference of viewpoints between the government and business actors makes this obstacle drag on so as to limit export opportunities and capacity.

Interview with Sutapa, May 2018 (owner of Parisuda Wood Carving): outlines "I face obstacles in exporting myself. Processing documents is very difficult. Various types of permits are needed so that the wood products I bought legally can be sold legally to foreign countries. Because I don't have the permission in question, and only packaging and shipping agents have, we have to sell our products cheaply to the agent / cargo."

Interview with NgurahWindia, May 2018 (the owner of Ari Deco Drift Wood) also said: "I hope to meet buyers directly, because only direct buyers want to buy my products at reasonable prices by arranging documents by them. Document bureaucracy is quite difficult. If we did it through agent / cargo, my item is bought at a low price. So if I meet a



direct buyer, I will be happy to receive the order. If I go through agent / cargo, I reject it a lot, because it's not profitable.

Referring to the problems in the field, and the results of the data collected, the main obstacle faced is the lack of understanding of SMEs in managing export documents. According to them a long and very complicated bureaucracy is very time and energy consuming. Picture of results that are not yet clear about their efforts and the nominal spent, makes them prefer shortcuts, namely through agents / cargo. Many of them also gave documents to direct buyers at relatively cheap prices. Understanding of human resources on the process and procedures for managing documents also needs to be improved.

When linked to the implementation of entrepreneurial marketing concepts, as stated by Nicolescu (2009) that in SME management, internal factors in SMEs influence performance rather than the external factors of SMEs, taking into account the economic scale of SMEs. Internal factors include organizational structure, knowledge of entrepreneurship, personality and motivation and culture of the people involved in the organization. External factors include the features and functions of the economic system, the definition of regional economies of scale with local culture and the size and analysis of market demand. In the implementation of marketing of Indonesian export products, it is clear that Indonesia's potential and commodities are quite numerous and good, but the limited understanding of SMEs is very dominant in influencing decision making. In this case, the best solution is to implement entrepreneurial marketing. The approach to these two aspects will simultaneously help SMEs to be more innovative, take risks, proactively capture opportunities, and focus on guerrilla, buzz and viral marketing Kraus, Harms & Fink (2009). Referring to the findings, SMEs in Bali should start implementing both strategies in an effort to penetrate the export market. Internal and external factors in the following entrepreneurial marketing are discussed in the study of SWOT analysis (Strength, Weakness, Opportunity, and Threat) with the following strategies:

**Internal factors include the strengths and weaknesses of Balinese SMEs including:**

Strength Factors:

1. The export commodities of Balinese handicrafts are very diverse.
2. Balinese crafts have high value.



3. The basic ingredients of the Bali craft industry are local materials that are easily available.
4. Able to be produced by local people who have artistic competence
5. Its uniqueness, favored by foreign consumers

Weakness Factors:

1. An understanding of the export market is very low
2. Less innovation.
3. Lack of perseverance to fight through barriers to the export market
4. Too dependent on the government
5. Less able to manage risk

**External factors include opportunities and threats:**

Opportunity Factor:

1. The demand for Balinese handy craft is quite high
2. Quality and types of products are recognized to be very attractive
3. HRare ready to produce enough so that they are able to serve large quantities of demand.
4. AFTA, MEA and cooperation between countries facilitate export transactions.
5. The one-stop trading system (INATRADE) facilitates SMEs

Threat Factor:

1. The strength of competing countries in terms of patents, making Bali products easily replicated and patented by outsiders.
2. Limitations in providing document processing support facilities make export activities run slowly.
3. Price competition between SMEs and unfair agent / cargo behavior.
4. There is no special bureau that helps speed up export procedures.
5. Government assistance is not fast enough, making SMEs trapped in legal cases.

In determining the strategy, internal and external factors must be combined so as to produce realistic strategies and be able to answer the problems of SMEs. The combination of internal and external factors is described as follows.

**Strength - Opportunities (SO) Strategy**

1. Increase diversity to meet market demands.
2. Crafts of high artistic,value, need to maintain quality.
3. Balinese handicraft products favored by foreign consumers, it will be



easy to go global through AFTA & MEA.

4. Take advantage of INATRADE services to speed up service.
5. Local and human resources are available to support increased production

#### **Strength Threat (ST) Strategy**

1. Increase the value of the product, patented so that it is difficult to imitate.
2. Crafts of high artistic value, do differentiation and avoid unnatural competition.
3. Products favored by foreign consumers, find a fast way to export.
4. Approach with the government to accelerate service.
5. Synergy between SMEs in the use of local and human resources is available.

#### **Strategy: Weakness Opportunity (WO)**

1. Increase the understanding of the export market to meet export demand.
2. Improve innovation so that products are more diverse and quality.
3. Increase efforts to penetrate the export market barriers to compete in AFTA and MEA.
4. Use the INATRADE service
5. Improve understanding of managing risks for all human resources, so that they are competent.

