

## **BUSINESS ANALYSIS OF IODIZED SALT SMEs IN CIREBON REGENCY**

Amellia Adani Hamid and Leo Aldianto  
School of Business and Management  
Institut Teknologi Bandung, Indonesia  
amellia.adani@sbm-itb.ac.id

**Abstract-** *Cirebon Regency is the largest potential area in West Java to producing salt that attracts high interest of Small Medium Enterprise (SME). But unfortunately there are still a lot of iodized salt SMEs in Cirebon Regency experiencing difficulties in running the business. This research aim to identifying the main problems that may face by those SMEs, then will analyze by using theories of business and management in general perspective in order to provide alternative solutions and recommendations that can help developing the SMEs. This research use interview and observation as methods of primary data gathering. Interview and observation focus on 4 iodized salt SMEs in Cirebon Regency that each of them come from several villages and districts. These SMEs are expected represent the iodized salt SMEs in Cirebon Regency overall. From the results of data collection, researchers determined there are 5 common problems as follows: (1) difficulties in marketing the product, (2) difficulty in recruiting and attract employees to work with (3) no standard operating procedures that are held in the use of methods and technologies of producing iodized salt, (4) difficulty in getting supplies of iodine (5) and SNI certificate is considered expensive by most SMEs. The result analysis shows that iodized salt SMEs have uses methods and technologies according to the standard required from Indonesia Ministry of industry, the largest market demand for iodized salt are come from traditional market, grocery, and packaging market, while the scarcity of iodized content can be got alternatively by import from GAIN-UNICEF recommendation. Responding to the expensive cost of SNI problem, researcher doing financial analysis to calculate the investment analysis of the SNI certificate registration by taking sample 2 respondents of the 4 SMEs, the result obtained that each of them has  $NPV > 0$  it means their business which including the cost of SNI still deserve to be ran and developed even the payback period can be gained in the first year.*

**Keyword:** *Iodized Salt SMEs, Cirebon Regency, Iodine, Marketing Strategies, Investment Analysis, Methods and Technologies, Compensation*

### **Introduction**

Salt consumption that is also known as iodized salt is included in the nutritional needs of humans and a chemical compound that is consumed by people every day. Salt consumption contains iodine, which should meet the SNI (Indonesian National Standard) because if not, it can give adverse effects. The impact can cause diseases such as thyroid disease (goiter), cretin, etc. Image below consist of examples figure caused by iodine deficiency diseases. Therefore, the government requires the fortification of iodized salt as set in Presidential Decree (*Keputusan Presiden No. 69 Tahun 1994*) about terms of iodized salt obligation, iodized salt distributed must meet the SNI and provision in the processing system. Iodized salt is a commodity that should have SNI certificates in its circulation so in the rules of salt consumption must be processed in a large industry. This can be seen based on Regulation by Head of Drug and Food Supervisory Agency (*Peraturan Kepala Badan Pengawas Obat Dan Makanan Republik Indonesia No. HK.03.1.23.04.12.2205 Tahun 2012*) about the certification guidelines of home industry food production, food that can be produced in home industry should

not be obliged to have SNI requirements. It shows that, there are many things must be considered and be prepared by iodized salt SMEs in Cirebon Regency if they want to plunge in iodized salt business industry. In addition according to government obligations that require the business field of iodized salt should in large industry, entrepreneurs must also prepare much capital to prepare the raw material production, SNI certificate, and other needs, the entrepreneur must also prepare careful distribution sales strategy to generate value and future success.

The existence of salt SMEs in Indonesia brings a real contribution to the country's development. But unfortunately situation is not completely run smoothly as expected. Based on interview with Ministry of Maritime Affairs and Fisheries in Western Java, there are still a lot of iodized salt SMEs experiencing some difficulties in running their business activities. These problems come from variety sources and unfavorable situation such as government assistance that are perceived not maximal, high cost of SNI certificate registration, scarcity of iodine as raw material of iodized salt, there are still needed recommendations and standard procedures of method and technologies in producing the iodized salt, and others several problems and limitation that were have by the SMEs.

This study is conducted to find out what are the common problems that were faced by iodized salt SMEs that inhibit their activities in running their business. By involving several iodized salt SME's in Cirebon Regency as one of largest salt producer in West Java, this research is expected to provide alternative solutions to the problems faced by SMEs. By analyzing their problem with several business and management theories and using some government documents related, this research aims to help developing the SMEs so in the future they are expected can increase the work productivity, sales, and also able to find out the right procedure technologies that can be implemented to produce iodized salt as guidance and knowledge in the future. Problem identification was conducted by interviews with several parties who know well about the iodized salt business field in Cirebon Regency as preliminary study. In order to solve the problem statements and also to achieve the objectives above, there are several research questions as a guideline in doing this research:

- a. What are the main problems that were faced by iodized salt SMEs?
- b. What are the strategies to address the identified problems?
- c. What are the technologies and methods that can be used to process the iodized salt efficiently and effectively?

## **Literature Review**

### **Profile of Cirebon Regency**

Cirebon is part of the West Java Province which is located at the east and as a boundary. The location of its landmass is extending from the Northwest to the Southeast. Seen from the surface of the land area, it can be divided into two parts they are the low-plain area and high altitude area. Based on geographical location, Cirebon Regency is in a position 108°40' – 108°48' East longitude and 6°30' - 7°00' south latitude which is bounded by Indramayu in the north, Majalengka in the northwest, Kuningan in the south, and Brebes district in the east side. (*Kabupaten Cirebon, 2014*). Based on data from Industrial Department of Cirebon Regency, it stated that Cirebon Regency contributes number of salt production in Indonesia with total of 71.884 Tons/Ha in 1.106 Ha areas. Production activity of salt industries spread over several districts.

