

Development of Apple Juice Beverage Industry In Batu City Through Marketing Intelligence And Strategic Alliances Approach

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Abstract

The existence of apple juice industry in Batu is dominated by micro, small and medium enterprises (SMEs). This industry needs to be developed to direct the Batu potential as a tourism city through the development of agro-industry sector, which delivers added value. The purpose of this study to find out the source of the information, the type of information in the apple juice industry in general and alliances form in the apple juice industry on micro and small scale that can be used for the development of the apple juice industry in Batu city. The results showed that the most important source of information and always used by the apple juice industry in Batu city is talking to customers with the strengths and weaknesses of competitors, cash flow, and corporate real growth as the most important type of information. Alliances that may be made to the development of micro and small-scale apple juice beverage industry with distributors are type of logistics alliance, promotion alliance, and non-equity alliances.

Keywords: industrial development, agro-industry, apple juice, marketing intelligence, alliances.

1. INTRODUCTION

Apple juice beverage industry in Batu is dominated by micro, small and medium enterprises (SMEs). Data from the Department of Cooperatives, SMEs, Industry and Trade of Batu city in 2009 showed that there were 46 apple juice beverage SMEs. The availability of raw materials in the form of apple in Batu support entrepreneurs to create an apple-based product such as apple juice.

At this time, apple juice beverage manufacturers run marketing in several ways, including direct marketing to consumers, opening a kiosk, and in collaboration with souvenirs center, grocery store and partly marketed through brochures and internet. SMEs in Batu has traditional management system that tend not to optimize the function of the marketing team to obtain information about the market, competition, and marketing performance. This causes employers have difficulty in looking for opportunities and carry out appropriate strategies to support the development of the apple juice industry. Facing an increasingly competitive business

competition, it takes effort to get information about competitors that can be identified by marketing intelligence.

Marketing intelligence is a set of procedures and sources used by managers to obtain everyday information about changes in the market or the surrounding environment (Mochtar, 2001). Marketing intelligence is not only related to the important people in the company and the secret that may not to be disseminated to the public. On the other hand, many important things that need to be known to all members of the company associated with the marketing intelligence, including knowledge of competitors, customers, products, market supply conditions, mergers, research, and others. Marketing intelligence sources can be obtained from the external and internal factors (Handfield, 2006). De Herder and Blatt (2011) stated that the new trend of marketing intelligence led to the direct observation of consumer behavior in stores. This behavior is then examined from the biological aspects, cognitive, logical, and

social foundation that applies in environments where the consumer is located.

Marketing intelligence approach is needed to assist in obtaining information related to marketing intelligence source from competitors. Apple juice beverage marketing department plays an important role as a conduit of information and implementing the information obtained. Information about the sources and types of information in marketing intelligence used to develop apple juice industry in order to face competition in beverage industry.

The existence of the apple juice industry is inseparable from the role of distributors in the distribution of apple juice products to the hands of consumers, especially for micro and small-scale producers. The existence of micro-scale apple juice producer requires mutually beneficial cooperation with distributors in order to keep a continuous distribution of apple juice. So far, cooperation between agro-industry players of apple juice in Batu already done, but still short term. Business operators tend to have no continuous cooperation and private profit-oriented. This occurred due to lack of awareness of agro-industry players about the importance of long-term cooperation based on mutual trust and mutual benefit.

Long-term cooperation can be established in a strategic alliance. This strategic alliance is collaboration between suppliers and buyers with the confidence that they have the same interests, on the basis of mutual benefit, and mutual trust. Strategic alliances as a model is widely used and developed to improve the effectiveness and efficiency of the movement of goods in the supply chain (Indrajit and Djokopranoto, 2002). Thus, the formulation of strategic alliances is required by agro-industry players in Batu, especially apple juice beverage industry of micro and small scale. This is to create a long-term cooperation relationship in the apple juice industry in Batu city.

2. METHODOLOGY

The research was conducted in July 2010 -April 2011 in Batu, East Java. Determining the location of the research is done deliberately by the consideration that this area is the center of the apple juice industry. Data was collected through questionnaires to

obtain data characteristics and interests of SMEs and distributor of apple juice in Batu city. The research involved players of the apple juice supply chain in Batu as respondents. They were 10 respondents as marketers, 4 respondents as producers, and 4 respondents as distributors.

