

# Differentiation Competitive Strategy In Winning Smes Advantage At Creative Industry In Jember

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**Abstract:** The creative industry is now a topic of great publicity, not only because the industry is developing in many countries as well because of the industry's peculiarities that are no longer based on economic-related issues (eg low prices), but shift to the creative aspect. The creative industry is an industry driven by innovation and creativity. Both can form the basis for forming a company's competitive advantage strategy, namely a differentiation strategy. If the company can be different from the competitors then the company can also excel than the competitors. The creative industry is currently sustained by Small and Medium Enterprises (SMEs), which has been proven to survive when Indonesia suffered economic crisis several years ago. Management The excellent strategy by SMEs in creative industries is expected not only to contribute to local and state revenues but also to make Indonesia appear in the international arena as a highly competitive country. The growing creative industries sector in Indonesia is the culinary and fashion sectors. The differentiation strategies that can be used in the development of the two sectors are product differentiation, service differentiation, people differentiation, image differentiation, quality differentiation, and differentiation innovation. With the same strategy of creative industry sector Jember is expected to be a creative city can be realized.

**Keywords:** creative industry, SMEs, differentiation strategy

## 1. INTRODUCTION

Indonesia is a country that has a diversity of cultures, customs, and natural wealth is very abundant. With all these advantages, including also the amount of potential population is very large, Indonesia is also a country with a basis of high creative economy. the diversity and variety of wealth owned by Indonesia so that the basis of an economy to be creative. The structure of the Indonesian economy in its 72 years post-independence years has undergone several shifts, from the agricultural economy to the industrial economy, and then shifted into the information economy and in the last decade the role of the creative economy in the larger national economy. The creative economy has become a popular term since its emergence around 2001 when John Howkins linked creativity with economics (economics), that is, when the creative economy sector becomes the strongest link between creativity and economics and creates tremendous value and wealth (Colin A.Carter, Chalfant, Yavapolkul etc, 2016) The creative industry is the result of the creative economy, which, according to the author's observations, has begun to stretch, to show itself and to his work. Meanwhile, according to the Ministry of Trade of the Republic of Indonesia (2007), creative industry is an industry derived from the utilization of creativity, skills and individual talents to create welfare and employment through the creation and utilization of the creative power and creativity of the individual. United Nations Conference on Trade and Development (UNCTAD) states that creative industry is a cross-cultural activity of art, culture, business, and technology.

Specifically UNCTAD defines the creative industry as an industry that: 1) Recycles the creation, production and distribution of goods and services as a result of intellectual capital and creativity, 2) Establish a set of knowledge-based activities, focused but not limited to art, potentially creating revenue trade and intellectual property rights, 3) Contains concrete product elements and abstract minds that contain creativity, economic value, and marketability, 4) crossings between artists, services, and industry sectors and builds a vibrant world trade sector. Jember is a district town in East Java that produces many creative products, one of which is wood bead industry, bone located in Balung Tutul subdistrict of Jember regency, they have done differentiation strategy of this thing done or diperlukah for company or SME to be superior and more able to survive than its competitors.

## 2. Research Objectives

This study aims to identify the differentiation strategies that have been applied by companies that scale on SMEs in the creative industry sector.

## 3. LITERATURE REVIEW

### CREATIVE AND MANUFACTURE INDUSTRY

Companies engaged in the creative industry today are mostly small scale enterprises (SMEs). According to Karilya (2011), SMEs are a heterogeneous collection of companies in size and nature, which, when used together, will have significant direct and indirect participation in national production, employment and employment creation. Further Karilya (2011) and Ayyagari et al. (2003) groups companies into SMEs based on: number of employees, total asset value, investment and sales levels, and production capacity. Meanwhile, some agencies / organizations have different criteria related to the definition of SMEs (see Table 1.). SMEs are the companies incorporated therein have proven to be able to survive even able to revive the Indonesian economy during the crisis of 1998. Unfortunately there is the impression that the government is not paying attention to the SME sector. This can be seen from the data of National Export Development Agency (BPEN) which states that only about 10% of 41 million units of SMEs are able to penetrate export markets. (Cui Hua, Yong Tan, 2016) Differentiation becomes important for

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companies engaged in creative industries. Differentiation becomes the company's strategy to gain consumer loyalty. The differentiation strategy can be done in various ways, or at various levels.