### **Understanding Iodized Salt SMEs**

Iodized salt is salt with iodine that the body needs for growth. Iodized salt is used as salt consumption must meet national standards Indonesia (SNI) which contains iodine at 30-80 ppm (*Depkes RI, 2000*). Iodine is an essential element in human health to enabling the function of thyroid gland, "the master gland of metabolism". The body needs iodine to make thyroid hormones that

control the body's metabolism and many other important functions. Deficiency of iodine can cause thyroid enlargement known as a goiter. (*Salt institute, 2014*).

While SME has several criteria according to ministry of cooperatives and SMEs (*UU No.9 of 1995*) they are (a) Has a net worth of at most Rp. 200.000.000, - (Two Hundred Million Rupiahs) not including land and building as business place (b) Have annual sales of at most Rp. 1.000.000.000, - (One Billion Rupiahs) (c) Owned by Indonesian citizen (d) Stand alone, not subsidiaries or branches of companies that are not owned, controlled by, or affiliated directly or indirectly with Medium or Large Business (e) The business is in the form of individual business person, business entity that is not incorporated or incorporated, including cooperative. (*UKM Kecil, 2014*)

## **Theories**

### **SWOT Analysis**

SWOT analysis is a structured planning method that enables firms to identify which factors need to be taken into account when developing marketing and corporate strategies. SWOT is an acronym which stands for Strengths & Weaknesses as internal factors which are controllable by the organization and Opportunities & threats as external factors which are uncontrollable by the organization (*Learn Marketing, 2014*).

- Strengths: Strengths are internal factors that will help the organisation be successful
- Weaknesses: Weaknesses are internal factors which could stop or slow down organisation's growth and success
- Opportunities: Opportunities are factors outside the business which the firm may be able to use to help it grow the business.
- Threats: Threats are factors outside the business which could make trading conditions more challenging for the firm.

### **Marketing Strategy and the Marketing Mix**

Marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationship. The company decides which customers it will serve (segmentation and targeting) and how (differentiation and positioning). It identifies the total market and then divides it into smaller segments, selects the most promising segment, and focuses on serving and satisfying the customers in these segments. (*Kotler and Armstrong, 2012*) Guided by marketing strategy, the company designs an integrated marketing mix made up factors under its control – product, price, place, and promotion (the 4Ps). To find the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation, and control. Through these activities, the company watches and adapts to the actors and forces in the marketing environment. (*Kotler and Armstrong, 2012*)

### **Market Size**

Market Size is defined through the market volume and the market potential. The market volume exhibits the totality of all realized sales volume of a special market. The volume is therefore dependent on the quantity of consumers and their ordinary demand (*NeMBA, 2014*)

### **Capital Expenditure and Operational Expenditure**

Capital Expenditure (or Capex) are expenditures incurred when a business acquires or improves long terms assets that create future benefits (benefits in more than one year). Capex is therefore investment in the business as assets are expected to contribute to it. Because of their use, assets become obsolete over time and therefore are depreciated so that their value eventually disappears. While an operating expense (or Opex) is an ongoing cost for running a product, business, or system. (*Sottini, 2009*)

### **Depreciation**

Depreciation is treated as a revenue loss which is recorded when expired utility fixed assets such as plant and machinery, building and equipment etc. Depreciation can be calculated in several methods, one of the methods is Straight Line Method. This method is also termed as Constant

Charge Method. Under this method, depreciation is charged for every year will be the constant amount throughout the life of the asset. Accordingly depreciation is calculated by deducting the scrap value from the original cost of an asset and the balance is divided by the number of years estimated as the life of the asset.

### **Cash Flow**

Cash Flow Statement is a useful tool to the management for taking important financial decision making that guides the management to evaluate the changes in cash position and it presents in brief to the management about the performance of operational, financial and investment activities for effective decision. In addition it helps to know how the movement of cash took place and the factors which caused the changes in cash flows. It guides the management in order to take decisions about short-term obligations and also presents the details about the sources of cash and applications of cash during the particular period. (Periasamy, 2010)

### **Net Present Value**

This is one of the Discounted Cash Flow technique which explicitly recognizes the time value of money. In this method all cash inflows and outflows are converted into present value (i.e., value at the present time) applying an appropriate rate of interest (usually cost of capital) (Periasamy, 2010)

### **Pay-back Period**

It is defined as the number of years required to recover the initial investment in full with the help of the stream of annual cash flows generated by the project. (Periasamy, 2010)

### **Compensation and Performance Management**

How people view and understanding about compensation affects to how the behave. Compensation does not meant the same thing to everyone and has each define refers to perspectives on how people have position. (Milkovich and Newman, 2005) There are variety returns that people receive from work and categorized as relational returns (are more psychological such as learning opportunities, status, challenging work, etc.) and total compensation (are more transactional include pay receive directly as cash and indirectly as benefits). Pay comes in different forms, and programs to pay people can be designed in a wide variety ways (Milkovich and Newman, 2005).

### **Methodology**

Methodology was established first by identifying the problem identification, and it was conducted by interviews with several parties who know well about the iodized salt business field in Cirebon Regency as preliminary study.

The data used in the analysis is gathered from both primary and secondary data. The primary data collection conducting by these following steps:

- Interview: is a technique completed based on what respondents say and is a far more personal form of research than questionnaires. In the personal interview, the interviewer works directly with the respondent. (www.public.asu.edu, 2014). The data gathering in this research is focus through direct interview with several parties and respondents in order to get deep information around the topic, opinion, and updated issues that related to the problem formulated about iodized salt SMEs in Cirebon Regency. The interview conducted with several parties such as Indonesia Ministry of Industry, Health Department of Bandung city, Department of industry in Cirebon Regency, and several iodized salt SMEs that represented by 4 iodized salt SMEs in Cirebon. The 4 iodized salt SMEs were chosen with careful consideration upon recommendation from Department of industry in Cirebon Regency. By learning the profile of each SME that are come from different location and background, then the researcher finally decided to choose the SMEs that can be most suitable respondents to fulfill this research. The iodized salt SMEs representation are Mr. Dadang as head of iodized salt SMEs association in Pangenan district, Mr. Eki as head of iodized salt entrepreneurs in Cirebon Regency, Mr. Yasin as owner of PD Dua Lima also as village head of Bendungan village, and Mrs. Lilik as successor

of PT Sari Buana. To the SMEs, the researcher ask some questions about the problems that were faced by them and might other iodized salt SMEs generally, from this interview the SMEs also tell deep information about their experiences and current complaints in running their business.