The study began with the identification of the source, and the type of information in marketing intelligence for the development of the apple juice industry. The sources of information reviewed is presented in Table 1 and the type of information that were examined are presented in Table 2. Assessment methods with 1-5 ordinal scale is used as in Table 3. Results were analyzed using mean analysis that aims to identify the source and type of information that are important in marketing intelligence based on opinions of the respondents.

Interest rate assessed or the formulation of strategic alliances in the form of products, distribution and markets. Product factor is based on the ability to compete in the market based on the quality and price of the product. Distribution factor is based on area, facilities, and costs of distribution. Market factor is based on the price information, market competition, and payment methods.

Table 1. Source of Marketing Intelligence

No	Marketing intelligence source
1	Reading the newspaper
2	Reading trade magazines/journals
3	Reading books
4	Talking to company's personnels
5	Talking to consumers
6	Talking to suppliers
7	Conduct marketing research project
8	Buying information from research agency
9	Creating marketing information systems and Decision Support System
10	Seeking marketing information through internet
11	Pay attention to the rumors that have circulated

Table 2.Type of Marketing Intelligence information

Aspect	Component	Information
Market	Market demand	Include population, total market demand, market demand area
	Institutional factors	Includes taxes and regulations on the licensing, construction, raw materials and financing
	Strengths and weaknesses of competitors	includes the analysis of Strength and Weakness of similar competitors
	Diversity of competitors	Covering a diversity of similar competitor products
	Technological developments	Communications and computer systems, transportation systems, raw material handling system
Industry dan production	Business owners	Type of industry, ownership status
	Location	Determination of the place of business
	Production risks	Economic and weather risks
	Profitability	Number of industry profits
	Cash flow	Cash flow to determine the loss/profit
Internal company	SWOT company	Strength, Weakness, Opportunities, and Threats of company
	Real growth companies	Availability of funds, capital, labor and demand
	HR firm	Existing work force in the company

Table 3. Ordinal Scale

Scale	Interest rate
1	Very unimportant
2	Unimportant
3	Enough
4	Important
5	Very important

3.1 Analysis of mean of marketing intelligence source

Sources of marketing intelligence ranked using the mean. The higher the mean value, the more often the resources used and conversely the lower the mean, the less resource it used. Results of analysis of the mean source of marketing intelligence can be seen in Table 4.

3. RESULTS AND DISCUSSION

Table 4. Results of mean analysis of Marketing Intelligence source

Number	Marketing intelligence source	Mean	Rank
1	Talking to consumers	5	1
2	Talking to company's personnels	4,6	2
3	Talking to suppliers	4,6	2
4	Conduct marketing research project	4,2	3
5	Pay attention to the rumors that have circulated	4,2	3
6	Reading the newspaper	3,8	4
7	Reading books	3,8	4
8	Seeking marketing information through internet	3,8	4
9	Reading trade magazines/journals	3,4	5
10	Creating marketing information systems and Decision Support System	3,4	5
11	Buying information from research agency	2	6

Based on Table 4, the most important and is always used marketing intelligence source by the marketing department of a medium-scale apple juice is talking to consumers. Marketers of apple juice in medium scale industries communicate directly with customers face to face and through electronic media. Communication with the customers is prioritized to retailers or wholesaler's for communication cost savings and knowing the wants and needs of consumers with the help of intermediaries. Communication through SPG (Sales Promotion Girl) performed on a particular event in various cities while Sales-Box communicates with consumers when making deliveries of goods. This condition is in accordance with the opinion of De Herder and Blatt (2011).

According to Limandoko (2000), communication with consumers can be run effectively by determining the right marketing stimuli to shape consumer perceptions, understanding the characteristics that influence consumer perceptions, develop marketing communications by identifying customers' target and determine the purpose and design of information to be provided to consumers.

Source of marketing intelligence that rarely used by most respondents is buying information from research agency to conduct marketing research. It was because many SMEs of apple juice doing marketing research on their own by forming research team of marketers of their respective companies. For

marketing managers, marketing research is marketing costs that can be minimized by forming a team of marketers to perform marketing research independently. Besides, marketing research agencies are not yet available in Batu. This is in accordance with the opinion of Lilian (2002) which states that not many research agencies in Indonesia that offers services in certain areas and also use of research agency can raise substantial costs for the company.

