Relevance of Segmenting, Targeting, and Positioning to Stimulate Product Performance of Traditional Woven Industry in North Sumatera

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Keywords: Marketing Strategy, Segmentation, Targeting, Positioning, Woven Industry

Abstract: North Sumatra has experienced a decline in the number of craftsmen and entrepreneurs of traditional North Sumatra woven industries. If this condition continues, the existence of this traditional distinctive fabric culture will disappear. Many craftsmen and business people have shifted because of the low market appeal of traditional woven industries products. This condition is debatable because other woven industries such as Batik actually have a very high appeal in the market. This study aims to map the marketing strategies and market performance of woven industries business players who still survive. A total of 300 traditional cloth business and craftsmen participated in this study. Interviews were conducted to obtain data needed in the study. The results indicate that there is a positive relationship between the implementation of marketing strategies with market performance. Market appeal perceived to fade by the craftsmen, in this study, can be improved through the application of a good marketing strategy. For businesses that have implemented marketing strategies well, the potential and market demand for their products is maintained. This research suggests that there is a synergy between academics, government, and business to strengthen marketing strategies, maintaining markets and woven industries demand, and maintaining the existence of traditional North Sumatra woven industries where academics and government help absorb and implement marketing strategies from MSMEs.

1 INTRODUCTION

Indonesia has a diverse culture that has been passed down from generation to generation. In its cultural diversity, Indonesia has a variety of woven industries that are the main attraction of the local area in the territory of Indonesia. This traditional cloth is widely used in local cultural festivals, especially cultural festivals that commemorate the local cultural heritage. In North Sumatra, there are many cultural activities that use woven industries. In addition to remembering culture, this activity also aims to preserve cultural heritage to the next generation.

The economic climate in Indonesia over the past five years shows a good business climate and encourages many industries to grow and develop. In addition, the era of free trade in the Southeast Asia region and the industrial revolution 4.0 made the market more dynamic, full of opportunities and challenges to develop businesses. The popularity of batik as a traditional cloth from the island of Java has increased significantly. Batik is well known to various parts of the world. Unfortunately, despite the improved climate, many of the woven industries businesspersons, especially in North Sumatra, chose to close their businesses and change the scope of their businesses. The existence of the popularity of batik beat the woven industries of North Sumatra. In fact, many local traders choose to focus on selling batik instead of local woven industries. This condition is very worrying, especially for the preservation of culture and the presence of woven industries, especially in the North Sumatra region.

In the managerial economic concept, business actors will choose to close their businesses when prices are equivalent to marginal costs (Siahaan, 2015). This point is the threshold for obtaining operating profit. In the long run, the company should close down the business because it will cause business losses. Many researchers state that one of the reasons for closing a business is when there is no or very little potential income that can be obtained from the operation of the business (Amankwah-Amoah & Zhang, 2015; Karakaya, 2000; Rahyuda, Indrawati,
This potential income can be predicted by looking at consumer interest and demand for products (Ajagbe, Olujobi, Worlu, & Uduimoh, 2017). The lower the demand, the smaller the potential income that can be obtained from a business.

The level of demand for traditional North Sumatra woven industries is related to the marketing carried out by these businesses. The main task of marketing is to stimulate demand for products. Successful marketing is marketing that is able to generate interest in the product, and multiply it so that there is an interest in buying from consumers (Hunt & Arnott, 2006; Ç. Karakaya, Badur, & Aytekin, 2012). Kampamba (2015) states that one of the marketing tools used to achieve effective marketing is the Segmenting, targeting, and positioning (STP) strategy. Applying the right marketing strategy will encourage business performance (Kartuwinata & Wardhana, 2013). In general, studies on the marketing strategy are carried out in more mature urban areas in implementing these strategies. However, the situation in urban and regional areas cannot be combined considering their different characteristics (Sarkar, Kundu, & Chaudhuri, 2016).

In addition, the perceptions of these business actors also experience differences and can be influenced by demographics (Hasibuan & Lubis, 2017).

Market segmentation is the process of dividing markets into several groups of buyers, based on certain characteristics (Trinh, Dawes, & Lockshin, 2009). This grouping will facilitate the application of the marketing mix to meet the needs and desires of consumers who have been specifically grouped. Many researchers claim that this segmentation is very important in achieving effective marketing (i.e. Anesbury, Winchester, and Kennedy 2017 or Hassan and Craft 2012). The main reason is that grouping buyers based on the same characteristics will facilitate marketing activities and achieve marketing targets that are more appropriate for the group. Consumer behavior towards a product tends to be different so the approach that must be taken is also different (Anesbury et al., 2017; Lubis, 2018).