- Observation: Is a method by which an individual or individuals gather firsthand data on programs, processes, or behaviors being studied. On this method, the researcher doing direct observation by looking the location and process activities of the business directly (www.nsf.gov, 2014). On this research, observation was done by meet with the SMEs, observe the business locations, and business processes that were running directly.

While the secondary data are literature study and academic theories that are obtained from various sources such as books, articles, literatures, journal, internet, and etc. the secondary data also got from the data given by Indonesia Ministry of Industry, Health Department of Bandung city, and Department of Industry in Cirebon Regency.

Having done with the literature study and data gathering that obtained from both primary and secondary sources, those parts are combined as a way to identify problems and achieve the research objectives. After identify the problems, data will be analyzed with business and management theories depend on needs related in addition with theories, the researcher also consulted with government and expert of iodized salt business field to help find the solutions and recommendations on problems that were faced.

## Data Analysis

### Interview Result and Data Analysis from Industry Department of Cirebon Regency

Currently the industry of iodized salt in Cirebon Regency is developed well. There are several procedures of iodized salt production that used by iodized salt entrepreneurs and SMEs. These methods are adjusted to how the market demand, they use raw materials of salt that produced by farmers then the salt will be processed into iodized salt through several systems of sterilization, milling, and addition of iodine content. The addition of iodine content method also has several choices of systems such as through sprayer, hoses, direct mixing, etc. One of big problems faced by iodized salt SMEs in Cirebon Regency is the scarcity of iodine. Even Kimia Farma as the only entity licensed to sell iodine cannot supply well and often does not have stock. Besides, iodine also considered expensive so not all SMEs able to buy iodine. Industry department of Cirebon Regency always try to looking for solution of this problem, they are looking for alternative sources to obtain iodine to help the iodized salt SMEs but still not find it until now. This becomes a note for them to keep searching on what will be the best alternative solution to address this problem. Entrepreneurs or SMEs who entered the iodized salt field industry also should have licenses and required legalities such as *TDP (Tanda Daftar Perusahaan)*, *SIUP (Surat Izin Usaha Perdagangan)*, *IUI (Izin Usaha Industri)*, *IMB (Izin Memiliki Bangunan)*, and *HO (Hinder Ordonantie)*. The supportive legalizations are *SNI (Standar Nasional Indonesia)* certificate, Halal certificate, and Brand permission.

There are only 15 companies that have been recorded and the most distribution of iodized salt companies are located at Pangenan district that consist of 8 companies, then were followed by Astanajapura district that has 3 companies, and Mundu district with 2 companies. Those data used by researcher as a reference to determining who will be interviewed and observed as samples that can be assumed to represent the condition of iodized salt SMEs in Cirebon Regency generally. With several reasons and considerations, the researcher finally decides to perform data collection with 4 iodized salt SMEs which considered as representative of iodized salt SMEs in Cirebon Regency. They are SMEs from 3 companies that have been registered on industry department of Cirebon Regency that comes from different districts and 1 SME who has not been registered but already has a business entity that is *KUB (Kelompok Usaha Bersama)*.

## Interview Result and Data Analysis from the SMEs

### Mr. Eki (PT Ekasari Putra Jaya)

PT Ekasari Putra Jaya was established by Mr. Eki since 1997 and he is the Chief Executive Officer of the company. The product produced by this company is iodized salt in packs of 250 gr which has a brand called 'Kijang' and focused to supply the lower middle market. Average amount of iodized salt produced is about 1.5 tons each month and were distributed to 8 consumers in a big party. In running his business, Mr. Eki is maintaining the quality of the product that was sold by always producing salt in accordance with applicable standards. In addition to maintaining the quality he also emphasizes loyalty to customers, because with the loyalty it can built trust and professionalism. He claimed that a salt brand 'Kijang' owned by his company is one of a small portion iodized salt products that has a content fit to SNI procedure because in fact most of iodized salt that sold especially in the lower middle class do not produced according to the standard procedure set by the government.

Mr. Eki chooses to focus on selling refined salt in packs of 250 grams because he thinks refined salt has a wider market. The basic salt before being processed will be checked in advance about the specifications, whether the salt has become old, whether the dryness level has been fulfilled, and the cleanliness. If it does not comply with the request, the salt will be returned. According to his opinion, SNI usefulness is depend on which market that want be targeted. If the intended target is the lower-middle class market as it is owned by PT Ekasari Putra Jaya, the existence of SNI certificate is not so important and required. However, if the target market is middle-high market which requires the specification of content according to standards that have been set, the existence of SNI should be very necessary. Mr. Eki said the typical problem that faced by most entrepreneurs in Cirebon Regency is the cost of making SNI certificate is considered too expensive, especially for SMEs that can only produce small amounts of salt. Price of 20 million could be useful to purchase tons of salt's raw materials rather than for making SNI certificate.

Processes and techniques used by SMEs in producing iodized salt are different based on their background and knowledge. Each of them has own way. However those techniques often provide different result as well. Bad things happen when they use their own technique and create iodized salt that does not have optimal quality like still dirty or moist.