3.2 Mean Analysis of Information Type of Marketing Intelligence.

Ratings of various types of information required in the marketing intelligence are analyzed using mean analysis. The type of information that has the highest mean value is the most important and used as an important consideration for marketers of apple juice. Results of the mean analysis of the various types of information in marketing intelligence and its rank can be seen in Table 5.

Based on Table 5, there are three types of marketing intelligence information that most important for marketers of apple juice beverage SMEs in Batu, which are type of information about the strengths and weaknesses of competitors, the real growth of the company and cash flow. Information about strengths and weaknesses of competitors obtained through its own marketing team formed by each company.

Table 5. Mean Analysis result of information type of Marketing Intelligence

Factor	Type of information	Mean	Rank
External	Market Demand	4,2	3
	Institutional Factors	4	4
	Strengths And Weaknesses Of Competitors	4,6	1
	Diversity Of Competitors	4,2	3
	Technological Developments	4,4	2
Internal	Business Owners	3,6	5
	Location	4,2	3
	Production Risks	4	4
	Profitability	4,4	2
	Cash Flow	4,6	1
	SWOT Company	4,4	2
	Real Growth Companies	4,6	1
HR Firm	4,4	2	

In addition, information from the retailers and wholesalers help marketers to determine the trend of competing products. According to Purnama (2001), a useful performance required to analyze the competing forces in the value-added system. The traditional view of competition will be expanded to five competitive forces that determine the performance of the industry (Five Forces Model) consisting of rivalry among existing firms, threat of new competitors, the threat of substitute products, bargaining power of suppliers, and bargaining power of buyers.

Real growth company information obtained from the joint evaluation between marketing manager with each division manager in of apple juice beverage industry related to performance of human resources, reports and production budget of apple juice. According to Kuntjoro (2007), the real problem of the small business sector is unskilled labor and high labor costs. That's why regeneration of skilled workers is relatively slow. Cash flow information is useful to know information about fund cash flow so that the production and marketing process can proceed as planned. According to Ismaya (2005), a company's financial turnaround of expenditures and revenues needed for operational purposes that can be seen through daily, weekly and other period cash flow.

The type of information that is rarely used by marketers is the owner of the company. For marketers, this type of information has not been considered because business owners do not deal directly with the marketing process and the process of apple juice production. In addition, marketers rarely use the information business owners to find information about competitors.

3.3 Importance level among Strategic Alliance participants.

Data collection about importance level among strategic alliance participants is done by questionnaires and interviews to apple juice SMEs' owners and distributors. There are several factors that affect the interests of actors, namely the product of strategic alliances, distribution, and market. Importance

level among Strategic Alliance participants can be seen in Table 6.

Table 6. Level of stakeholder interest in apple juice agro-industry strategic alliances

Factors	SMEs		Distributor	
	Mean	Rank	Mean	Rank
Product	4	2	3,75	2
Distribution	3,25	3	3	3
Market	5	1	5	1

Based on Table 6, both SMEs and distributor assume the market as a very important factor, followed by the final product and distribution. For SMEs, Market price has functions to access information relating to price and supply. "Price and supply information" obtained from consumers and distributors. SMEs need to improve communication to consumers and distributors to identify trends in the market. Related to market competition, respondents view the market competition is happening now is not balanced between the micro and small scale enterprises with medium-size enterprises.

Market segment "downstream" being targeted by "micro businesses" are notable to excel. This is due to the differences in the terms of payment, small and micro businesses looking repayments is a very important factor in the sustainability of the business because of the high level of dependence on capital turnover. If payment is not going smoothly then production will not be running so would threaten business continuity. This is in contrast to the medium-size enterprises that are financially stronger. According to Yudisutarso (2007), following the market trend means following all the changes in the people to whom the product or service offered. To keep abreast of the market, the industry will be able to adjust to market conditions.