Market segmentation is done by grouping broad heterogeneous markets into more homogeneous segments. Targeting activities are essentially choosing among more homogeneous market segments by assessing the attractiveness of the segments and selecting the segments to be targeted as buyers (Barton, 2011). The results of the targeting activity will be used as a basis for positioning so that the product and / or company are well known to consumers. This series of marketing activities is an STP activity that helps in stimulating the request.

This study aimed to evaluate the application of STP in traditional woven industries in North Sumatra.

This evaluation aims to map the application of STPs from MSMEs as well as evaluate its correlation with product performance which showed market attractiveness toward the business.

2 LITERATURE REVIEW

2.1 Traditional Woven in North Sumatera

2.1.1 Ulos

Ulos, in language means blankets, blankets that warm the body and protect themselves from cold air. The Batak people believe that there are three sources of warmth for humans, namely Sun, Fire, and Ulos. Ulos is considered a source of warmth that is comfortable and familiar with human daily life.

The art of weaving Ulos is inherited from generation to generation, especially to the Batak people. Many traditional activities were carried out using Ulos cloth. The variety and style of Ulos itself has its own meaning for society. The process of making Ulos generally uses looms instead of machines. However, along with the development of technology, Ulos print motifs have now begun. The meaning of Ulos began to shift from weaving to motif.

Ulos is a symbol of warmth for the Batak people. Although at first this meaning came from the need for warmth to protect from the cold temperatures of the mountains which are now no longer widely used, the meaning of Ulos as a symbol of warmth is still held by the community. The warmth grows into a strong sense of kinship attached to the community. Ulos cloth is now being developed by craftsmen, not only limited to the shawl cloth used in traditional events, but has been widely used as a basic material for clothing, laptop bags, tablecloths, and so on.

2.1.2 Batik Gorga

Gorga Batak Toba is carved or chiseled art which is usually found on the exterior (exterior) of traditional Toba Batak houses and art tools (drums, cymbals, lutes), and so on. Gorga is a sculpture or painting that is used by using three basic colors that are characteristic of Batak, namely Black, White and Red.

Gorga Batik is a work by displaying various carvings on cloth. The manufacturing process is generally combined with the handwriting method, while colors use natural colors. Even so, now a lot of gorga batik circulating in the market is printed by using a stamp. It was usually using the colors Red,
Black and White. These three types of colors are called Sitiga Bolit. The three colors also have special meaning and symbolism according to Batak religious beliefs, namely:

1. White as a symbol of purity, truth, honesty and sincerity.
2. Red as a symbol of strength and courage.
3. Black as a symbol of the authority and leadership

2.1.3 *Uis Karo*

The traditional Karo traditional cloth (*Uis Karo*) is a traditional dress used in Karo tribal cultural activities as well as in everyday life. *Uis Karo* has colors and motifs related to its use or with the implementation of cultural activities.

*Uis Karo* is made of cotton material, spun and woven manually and uses natural dyes (not using manufacturer chemicals). But there are also some of them using fabric fabrication that is dyed (colored) with natural dyes and made into Karo custom cloth. Some of the Karo Adat Uis are already scarce because they are no longer used in everyday life, or are only used in cultural ritual activities that are related to animistic beliefs and are not being done anymore.

In general, Karo traditional clothing can be divided into three groups, namely: daily wear, clothes for parties, and traditional clothes. The clothes that are commonly used by men are clothes with long-sleeved Chinese scissors, headgear called tengkuluk or bulang and sarong, while for women consists of round neck kebaya, sarong (*abit*), headgear (*tudung*), and custom cloth named *Uis Gara* is slung.

Festival clothes are almost the same as everyday clothes. However, festival clothes are cleaner or new and worn properly, so that they look more polite. Traditional clothing consists of clothing with complete accessories and is used only at parties, such as weddings, entering new homes, death ceremonies, and art parties.

2.2 The STP as Marketing Strategy

Kotler & Keller (2012) as marketing experts provide keywords for marketing success can be concluded based on the STP strategy, namely segmenting, targeting and positioning. The essence of this approach is that the overall market concept consists of various market segments. Each market segment has different needs and wants characteristics. By focusing on specific market segments, marketing can be done more effectively (Anesbury et al., 2017).

The main note for this approach is that this strategy requires actors to focus on certain parts of the market and sacrifice other parts (Andres, 2009).