### Mrs. Lilik (PT Sari Buana)

Mrs. Lilik continued running her brother's business in recent 2 years. The company named PT. Sari Buana and already has all of the licensing and legality required. This business was initiated for almost 22 years by the first owner Mr. H. Tafsir and by his hard work the company becomes one of the largest iodized salt companies in Cirebon Regency. Since he passed away, the company still running and is handled by Mrs. Lilik. Unfortunately Mrs. Lilik admits that in recent two years the company has decreasing in term of the production performance. In the last 2008, the company still has about 30-35 employees, the number decreasing time by time even now sometimes they only have 2-5 employees come to work. Wage system applied is depends on how many iodized salt were produced and ready to be distributed. Mrs. Lilik set the pay form for the employees in wage system. Once she had heard an issue that another nearby iodized salt company set higher wage for its employees' and this attract more although the different only about several rupiahs. This issue should be used as analysis and consideration for Mrs. Lilik to might reset the wages system or other strategies that can attract employees to come back work in this company.

Besides about employees' problem, Mrs. Lilik also face trouble to find iodine as raw material of iodized salt. She said that iodine is rare and it is hard to get from Kimia Farma and she did not know where else to find it. If there is iodine for the salt, Mrs. Lilik usually using the direct mixing method in adding the iodine content to the salt, so the iodine in the form of powder is mixed directly into the salt to produce iodized salt.

### **Mr. Yasin (PD Dua Lima)**

Firstly Mr. Yasin began his career in iodized salt business field by join a company that led by Chinese people in 1980s. At that time he learns to understanding the process and experienced well. After become a village chief, then Mr. Yasin brave him-self to totally break away and build his own iodized salt business. In 2013 Mr. Yasin build a company named PD Dua Lima and is located at Bendungan village, Pangenan district, Cirebon. Although has have a business entity, PD Dua Lima still does not have SNI certificate and others following legalization. Mr. Yasin tends to not understand the update information about iodized salt business industry that may give positive impact to his business.

As a village chief, Mr. Yasin has a power but still maintain relationship with his ex-employer which has become his competitor now. In running the business, Mr. Yasin is expert in the production activity but no capable in marketing strategy. The company has capability to produce large number of iodized salt, but has less ability to promote them to the market. To sell its products, the company still takes a portion of Mr. Yasin ex-employer market and this affect to his ex-employer company's income decrease.

### **Mr. Dadang (KUB DuhaAngger Sejahtera)**

Mr. Dadang has been involved in salt business industry since 2011. The business activities focus on producing and marketing the iodized salt. Mr. Dadang also has a business entity in a form of *KUB (Kelompok Usaha Bersama)* named KUB. Duha Angger Sejahtera. One of the problems that is faced by Mr. Dadang is he still not have the SNI certificate and does not have enough capital to make it due to the expensive price. He claimed that SNI certificate is very important for him to do promotion as he wants to target the middle-up market that most of them requires SNI certificate. Besides SNI, once he ever attends a training that provide assistance to give a halal certificate but unfortunately Mr. Dadang is the only party that cannot get the certificate because he does not have recommendation from BPOM (*Badan Pengawas Obat dan Makanan*) which BPOM license can be only got by showing the SNI certificate first.

As a chief of iodized salt SMEs association at Pangenan district, Mr. Dadang must understand about general problems that were faced by other SMEs. He said that most SMEs are trouble with iodine. Iodine is rare and expensive, there are many SMEs that do not use iodine on their production process but claimed to sell iodized salt product according to standard content. Mr. Dadang is a persistent person, although he only has limited capital but he did not give up and always active to promote his product. Since he had spent lot of capital to build a small warehouse, then he began to collecting the money back for business capital. Although still classified as SMEs and a start-up business, Mr. Dadang has achieved several achievements. He argued that the potential of iodized salt industry is very wide. Everybody need salt, whatever where the market from. Even the lowest quality of salt that just be harvested and immediately packed, that kind of salt also has a buyer. All depend on how the SMEs offer their products, whatever the quality they have, they must have a market.

### **Summary Problems and Solutions**

After doing data collection and data analysis from several related parties, finally researcher conducts the summary problems that may face by iodized salt SMEs in Cirebon Regency generally. The problems are:

#### **1. Marketing Problem**

As experienced by Mr. Yasin, he has a power at his region and lot of capital to produce large amount of products. However he could not market the products well and even take the market portion of his ex-employer's company. A marketing strategy is an important component that must be created by company. A good marketing strategy will give positive impact to sales and by that the business productivity will increase as well. In solving the marketing problem, Mr. Yasin must conduct a marketing analysis and strategies that used as guidance to do marketing activities. A good marketing strategy will create customer value and achieve profitable customer relationship. Researcher will use market size, customer-driven marketing strategy, marketing mix, and managing marketing theories to determine the marketing analysis and strategies of PD Dua Lima own by Mr. Yasin.

### **Market Size**

Refers to table no 1.1 in chapter 1, it shows the amount number of salt needed in Indonesia from 2009 to 2013 that increasing every year. The iodized salt needed numbers are come from 3 big industries they are home industry, food industry, and salting fish. In 2013 total iodized salt needed in Indonesia is about 1.568.804 tons that spread to home industry 746.454 tons, food industry 322.350 tons, and salting fish 500.000 tons. Home industry is the most industry that needs iodized salt and this is a big opportunity for companies that produce packaged iodized salt such as PD Dua Lima to supply the needs.

### **Marketing Strategy**

Based on problem stated in sub chapter 4.3 at point 1, Mr. Yasin faced problem to market his product and to help solving the problem, researcher conduct interview with iodized SMEs and people who expert in the marketing of iodized salt in Cirebon Regency Mr. Dermawan, to learn costumer demand and market condition that is potentially be a target market of Mr. Yasin company. After conduct an interview, then researcher doing analysis and provide the marketing strategy for Mr. Yasin as iodized salt SMEs to market his product as following.