**Table 1: Limitation / Criteria of Small and Medium Enterprises by Several Organization**

Organization	Kinnds of business	Criteria of SMEs
Law No. 9/1995 on Small Business, Chapter 3 of article 5	Small business	<ul style="list-style-type: none"> <li>• Asset &lt;Rp. 200 million excluding land and building.</li> <li>• Annual turnover &lt;Rp. 1B.</li> <li>• Owned by Indonesian people.</li> <li>• Independent, unaffiliated with business medium-large.</li> <li>• May be incorporated, may not.</li> </ul>
The Central Statistics Agency (BPS)	Micro business	Workers <5 persons including unpaid family labor.
	Small business	Workers 5-19.
	medium-sized enterprises	Worker 20-99 people.
State Minister for Cooperatives and PKM	Big business	Workers at least 100 people.
	Small Business (Law No. 9/1995)	<ul style="list-style-type: none"> <li>• Fixed assets (excluding land and buildings) &lt;IDR 200 Million.</li> <li>• annual turnover &lt;Rp. 1B.</li> </ul>
Medium Enterprises (Presidential Decree 10/1999)	Medium Enterprises (Presidential Decree 10/1999)	<ul style="list-style-type: none"> <li>• Fixed assets (excluding land and buildings) of Rp 200 million - Rp. 10Milyar.</li> <li>• The turnover (sales revenue) Maximum Rp.10Milyar.</li> </ul>
	Micro Enterprises (BI Dir Decree No. 31/24 / KEP / DIRtgl 5 Mei1998)	<ul style="list-style-type: none"> <li>• Businesses run by people poor or near poor.</li> <li>• Owned by a family Resource local dan simple technology</li> <li>• The undertaking is easy to exit and entry.</li> </ul>
Bank Indonesia	Medium (SK Dir BI No. 30/45 / Dir / UK date January 5, 1997)	<ul style="list-style-type: none"> <li>• Fixed assets (excluding land and buildings) 200 million s / d &lt;Rp. 5 billion for the manufacturing industry.</li> <li>• Fixed assets (excluding land and buildings) 200 million s / d &lt;Rp. 600 for non-industrial sectors of manufacturing</li> <li>• Annual turnover &lt;USD. 3Milyar</li> </ul>
	Medium Enterprises	<ul style="list-style-type: none"> <li>• The turnover of between Rp 1 to Rp 50milyar per year.</li> </ul>

Ministry of Industry and Trade	Small and Medium Enterprises	<ul style="list-style-type: none"> <li>• The investment value of up to Rp. 5milyar.</li> <li>• Small businesses in the fields of trade and industry is also categorized as a business that has a fixed assets of less than Rp. 200 million per year and a turnover of less than Rp. 1 billion (according to Law 9 1995).</li> </ul>
The World Bank	Small, Medium Micro Enterprises	<ul style="list-style-type: none"> <li>• Workers &lt;20 People</li> <li>• workers 20-150orang</li> <li>• Asset &lt;US \$. 500 Thousand outside ang building ground.</li> </ul>

source:<http://www.menlh.go.id/usaha-kecil/>;  
<http://www.hukumonline.com/detail.asp?id=16783&cl=Berita>;  
<http://www.dpr.go.id/artikel/artikel.php?aid=2839>

**DIFFERENTIAL STRATEGY**

The most common competitive strategy used as a reference is the competitive strategy proposed by Porter (1980). Porter divides the strategy commonly used in business into three kinds. The strategy is divided based on two dimensions, namely strategic scope and strategic strenght.Strategic scope is the dimension of demand and strategic strength is the dimension of the supply side. The strategy can be divided into differentiation strategies and low cost strategies. Porter's (Kempetitif) strategic strategy is shown in Figure 1.

**Gambar 1. Strategi Kompetitif Porter**



Differentiation strategy is the company's strategy to create a unique product, which is different from the competitors. This uniqueness ymag a superior value for the consumer. Supert value must be seen from the consumer side and not viewed from the manufacturer .Beberapa mistakes often made by the producers is often the value offered by the manufacturer is not the value that consumers seek. Or the value offered is not unique, because almost all products from competitors offer the same value. By having the superior value of the company can get price bias, so because of the uniqueness of the company can apply different prices with competitors The uniqueness of the aforementioned, the company must have advantages in many areas, including: a) Strong R & D expertise, b) Strong product engineering expertise, c) Strong creativity expertise, d) Good cooperation with salurandistribusi, e) Strong marketing skills, f) Being able to attract creative and high-ability people, h) Be able to communicate the importance of product differentiation characteristics, i) Strive for innovative and creative differentiation strategies can be performed on many product characteristics. In order to excel the company can apply the differentiation strategy to one or more of the following product characteristics, including: a) Product