The main reason is that there is a very strong difference between one segment and another that requires a different marketing approach (Szolnoki & Hoffmann, 2014). Nevertheless, the STP strategy can be carried out in several segments with different approaches.

Market segmentation is the initial stage of STP by focusing on identifying homogeneous segments in the sub-market by grouping the group criteria. Jaman (2012) suggests how important it is to identify potential buyers. Failure in this identification is the same as failing to reach consumers and product sales. Camilleri (2018) revealed that market segmentation is an activity oriented to prospective buyers so that this activity will strongly support these buyer-based marketing activities. In doing this grouping, marketers generally look for similar characteristics, such as the common needs, interests, lifestyle, or
certain demographics. In this stage the market segments are given a profile and information that gives the difference between one segment with another segment. Market segmentation is generally done based on five categories, namely demographic, geography, psychographic, behavior, and product-related factors.

After the market segmentation is complete, the next step is to choose the target market. There are three types of strategies that can be taken in selecting a target market, namely undifferentiated marketing, differentiated marketing, and concentrated marketing.

Determination of target markets will help companies optimize the use of available resources. Therefore, the selection of targets from market segmentation is not only the most lucrative market problem, but must be in accordance with the company's ability to process the segment.

Positioning is an effort made by a company or business actor in order to be able to offer a potential buyer and obtain a place in the mind of the prospective buyer. Positioning activities are related to differentiators that make the company or its products unique to the eyes of the buyer (Swerdlick, 2007). Consumers will always make comparisons between products or services as an alternative to meeting their needs. Therefore, businesses do the right positioning in order to perform better than others in the minds of these consumers.

## 3 RESEARCH METHOD

### 3.1 Research Time

The study was conducted in Medan and Samosir from April to July 2019.

### 3.2 Participant

Traditional woven industries generally take the form of micro, small and medium enterprises (MSMEs). Most of these businesses tend not to be clearly registered either at the statistical center or the local trade office. Therefore, this study was conducted with a non-probability sampling method where sampling as participants in this study was determined by stratified sampling from two main regions, namely developing regions such as Medan City and undeveloped areas including Samosir Island, Kaban Jahe, and Brastagi. A total of 300 MSMEs participated in this study, with 150 craftsmen and enterprisers in the Medan area and 150 craftsmen and enterprisers from Samosir, Kabanjahe, and Brastagi. The consent of our participants were taken and they were agreed to participate in this study.

### 3.3 Data Collection Method

This research was conducted with structured interviews with craftsmen and traditional woven enterprisers in both regions. The interviews conducted focused on implementing effective marketing through the STP strategy of the craftsmen and business people. This study also asks about the potential of traditional typical fabric businesses from the viewpoint of craftsmen and business actors as well as their plans in managing the business in the future.

### 3.4 Data Analysis Method

The data obtained in this study are tabulated and analyzed in the form of correlation and concurrent model analysis of the practice of marketing strategy preferences applied by business actors.

## 4 RESULT AND DISCUSSION

### 4.1 Characteristics of Research Respondents

Characteristics of respondents in this study are presented with the aim of seeing a general picture of the research sample. Characteristics of the respondents in this study were grouped based on business groups, genitals of business actors, the last level of education, and approaches to the formation of strategies. A summary of the respondent points is presented in Table 1.

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<th>Table 1. Characteristics Respondents</th>
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<td><strong>Classification</strong></td>
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<td>Junior High School</td>
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<td>Elementary School</td>
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Table 1 provides information that the characteristics of traditional typical fabric business actors are generally micro and small businesses. This classification is difficult to justify because there is no clear record of the finances of the business actors so that this data is based on the estimated turnover and asset value of the business actors. This classification is based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises. In terms of business actors, in general business actors are female. In general, in Indonesia the approach applies that men’s duty is to make a living while women focus on helping the household. Many of the woven industries business people make their business as a side business behind their duties to help in the household. Especially in the Samosir area, men work to work the fields while women work weaving traditional cloth in their spare time. This makes the participation of women greater than men. In terms of recent education, business people are generally high school or junior high school graduates. Education that has not been evenly distributed to the end of the samosir makes many business people only finish their final studies at the high school and junior high levels. Local scholars also prefer other more promising professions than continuing the traditional woven industries business.

4.2 Segmentation, Targeting, and Positioning Practice in the Traditional Woven Industries

Research that has been conducted using open questionnaires that can be filled out by traditional craftsmen and traditional cloth sellers and not required to fill them with regard to segmentation practices, targets, and positions applied by traditional craftsmen businesses and traditional cloth sellers in North Sumatra.