#### **- Market STP and Differentiation**

##### **Segmentation**

There are many potential markets that can be segmentation of PD Dua Lima Company that own by Mr. Yasin. They are industries that use iodized salt such as home industry, salting fish, and food industry. The industries are located in Java Island. Java Island is chosen because of large capability of PD Dua Lima in producing iodized salt and it does not rule out the possibility for PD Dua Lima to supply iodized salt in Java Island area which is out of western Java as business location of PD Dua Lima.

##### **Target**

Based on interview result to understanding the customer condition stated that there are several big type of market that has big demand of iodized salt. This is obtained by experience and survey by the Mr. Dermawan. Most of market types that usually use iodized salt are traditional market and groceries, packaging market. Those markets held important role as market that receives supplies of iodized salt continuously.

- Traditional market is a market that receives the most supply of iodized salt, in supplying this market, it takes a lot of iodized salt number of supply
- Groceries also take part of market in iodized salt, while the marketing proses conduct through direct market to each grocery.
- Packaging market is a market that only need supply of iodized in the form of raw material, while they have their own packaging so the products created will be product branded by those companies.

After understanding the most type of market that need supply of iodized salt, researcher decided to focusing target market on traditional market and grocery. Packaging market is not chosen because the product sold is not originally branded by PD Dua Lima, and in the future it may occurs possibility that the products own by packaging market become competitor. Target market are focus on market that located in region of West Java especially consumer that located in the area around the company. This considered the efficiency of marketing cost and shipping cost. Besides, it is important for PD Dua Lima to learning and master the market around of the location first before decide to expand.

##### **Positioning**

After deciding traditional market and grocery as target market of PD Dua Lima, it means that the targeted market are tend from middle low market. So the positioning for PD Dua Lima is as company in West Java that supplies good quality of iodized salt to middle-low market and still keeps complete the SNI content standard.

##### **Differentiation**



In building trust to the consumer, it is important to PD Dua Lima to provide good quality salt. While there are many iodized salt in Cirebon Regency were sold through carelessly process and result, PD Dua Lima should be different and keep sell good quality iodized salt although for the target are middle low market. The production through clean and structured process that provide iodized salt with SNI standard, it resulting iodized salt to fulfill the need of iodine and as nutrition to the middle low market in their daily life.

- **Marketing Mix (4Ps)**

**Product**

Based on interview with Mr. Dermawan as one of iodized salt market expert in Cirebon Regency, he stated that most lower-middle customers are more concerned with cheap price and see the salt from the physical aspect that is white. The more white and cheap price of salt, will be attract more demand. In terms of packaging, based on the experience that occurs in the traditional market, the size of packaging is the most things that affect the level of product purchase. 250 g pack size has the most demand rather than other. In the packaging of iodized salt, the packing used generally are 250 gr and 100 gr. However in reality occur in the market, comparison of packaging salt sold in the market between 250 grams and 100 grams is 10: 1. It means that the packaging of 250 gr become important role in the demand of iodized salt.

To focus on targeted market, then researcher decided to create white and clean product of iodized salt which packed in 250 gr based on experienced and survey that been held by several iodized salt SMEs and market expert of iodized salt in Cirebon Regency.

**Price**

In setting price decision to the product, researcher decide set existing price by PD Dua Lima which is Rp. 450/250 gr. It aims to keep the price competition with competitors. to increase sales is to utilize promotional strategies and large production capacity.

**Place**

PD Dua Lima has a business destination which on that place PD Dua Lima has its own office and factory to do production activity that located at Bendungan village, Pangenan district, Cirebon Regency.

**Promotion**

In sales promotion strategy itself, after conduct target market for PD Dua Lima they are traditional market and grocery, there are 3 main ways considered by researcher as promotional strategy that possibly used by SMEs in promoting the iodized salt product. These result are obtained based on interview with several iodized salt SMEs that shared their marketing experience and Mr. Dermawan as market expert of iodized salt in Cirebon Regency. The promotional strategies done by 3 main ways they are agent, direct promotion, and word of mouth.

- By agent: Agent used mostly to targeting supplies iodized salt to traditional market in big number of supply. Agent is an effective way that can reach traditional market directly without spending lot of other marketing costs. In addition agent also reducing the possible risk that occurred during marketing activities in direct traditional market. Such as demand of receivables, direct dealing with consumers because of the large of supply that may raises overwhelmed, etc. agent also is a practice way to build strong marketing strategies that also affect the practicality of bookkeeping. But in using the agent as a marketing strategy, Mr. Yasin had to tighten cooperation agreement before. Do not let agents' ultimately do arbitrary action that cannot be accounted for in the future days. Mr Yasin should ask for collateral guarantee first to conduct promotion activities and sales in accordance with the agreed numbers and shares the revenue according to the supposed calculation.
- Direct marketing is the promotion activities that focus on grocery. Mr. Yasin or appoint his employees to make direct promotion to the grocery one by one. Although this method may not effective, but this is good to know well and build customer relationship. So the company can keep maintain and update information about consumer and other products from competitors directly.
- Word of mouth: This occurs when the salt product produced has successfully become consumer choice. Product itself will be promoted indirectly. this is certainly not easy because the

company must prove it by producing products in accordance with the standards and market demands.

## 2. Human Resource Problem

Human resource is an important factor in supporting the company's productivity. A problem that was faced by Mrs Lilik did not have strategies that could attract employees to work with her company, and then it was hard to maintain the employees to keep work with her too. Mrs Lilik needs employees for the production process of iodized salt such as printing, ovens, and packaging. The number of employees that used to work with Mrs. Lilik were about 30-35 people in last 2008. But the number decreasing time by time since the actual owner has passed away. Recently the company only has no more than 10 employees after continued by Mrs. Lilik. Based on current needs, Mrs. Lilik needs labor worker to help the production activity process. Those workers are more likely to use energy in work so they do not require specific skill or qualified knowledge so the searching and recruitment process must not too difficult.