differentiation, Armstrong and Kotler (1999) emphasize that differentiation can be made by manipulating product characteristics such as features, performance, style, consistency, durability, reliability, or reparability. Differentiation of products is tangible, b) Service differentiation, usually made to complement product differentiation made, such as providing additional information or assistance as a consultant, c) People differentiation, good product delivery can be done if the company has good resources, skills, and passion for work. The characteristics of the product are physically very easy to imitate, but our human resource capabilities, such as the expertise it possesses, the willingness to serve the customers, the spirit to provide the best for the company, and the creativity it possesses, is difficult to keep competitors, d) Image differentiation, our products and services are easy to imitate, the brand image embedded in the consumer is hard to imitate. Brand image is not formed in a short time, it takes a long time to form a brand image of a product in the consumer mind. One thing to remember is that the brand image may fall due to a mistake made by the company, the company needs to maintain the brand image it already owns, e) Quality differentiation, differentiation in quality is differentiation in which the company emphasizes that quality is the whole process that there is. From the provision of existing raw materials, providing quality raw materials, production processes in accordance with the plan, delivery of appropriate services. This is an ongoing process, from the starting point to the end of the product to the hands of consumers, f) Innovation differentiation, often when it comes to corporate innovation, thinks that innovation is only related to product innovation. Process innovation also includes innovation, that is, when companies are trying to improve production or production process in a new, more efficient and effective way. The new way not only makes the company superior in terms of making better products, smaller costs, but is also associated with increasingly difficult for competitors to imitate products made by the company. many examples of companies that successfully differentiate and become superior to their competitors, some can be cited as examples, such as tabel 2.

**Table 2: Examples of Businesses Doing Differentiation**

Differentiation strategy	Company name
<i>different taste</i>	Dr.Pepper
<i>Superior service</i>	Federal Express
<i>spareparts availability</i>	Caterpillar
<i>More for your money</i>	McDonald
	Wal Mart
<i>Engineering design &amp; performance</i>	mercedes
<i>Prestige</i>	Rolex
<i>Quality</i>	Honda
<i>Top-of-the-line image</i>	Ralph Lauren
<i>Technological leadership</i>	3M Corporation
<i>Unconditional satisfaction</i>	LL Bean

#### 4. RESEARCH METHOD

##### a. Descriptive Empirical

This research is a research that aims to explain the existing phenomenon by using descriptive explanation to describe the characteristics of individuals or groups of objects.

##### b. Study Library

Library study method is done to support the interview and observation methods that have been done. Collection of information needed in finding references related to the research undertaken.

#### 5. RESULT AND DISCUSSION

##### CERATIVE INDUSTRY DIFFERENCE STRATEGY

Tutul Village in Balung Subdistrict, Jember Regency, East Java, is famous as a center for handicraft production of beads and beads made of wood and bone. Not only are there two products of reliability, there, there are thousands of people who are adept at making various accessories of wood, such as bracelets, brooches and necklaces. Data from the Ministry of Manpower and Transmigration said, from a total of 9,989 residents of Tutul Village, there are about 1,057 people who work as crafters. Productive so, the ministry is declaring this village as one of the productive villages in the country. The Leopard is about 24 kilometers (kilometers) from the center of Jember City. Its location is relatively far from the urban economic area, encouraging its citizens to strive to build the industry with the expertise possessed, the ability to make wooden crafts is already ingrained for the people of Tutul Village. Because of the nature of the home industry, production activities are carried out by residents in their homes. One of the craftsmen, Ida Giawati pioneered wood craft business since in 2001. Assisted by her husband, she founded "Imda Handicraft" which produces various accessories of wood, ranging from beads, necklaces, rings, kris, cigarette pipe, to kitchen utensils. according to explanations from Ida, the majority of Tutul Village residents are working as wood craftsmen. Therefore, when the start of the business and not yet have many craftsmen, he often delegate orders to local residents and only assisted three permanent workers. But now, Ida has hired as many as 20 craftsmen in his house which also became his workshop. The work of "Imda Handicraft" is not only marketed around Central Java, East Java and West Java but also has been exported to various countries such as Pakistan, Malaysia, Singapore, China and Korea. Another craftsman, Mr. Yono, he also produces various accessories made from wood and bone, such as beads and heads. The difference, he did not recruit craftsmen to work at home. Rather, empower the neighbors to help with production. They bring materials and work in their homes, some 40 people who work to help work done by Mr. Yono. Every wood that will be done and accepted crafters have been sawed and cut into a certain size. Production system of wood is indeed able to move the economy of the villagers Tutul. Pengrajin "Imda Handicraft" able to print a turnover of Rp 150 million a month. Meanwhile, Mr. Yono can panning turnover of Rp 120 million per month. Examples of products The wooden beads:



A competitive strategy in the creative industry will be successful if it is made in accordance with the characteristics of the industry. Creative industry based on the application of intellectual capital and creativity, and business based on the knowledge and skills owned. Sub-sector of creative industries in Jember the other is in the field of fashion, this is after the emergence of the International Event event in the field of Fashion Jember Fashion Carnival (JFC) held every tahun Jember Regency and this year has entered the year to 16, this event is enough to seize the world because it is very synonymous with the fashion industry is very unique and different from others. according to research Desatari (2016) the presence of JFC became the booster of the wriggling fashion industry in the city of Jember, another thing that also began to develop is a typical Batik Jember with a design characterize the potential of Jember district as a producing district of Tobacco, coffee and cocoa, in the culinary field also began to develop the creative industries of Jember typical foods such as Suwar Suwir and various processed foods from Tape, such as: prol tape, brownis tape, cake tape and others, in Jember is renowned for its incessant innovation. Speaking about the creative industry in Jember Regency, Jember city is still considered superior in its unique design, especially in the clothing business for Fashion Carnival and Batik. Differentiation in these sub-sectors can be explained as follows:

1. Product differentiation, differentiation in this case is done by manipulating product characteristics such as features, performance, style, design, consistency, durability, reliability, or reparability. Fashion products produced in JFC International event are different and unique in shape, tailored to the theme of Indonesian cultural repertoire, such as Lampung, Toraja, borneo and various other themes. In the fashion industry, UNKL for example to do product differentiation not only on the design but to the colors and materials used are different from the others. (Destari, 2016)
2. In the fashion industry that becomes an advantage is the design that even different from one distro or clothing line with one another, because that served is a niche market segments and even different markets.
3. Service differentiation, in Event JFC they serve costume design consultation services, provide training or workshop to design clothes or accessories or certain clothes that are matched with shoes, accessories and certain bags. It helps the consumer in determining the choice of product to be made, and this encourages the consumer to ultimately not only buy / hire one type of product but its complete product.
4. People differentiation - Creative industry in Jember city is driven by young people who are still idealistic, they never give up, and want to try new things. In the fashion and culinary industry many young people are involved, most of

them even under 25 years of age. They are always trying to find something new and unique. They gathered in many communities in Jember city. In the field of culinary for example, central centers of souvenirs typical of Jember which provides a variety of typical Jember city food made of tape, such as Suwar-suwir various flavors, prol tape, brownis tape or food typical of the towns around Jember.

5. Image differentiation - Many products from Jember already have a brand that is very attached to the city of Jember. This process is very long and still survive. Brands such as Primadona, Purnamajati, Roti Fatimah, Ciliwung Bread, Viennese Roti, Jeannete and many other creative industries.
6. Quality differentiation - Differentiation is mainly related to the quality of products sold (Kim, 2005). Batik Rolaas, Notonegoro Batik, Batik Sumber Jambeterkenal akan quality products. The yarn and the colors used are different from other clothing line. If the question of design must be very different between clothing line one with the other. In the food industry for example, Purnamajati, Primadonabertahan because of the high quality of food products. Not only the taste, but also the raw materials used, the services provided in the store, until the packaging is made very good and interesting.
7. Innovation differentiation - Currently there are many coffee shops in Jember city like Kopi Cak Wang. They offer the concept of a coffee shop that offers a relaxed and family atmosphere, where consumers order drinks (and food) and then pay and wait for their products to be made. Most stores have open kitchen that can be seen by consumers. In the field of fashion, which is also interesting is the process of making products on the clothing line. These companies can survive and grow not because they have all the existing processes, but because they are able to combine all the processes that exist even though they do not have their own store, producing, even its own design. Behind the limitations, they appear and survive

## 6. CONCLUSIONS AND SUGGESTIONS

The essence of the creative industry is knowledge and creativity, where differentiation strategies emphasize the same thing. The application of differentiation strategy can be done by applying creativity especially to people who run the business, then on existing products or additional services, how to create and maintain existing brands, can also renew the process. The obstacles faced are how to keep this creativity maintained, the main thing is how to get everyone involved, be it from the businessman and the government can maintain the collaboration and keep the creative environment. Wadah to share ideas and experiences is needed. Further research that can be done is about the implementation of differentiation strategy in creative industry in creative cities in Indonesia. Jember can be the initial research city, because this city is a city with creative industry that keep growing, especially with many community in Jember city at this time. Community in Jember city which mostly managed by young people, make the idea of business development in some industries become very different from other city. The analysis of the culinary and fashion sub-sectors in the city of Jember shows that companies engaged in both fields are capable of performing differentiation strategies that succeed in making them survive and even superior to their competitors. Differentiation strategies include product differentiation, service

differentiation, people differentiation, image differentiation, quality differentiation and innovation diversification. (Robert, 2002)

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