4.2.1 Segmentation

Marketing experts say that in an era of increased competition, an era of information that is spreading rapidly and increasingly educated buyers and demand and market tastes that are changing rapidly, has urged companies to pay attention to the issues and practices of market segmentation. If a business craftsman is not able to see the segmentation of prospective buyers clearly, then it is very possible that the business craftsman missed the sales opportunity and the prospective buyer. Segmentation is basically classified into three main categories; i.e. segmentation based on behavior, psychography (lifestyle), and buyer profile. The categories are then divided into more specific segments that cover aspects of the prospective buyer. The application of market segmentation which is generally carried out by the traditional craftsmen and traditional cloth sellers in North Sumatra is summarized in Figure 1.

Figure 1. Segmentation Practices

This research involved one hundred craftsmen and traditional cloth sellers in North Sumatra. Figure 1 summarizes the application preferences of traditional typical fabric market segmentation practices. Previously it has been said that this market segmentation is increasingly important along with market developments and consumer behavior. Figure 1 indicates that in general, the practice most often applied in segmentation is the occasional segment, which shows that segmentation is more often done based on specific uses of traditional typical fabrics, for example for traditional or wedding activities.

Market segmentation based on socioeconomic conditions is also often carried out by craftsmen and businesspersons of traditional typical fabrics in North Sumatra, especially in ulos and gorga batik products. Segmentation based on socioeconomic pays attention to social aspects and people’s purchasing power. Craftsmen and sellers must understand appropriate social areas accompanied by adequate economic conditions for the products produced.

Segmentation based on demographics is a segmentation strategy that classifies markets based on age, income, purchasing power, ethnicity, occupation, and so on. The advantage of this demographic based segmentation practice, besides being easy to apply in terms of quality and quantity of data, is being able to create a suitable segmentation profile. In this case the marketing strategy can be more specifically prepared by business actors. However, it should be noted that this does not mean that all consumers in certain demographic segments have the same needs and desires for the product. The practice of segmentation based on demographics is very widely applied by ulos and gorga batik entrepreneurs.

Market segmentation based on geography is essentially a broader segmentation practice than
demographics. This segmentation is based on the region where the consumer is located, for example, market segments outside North Sumatra, or more specifically the Jakarta market segmentation. This segmentation is done to penetrate the market in an area. However, many marketing experts say that based on geographical segmentation is a mistake, because from that segmentation the profile of market needs and desires is still unclear. Figure 1 shows that Gorga Batik has more applied this segmentation strategy compared to Ulos Fabric and Uis Karo.

Lifestyle market segmentation is a fairly complex segmentation where the emphasis is not based on the quality of the best products a business has, but rather on the emotional condition of potential buyers. Although not the best product, this practice is very effective in attracting the attention of consumers because it is directly related to the condition of prospective buyers. Craftsmen and sellers create segments that match the tastes of the lifestyle of prospective buyers. For example, ulos cloth is combined with formal clothes into semi-ulos clothes which is precisely for some interesting people. This segmentation is still rarely applied by businesses today.

Segmentation based on loyalty is done by paying attention to the intensity of the purchases from the buyers. This classification can be done to provide the best service to loyal customers to the company. Loyal buyers will continue to be maintained with marketing and product development strategies that will increasingly make consumers loyal and remain sustainable as customers of the store. This segmentation strategy is difficult to do because the attention of buyers is still lacking in business attention in the North Sumatra region. This segmentation is based more on the memories of the sellers, while a few others provide member cards as a form of loyalty practice.

Segmentation based on usage relates to how to encourage the intensity of the use of woven industriess that are more common. This segmentation is applied to see potential segments to require and utilize traditional distinctive fabrics. Business people consider this practice difficult because even though clothing products are a basic necessity, a lot of substitutions can be made for these woven industriess.

4.2.2 Target Practice

In marketing science, there is no requirement that the practice of segmentation must be considered by business actors. The approach is more towards a strategic approach. However, in determining target market activities, segmentation becomes a necessity. Evaluation in the selection of targets must be based on two criteria, namely the attractiveness of the segment and the ability of the company. This evaluation is very dependent on internal conditions and external evaluations of each company. Nevertheless, in general the determination of targets can be based on several references. The survey results related to the target practices in this study are summarized in Figure 2.

Figure 2 provides information that the practice of targeting the craftsmen and entrepreneurs of woven industriess in North Sumatra is quite good in terms of the target market preference. Many business actors apply a combination of market appeal, such as segment size and segment growth accompanied by business capabilities such as the brand image of the products produced by the company.