### Compensation

Compensation is one of important things that attract employees work and performance. Based on employee perspectives about Compensation in chapter 2 in sub chapter 2.3.4 Pay plays a vital role in a person's economic and social well-being and as a major source of financial securities. To attract employees, Mrs. Lilik should set total return strategies so that the employees are interested to work and to build sense of belonging among the employees and company. Total returns consist of total compensation and relational returns.

Base wage: current wage that used by Mrs. Lilik as base wage given for her employees is Rp. 26.000.000/day while the average of base wage in Cirebon Regency of iodized salt factories are about Rp. 27.000.000 – Rp. 45.000.000/day based on the performance. This shown a gap between base wage set by Mrs. Lilik and the average existing base wage. It should be considered by Mrs. Lilik to increase the base wage of her employees at least same with the average base wage Rp. 27.000.000 to attract employees to work with her.

Based on Mrs. Lilik experiences, there are 2 possible prospective employees that can work with Mrs. Lilik. First, people that are educated well (usually held high school certificate) those employee tend to be growing but not obedient. Secondly, they are who do not have any education experience but they tend hard to be developed but more obedient. These prospective employees types are have the same wages and are more likely to use energy forces in working. The more salt produced, the more wage/merit can be obtained. Mrs. Lilik does not implement the merit as one of the incomes for employees that may occurs disinterest for the employees to work there.

Based on interview with other iodized salt SMEs about their compensation experience, most of them say employee wants and needs welfare although they only work as labor. They are human being who needs attention. Compensation held by company will affect their level of performance. On this case, Mrs. Lilik does not understand the iodized salt business industry well and in turn suddenly involved as successor. She never built relationship with fellow SME, consumer, event government. She does not know the compensation strategy that must be implemented. Currently she only held base wage in payment system on her employees and even does not find out how are the payment and compensation strategies that are implemented by competitors. Make it reasonable why employees do not interested to work with her company.

While other SMEs built good relationship to their employees in order to increase employee engagement that affect their business performance. Besides cash compensation as form of transactional benefit such as always available to pay wages on time and merit, Mrs. Lilik also should provide reasonable benefits to her employees such as held picnic once a year, give feed while working, give transportation tools to make mobilization easier, etc.

### **Managing employees**

Employees have an important role in a business. Without the loyalty of the employees, movement of business cannot run smoothly. Managing employees is not an easy matter for the SMEs, so that SMEs should be a good leader and smart to build employee commitment. The following are -. (Source: *Bisnis UKM*, 2014):

In recruiting and looking for employees would be better if the employee is a person who has appropriate trait according to their field of work. In this case the examples are a hard worker, punctual, diligent, etc. Employee's trait will support the productivity of the company. In addition to the criteria and traits, should be noted by employers that to build employee commitment must took quite a long time. Loyalty and commitment of employees cannot be built within a day or two. It requires a process and time to create it and it is important for employers to also be a good role model for employees to be more loyal and increase the sense of belonging.

The creation of comfortable and pleasant working condition is also important to maintain good relationship between employers and employees and among fellow employees. As a SME Mrs. Lilik certainly has more chance to spare her time to make a personal approach in creating good relationship. After the creation of a comfortable environment and good relationships, Mrs. Lilik also needs to provide training and orientation to the company to its employees. It is very useful to improve the employees' performance besides also increasing the focus of employee goals to be in line with company's vision and mission. In addition, it is also important to do direct supervision to the employees' performance to maintain quality of work. Mrs. Lilik should have time to go down to the factory directly and supervise the employees. It can also keep the specified target set by company can be reached every period.

### **3. Technological problem**

There are no fixed standard of technology and methods held by SMEs in produce the iodized salt. Each of them had they own process and sometimes were done as they want without knowing those methods are right or wrong. Currently the tool that is used by the majority of SMEs to make iodized salt is by using a sprayer. However, no one understands whether sprayer method is good or wrong. SMEs need a standard operating procedure and knowledge about what technologies and alternative technologies that should be implemented well to produce a good product as well.

In solving technological problem that has been stated above, the researcher gets data about the required process and standard operating procedure in producing good iodized salt that has appropriate content of SNI from Indonesia Ministry of Industry. Based on data obtained, generally the methods used by the SMEs are already good and right. But there are some things to be noted in implementing the process. Each process should be done with the right steps and the right way so that can results the good iodized salt and deserved to be consumed.

Based on data from Indonesia Ministry of Industry, these are the standard operational procedure of producing iodized salt that should be held by iodized salt SMEs in producing their product, now they can produce iodized salt by follow the requirements that has been provided so they can minimize mistake and provide good iodized salt. There are several main processes in iodized salt production, the process consist of main process they are: Washing process, draining and drying process, iodized process, and packaging process.

Good iodization should produce good iodized salt that meet the SNI content of iodine which is about 30-80 ppm and with content of iodine that spread evenly. Actually the best method used in mixing the iodine content to the salt is by using automatic mixing machine that have a screw (screw driven mixer) by dripping the solution of iodine to the salt than will be mixed directly and automatically. However the iodized salt SMEs in Cirebon are rarely using those machines because of the limitation of their budget. Most of them are using a sprayer or sprayer tool which powered by hand pump commonly used as anti-pests in agriculture. That tool is still considered be good because the spray produces a fine grain fluid like fog so the solution can be spread evenly on the iodine salt which is then stirred by hand. However the iodization process using sprayer should not be done carelessly, they still must follow the applicable operational standards of using sprayer tool in order to produce salt with iodine content that spread evenly.