For distributors, market is viewed on price information and market competition perspective. On price information, thing needs to be done is effective communication between apple juice SMEs with distributors regarding access to information relating to price and supply. Distributors set prices based on the cost of goods given by producers that does consignment. Price set by the distributor to consumers should also look at the condition of the existing price competition in the market. According to Basuswastha (2000), decisions

about pricing and competition are becoming a big problem for marketing executives. Pricing problems of ten arise because the price is too oriented to cost, rarely revised to reflect changes in the market, and not consistent with market segments.

For SMEs, Product Factor related to the ability to compete in the market based on product quality and price. Apple juice SMEs see the products they produce are still unable to compete with medium scale enterprises, although many of the small enterprises are able to meet the needs of the market with a substantial turnover.

Product quality and price must be balanced with the right segmentation so that the product can be sold well. This is in line with the opinions Syahyunan (2004). Distributors also see product factor from the point of quality and price. Consumer behavior that tend to choose products with low price make the distributor also increase the stock of lower-priced products. Product quality is not so affect the sales volume of the distributor. This condition causes distributors prioritizing suppliers with lower-priced products.

According to SMEs, distribution factor in terms of the cost of distribution and distribution area does not have a significant impact on the continuity of their business. Distributors also see the distance between producers and distributors relatively close. Distribution of apple juice to distributors is done by the producers themselves. According to Tjiptono (1997), distribution goal is to achieve maximum customer at the right time and at a low cost, but can reach and maintain a certain level of control.

3.4 Apple Juice Beverage Industry Development through Marketing Intelligence Approach.

The results showed that the most important source of information and is often used by marketers is to talk to consumers, so the development of apple juice beverage industry through marketing intelligence sources that can be done, among others:

- The industry can deploy questionnaire to determine the wants and needs of consumers and to develop appropriate products (Angraini, 2009).

- The use of communications and information technology for sales activities and serving consumer complaints and inquiries. It also to improve product competitiveness that encourages industry to gain export and other business opportunities (Suseno, 2006).
- Doing a good cooperation with wholesalers, retailers and consumers in order to create synergy in order to face competitors (Utomo, 2009).

The type of information that important for marketer is strengths and weaknesses of competitor's information, cash flow information, and area growth company information. Development of apple juice beverage industry through marketing intelligence type of information, among others:

- To promote cooperation through partnership concept with greater company as an effort to boost the company's development (Mudrajad, 2007).
- Improve the ability of human resources especially marketing force to maximize sale (Armein, 2008).
- Reasonable and good principles on financial management (Adiningsih, 2005)
- Implement policies competitive prices with competitors prices (Warsono, 2002)
- Expanding into other areas that are being developed to expand the marketing network (Arman, 2006).

3.5 Formulation of Strategic Alliances in Apple Juice Industry

Type of co-operation between MSEs with apple juice distributor is still in the form of consignment. In this case, co-operation that exists has not reached the stage of alliance. Consignment just as trade cooperation between the seller and buyer and no a definite bond between them so that the relationships that lead to long-term difficult to achieve. Based on the opinion of Kotler (2000) and Kuncoro (2006), an alliance which may be applied between the MSE with distributor based on the characteristics and cooperation that has been done is to improve the form of logistics alliance, promotion alliance, and non-equity

alliances. Logistics alliances can be applied because the MSE is basically doing logistics support to distributors. Promotion alliances can also be applied as a distributor directly or indirectly perform functions on product promotion apple cider supplied by MSEs. Non-equity alliances mean the existence of a contract to distribute products into the hands of apple cider to consumers but without division of equity or stock of the work done.

4. CONCLUSION

The source of marketing intelligence that is most important and is always used by a team of marketers of apple juice SMEs is talking to consumers, with the strengths and weaknesses of competitors, cash flow, and the real growth of the company are the most important types of information. Development of apple juice beverage industry with marketing intelligence approach can be done by developing a way to communicate with consumers, real sector companies, analyzing the strengths and weaknesses of competitors, and financial management. Government as a facilitator role to policy making, evaluation and monitoring of SMEs to compete and consistently is able to improve the economy of industrial apple juice. Cooperation between SMEs and distributor of apple cider is a consignment.

Possible alliances between SMEs with distributors are the type of logistics alliance, alliance promotion, and non-equity alliances.

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