Targeting based on segment size is directly related to the number of prospective buyers from the market segmentation. In general, the larger the segment size, the greater the number of prospective buyers which indicates the greater segment appeal. The concept of economic of scale encourages effectiveness and efficiency if the company takes targets in this market segment. The problem with large market segments is that the appeal is too large so that it attracts many competitors to take advantage of the market share.

Targeting based on segment growth is essentially the same as segment size, where large segment growth will attract the attention of competitors and increase competition. Nevertheless, it cannot be denied that good segment growth will be the main target of business actors. Figure 2 confirms the statement mentioned earlier.

Price sensitivity can affect the level of profitability of a business. In general, a low level of price sensitivity is the main attraction for business actors, because prices can be determined by business actors without significantly influencing the level of demand. In this study, Ulos Kain business actors appear to have paid the least attention to the issue of price sensitivity.

Bargaining power can be a determinant of interest in market segments. At the level of consumer
bargaining power that is too high, business actors cannot do much to attract the attention of consumers so that business growth and development becomes difficult to achieve. Barrier to entry and competition in the segment are important factors to see the viability of the segment to be chosen. The barrier is related to the regulation of whether a business can run its business in the relevant segment. A strong barrier can also be considered where competition will be weaker with fewer players in the barrier. The level of competition is crucial as a choice whether the company wants to take the segmentation. Blue ocean and Red ocean strategy are choices in seeing the competition, whether they want to play in a market segment that is still blue or that has many competitors and becomes a red sea.

The other three segments from Figure 2 are sourced from the capabilities of a traditional typical fabric business. The considerations made are based on image, cost advantage, and technology. Many of the business actors obtain cost advantage from the ownership of raw materials or the scale of their production so that production costs become cheaper. In a price-sensitive market, cost advantage can be an important weapon to attract the attention of segments. Technology can support competitive advantage that makes the competitive power of business actors increasingly large.

4.3 Positioning Practices

Positioning is an effort made by a company or business actor in order to be able to offer a potential buyer and obtain a place in the mind of the prospective buyer. Positioning activities are related to the differentiator that makes the company or its products unique in the eyes of the buyer. Consumers will always make comparisons between products or services as an alternative to meeting their needs. Therefore, businesses do the right positioning in order to perform better than others in the minds of these consumers.

4.4 Correlation as a Basic Evaluation Model

The model of the marketing strategy on the product performance of this typical woven industries, the research data are evaluated based on correlation analysis. The results of data processing are summarized in Table 2.

Table 2. Correlation Analysis

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<th></th>
<th>Correlations</th>
<th>Targetting</th>
<th>Positioning</th>
<th>Market Performance</th>
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<tr>
<td></td>
<td>Segmentation</td>
<td>Targetting</td>
<td>Positioning</td>
<td>Market Performance</td>
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<tr>
<td>Pearson Correlation</td>
<td></td>
<td>0.50**</td>
<td>0.420**</td>
<td>0.618**</td>
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<td>Sig. (2-tailed)</td>
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<td>0.00</td>
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<td>N</td>
<td>300</td>
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** Correlation is significant at the 0.01 level (2-tailed).

Table 2 provides information that there is a significant relationship between the practice of segmentation with targets and positioning. Targeting also has a strong relationship with product positioning in the market. These results indicate that the research model should not be evaluated based on multiple linear regression, because between the proposed independent variables have a strong relationship with each other. These results indicate structural analysis or path analysis will be better able to explain the conditions experienced by business operators when compared with multiple regression.

Correlation analysis provides information that a good market segmentation will help in the implementation of a better target market. This is indicated by a positive and significant correlation between the two. Segmentation is also important in influencing product positioning and performance. Thus, there is a mutually influential flow of marketing strategies on the performance of these products.

5 CONCLUSION AND RECOMMENDATION

The study concluded that woven industries still have promising potential for business people / craftsmen. Previously, many businessmen left the market because they felt that the attractiveness and potential of woven industries had fallen from the market and were perceived as unable to compete with other
fabrics. This research shows that the problem is not the decreasing appeal of traditional woven industries products, but the inability of business actors / craftsmen to implement appropriate promotional strategies to create demand for these products. In this case, mistakes in determining market segments and the inability of marketing communication can make the potential for woven industries decrease.

ACKNOWLEDGMENTS

The authors gratefully acknowledge that the present research is supported by Ministry of Research and Higher Education. The support is under the research grant PDUPUT for year 2019.

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