#### **4. Difficulty in getting the supplies of iodine**

Scarcity of iodine seems become a big problem that does not have the solution at this time. The Industry department of Cirebon Regency still tries hard to looking for the alternatives solution of this problem. The price of iodine also considered expensive by most entrepreneurs that makes some of them prefer not to buy iodine. One of the alternative solutions of inadequate availability of iodine in Indonesia is by imports. PT Susanti Megah is one of iodized salt companies that taking this step to meet its iodine needs. Mr. Tonny Winarko is the General Manager of PT Susanti Megah and also as the second chief of Indonesia iodized salt producer association said this was taken for the sustainability of production activities of the company because PT Kimia Farma cannot be relied for the supply needs continuously. Imports of iodine can be obtained from Japan and India. The price is around Rp. 600.000/kg and that price is including shipping costs. That price is actually a bit cheaper than the iodine price supplied by PT Kimia Farma. This import solution comes from the recommendations of gain as one of entities own by UNICEF. GAIN-UNICEF has partnership project related to iodized salt named 'Universal Salt Iodization' which also do partnership with Indonesia Ministry of industry.

#### **5. Making of legality for iodized salt business are considered expensive**

Legality and licensing certificates are essentials to show the existence of the company and give easier way for entrepreneurs to do marketing strategy. These are also important to build trust for the consumers. Unfortunately some entrepreneurs especially SMEs are not afford to complete those requirements because of the expensive registration cost and one of the examples is SNI. Making the SNI certificate may spend cost up to 20 million and it is not a low price. In fact SNI certificate is an aspect that can support products to be easier accepted by market. So researcher conduct a financial analysis that including the cost SNI certificate registration as investment so that SMEs can measure the extent to which the value of investment will be return and begin to provide profit. This is also to provide a typical financial overview of iodized salt SMEs business generally.

##### **Financial Analysis**

On this analysis, researcher using 2 sample of financial data from Mr. Dadang (owner of KUB Duha Angger Sejahtera) and Mr. Yasin (owner of PD. Dua Lima). They just establish a business entity and have built a factory in recent year. These conditions are suitable for calculating the investment analysis that will also be included the cost of SNI and expected become a typical financial analysis of iodized salt SMEs generally. From this calculation, researcher can obtain the result whether those business are deserve to be ran and developed or not if the SNI certification calculated. Then researcher also will calculate the pay-back period of the business process.

The calculation and analysis conclude that both Mr. Yasin and Mr. Dadang resulting positive NPV which resulting the accepted project. The SNI certificate included in the capital expenditure is certainly must not be a burden, even in the first year the have gain a payback period. Instead SNI and the following regulation is a capital for them to build consumer trust in order to increasing the sales and productivity.

#### **Conclusion and Recommendation**

##### **Conclusion**

Iodized salt with its all regulations related make this commodity very concerned especially in the quality aspect, so that not all parties can plunge on this business field. With several limitations, the iodized salt SMEs trying to survive and continue to develop their business. There are still a lot of iodized salt SMEs experiencing some difficulties in running their business activities. From the data analysis that have been conducted, finally the researcher can conduct the summary problems that may face by iodized salt SMEs in Cirebon Regency generally, they are:

- Marketing

One of the main problems that is faced by iodized salt SMEs is find difficulties in marketing the product. As experienced by Mr. Yasin, he has a power at his region and lot of capital to produce large amount of products. However he could not market the products well and even take the market

portion of his ex-employer's company. The researcher obtains solution by using the analysis theories of marketing strategy and marketing mix. After doing interview with several iodized salt SMEs and market expert of iodized salt in Cirebon Regency, then the researcher can conduct a marketing strategy which the product is iodized salt with packaging of 250 gr and has a price Rp 450 each package. The target market is traditional market and grocery that are located around the company in order to learning the consumer behavior first and to build good consumer relationship to the market around the company because PD Dua Lima is a start-up company and need to understanding the market's around first before decide to expand

- Human Resource

This problem is faced by Mrs. Lilik as the successor of PT Sari Buana. The lack of employees' impact to the company performance and productivity that become decreasing time by time. Difficulty in recruiting and attract employees to work with, this problem may often occurred especially for the SMEs who has several limitations. By using the theory of compensation and relational return, the researcher conducts an analysis to give alternative solution. Mrs. Lilik only use base wage as a compensation form of pay to her employees. As a successor, she never involved in the business field before and does not understand the payment form and what kind of compensation that should be held to the employees. The wage number implement by Mrs. Lilik is Rp 26.000 per day while others competitor conduct a base pay minimum Rp. 27.000 for their employees. Although only has difference 1000 it affects much to the attractiveness for employee. Mrs. Lilik also does not implement merit payment and it should be considered by calculate the additional product produced by employees. Besides Base pay and merit, it is also better for Mrs. Lilik to provide benefits to employee to increase her employee engagement such as, held picnic once a year, food while working, or may be considered to give transportation tool like bicycle.

- Technological problem

There is no fixed standard operational procedure of technology and methods held by SMEs in produce the iodized salt. Each of them had they own process and sometimes were done as they want without knowing those methods are right or wrong. Iodized salt SMEs need standard operational procedures of the methods and technologies as guidance to produce good quality of salt iodized salt according to SNI. Then the researcher provides data from Indonesia Ministry of Industry about the standard operational procedure of making iodized salt. From the data that have been gathered, it can be concluded that methods used by most iodized salt are generally right, but also there are some steps and requirement in producing the iodized salt that should be met, and the data from Indonesia ministry of Industry is appropriate as guidance and reference. These are several standard steps of making iodized salt process:

1. Washing: this process should through water in the form of saline solution or brine with concentrations between 20-250 Be and maximum content of magnesium about 10 ppm. The water used in this process aligned to flow smoothly to bring the impurities out optimally
2. Draining: the salt draining process can be done through two process, they are (1) using woven bamboo and empty tub as draining media (2) and evaporation in open air. Those two methods are usually implemented by the iodized salt SMEs in Cirebon Regency but they should notice that the standard time of draining process is about 4 days.
3. Drying: based on Industrial Ministry of Indonesia, drying should fulfill the standard maximum content of 3% water on the salt and good drying process is by using an oven, rotary furnace, or stove. While the existing drying process that usually used by the SMEs is oven or stove so it can be concluded that drying process that implemented by iodized salt SMEs in Cirebon Regency is already right.
4. Iodized: so far the best method of salt iodization process is by using automatic machine which merging some of the equipment arranged so the salts move through sprayer unit and were mixed directly and automatically. While most of iodized salt SMEs in Cirebon Regency do not use that machine but they are using manual sprayer tool. Based on Industrial Ministry of Indonesia, that tool is still considered be good because in produces a fine grain fluid like fog so the solution can be spread evenly to the salt which is then should be stirred by hand.