#### **Strategy: Weakness Threat (WT)**

1. Improve understanding of the export market so that it can compete in a healthy manner.
2. Improve innovation so that the product is not easily replicated.
3. Increase efforts to penetrate export market barriers by expanding international relationships.
4. More agile in trying to penetrate the market more simply.
5. Improve understanding of export documents, so that they are not constrained by bureaucracy.

Table 3. These Strategies in IFAS (Internal Factor Analysis Summary) and EFAS (External Factor Analysis Summary) outline the right strategy in solving the problems of the Bali Export UKM.

**Table 3. IFAS AND EFAS ANALYSIS OF BALINESE HANDICRAFT**

|   |  |  |
|---|--|--|
|    | <p><b>Opportunities Factor: (O)</b></p> <ol style="list-style-type: none"> <li>1. Product demand is quite high</li> <li>2. Quality, attractive type of product</li> <li>3. Human resources are abundant so they can produce large quantities</li> <li>4. AFTA, MEA and cooperation between countries facilitate export transactions.</li> <li>5. The one-stop trading system (INATRADE) facilitates SMEs.</li> </ol> | <p><b>Threat Factor: (T)</b></p> <ol style="list-style-type: none"> <li>1. The strength of a competing country in terms of patents, so that Balinese products are easily replicated.</li> <li>2. Limitations on the provision of supporting facilities for document processes slowing down export activities.</li> <li>3. Price competition between SMEs &amp; agents that are not fair.</li> <li>4. There is no special agency speeds up the export process.</li> <li>5. Government assistance is not fast enough, making SMEs trapped in legal cases.</li> </ol> |
| <p><b>Strength Factor: (S)</b></p> <ol style="list-style-type: none"> <li>1. The Balinese export commodities handicrafts are very diverse.</li> <li>2. Balinese crafts have high value.</li> <li>3. The basic ingredients of the Bali craft industry are local</li> </ol> | <p><b>SO strategy:</b></p> <ol style="list-style-type: none"> <li>1. Increase diversity to meet market demands.</li> <li>2. Crafts of high artistic value, need to maintain quality.</li> <li>3. Products favored by foreign consumers, easily go global</li> </ol>  | <p><b>ST Strategy:</b></p> <ol style="list-style-type: none"> <li>1. Increase the value of the product, patented so that it is difficult to imitate.</li> <li>2. Crafts of high artistic value, make differentiation and avoid unnatural competition.</li> </ol>   |



|  |  |   |
|--|--|---|
| <p>materials that are easily available.<br/>                 4. Able to be produced by local people who have artistic competence<br/>                 5. Its uniqueness, favored by foreign consumers</p>  | <p>through AFTA &amp; MEA.<br/>                 4. Take advantage of INATRADE services to speed up service.<br/>                 5. Local and human resources are available to support increased production</p>  | <p>3. Products favored by foreign consumers, find a fast way to export.<br/>                 4. Approach with the government to accelerate service.<br/>                 5. Synergy between SMEs in the use of local and human resources is available.</p>  |
| <p><b>Weakness Factor: (W)</b><br/>                 1. An understanding of the export market is very low<br/>                 2. Less innovation.<br/>                 3. Lack of perseverance to fight through barriers to the export market<br/>                 4. Too dependent on the government<br/>                 5. Less able to manage risk</p> | <p><b>WO Strategy:</b><br/>                 1. Increase understanding of the export market to meet export demand.<br/>                 2. Improve innovation so that products are more diverse and quality.<br/>                 3. Increase efforts to penetrate the export market barriers to compete in AFTA and MEA.<br/>                 4. Use the INATRADE service<br/>                 5. Improve understanding of managing risks for all human resources, so that they are competent.</p> | <p><b>WT Strategy:</b><br/>                 1. Improve understanding of the export market so that it can compete in a healthy manner.<br/>                 2. Improve innovation so that the product is not easily replicated.<br/>                 3. Increase efforts to penetrate export market barriers by expanding international relationships.<br/>                 4. More agile in penetrating the market more simply.<br/>                 1. Improve understanding of export documents, so that they are not constrained by bureaucracy.</p> |



## Conclusion

Based on the SWOT analysis in table 3; IFAS and EFAS, the following are concluded:

1. Implementation of entrepreneurial marketing is absolutely necessary in managing export SMEs because this builds innovation, risk taking, and improves the quality of human resources. Thus the value of the product remains standard and has high value.
2. Bureaucratic constraints and limited human resource competencies in preparing documents can be overcome by strengthening socialization, entrepreneurial spirit and individual in SMEs and trying to open relationships with foreign buyers directly.
3. The availability of raw materials and the quality of goods must be maintained in order to maintain the existence of export products that remain sustainable.
4. Product diversity and product quality must be maintained so that export activities are sustainable.

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