Also they should still follow the applicable operational standards of using sprayer tool in order to produce optimal quality of salt.

5. Crushing: crushing process used to obtain fine salt, because after the salts have been dried it often provides clumps form, therefore need to be crushed again which generally have a grain size between 30-50 mesh.
6. Packaging process: Salt packaging can be done with semi-automatic or fully automatic method. In Cirebon Regency, the iodized salt SMEs has several ways in packaging process both semi-automatic or automatically. The semi-automatic process uses candle as the closing process of the packaging while some of the SMEs also have uses the automatic process of packaging which all of the process done by machines automatically. It means that in this process, the iodized salt SMEs in Cirebon Regency have done it with the right methods.

- Difficulty in getting the supplies of iodine

Scarcity of iodine seems become a big problem that does not have the solution at this time. Iodized salt need alternative solution in getting supplies of iodine and it can be done by import from Japan, India, or ask assistance to PT Susanti Megah.

- The making of permission and legality requirements are considered expensive

Legality and licensing certificates are essential to show the existence of the company and give easier way for entrepreneurs to do marketing strategy. These are also important to build trust for the consumers. Unfortunately some entrepreneurs especially SMEs are not afford to complete those requirements and one of the examples is SNI. While SNI certificate is an aspect that can support products can be accepted by market. So researcher conduct a financial analysis that including the cost SNI certificate registration as investment so that SMEs can measure the extent to which the value of investment will be return and begin to provide profit. After doing calculation and analysis it can be concluded that Mr. Yasin and Mr. Dadang investment are feasible which each of them provide  $NPV > 0$  that means their business are deserved to be run in addition, each of them also will gain payback period at the first year that means their businesses are providing potential benefit although the cost of SNI certificate that is considered expensive has been included in the calculation.

### Recommendation

- In producing the iodized salt, SMEs should uses the standard methods and technologies in order to obtain good salt. The standard operational procedure from Indonesia Ministry Industry hopefully can be guidance for the SMEs to provide better quality of iodized salt.

- After dong calculation and investment analysis of SNI certificate, it is better for iodized salt SMEs to consider making the certification of SNI immediately. This will not give disadvantages effect to the financial business instead it will affect several positives to the company that can support the productivity of the business. SNI certificate is also can be a basic strategy for SMEs to increase their confidence in promoting their product, then initially can build consumer trust

- In solving the scarcity of iodine problems iodized salt SMEs can seek other sources of imports or even looking for help supplies from PT Susanti Megah as described in chapter 4. When they cannot see the iodine sorce, they should not give up until resulting doing iodized production without iodine content. It is forbidden and breaking the rules.

- For further research, the researcher will be likely to help the iodized salt SMEs and Industrial Ministry of Indonesia in analyzing more about cost needed and efficiency of the methods and technologies that currently recommended by Industrial Ministry of Indonesia.

### References

- Departemen Kesehatan RI. 2000. *Pedoman Pelaksanaan Pemantauan Garam Beryodium di Tingkat Masyarakat*. Jakarta : Departemen Kesehatan RI
- Hernanto, B. 2014. *Booklet Kementerian Perindustrian*. Jakarta: Kementerian Perindustrian RI

- Kementerian Perindustrian RI. 2014. *Kebutuhan Produksi dan Impor Garam*. Jakarta: Kementerian Perindustrian RI
- Kementerian Perindustrian RI. 2014. *Neraca 2013 dan Prognosa 2014 Kebutuhan dan Ketersediaan Garam Konsumsi*. Jakarta: Kementerian Perindustrian RI
- Keputusan Presiden. 1994. Keputusan Presiden RI Nomor 69 Tahun 1994, Tentang *Penunjukkan Lembaga Penilaian Kesesuaian Dalam Rangka Pemberlakuan dan Pengawasan SNI Garam Konsumsi Beryodium Secara Wajib*.
- Kotler, P. and Armstrong, G. 2012. *Principle of Marketing, 14th edition*. Boston: Pearson Education
- Milkovich, George T., Jerry M. Newman, and Nina D. Cole. 2005. *Compensation*. Toronto: McGraw-Hill Ryerson
- Peraturan Daerah Provinsi Jawa Barat. 2010. Peraturan Daerah Provinsi Jawa Barat Nomor 15 Tahun 2010 *Tentang Pengendalian Produksi dan Peredaran Garam*
- Peraturan Kepala Badan Pengawas Obat dan Makanan RI. 2012. Peraturan Kepala BPOM RI Nomor HK.03.1.23.04.12.2206 Tahun 2012 *Tentang Cara Produksi Pangan Yang Baik Untuk Industri Rumah Tangga*.
- Periasamy, P. 2010. *A Textbook of Financial Cost And Management Accounting*. Mumbai: Himalaya Pub. House
- Sottini, M., 2009. *IT Financial Management: Best Practice*. Zaltbommel: Van Haren Publishing
- Sunawang dan Hernanto, B. 2007. *Booklet UNICEF-Kementerian Perindustrian RI*. Jakarta: Kementerian Perindustrian RI
- Arizona State University, 2014, *Interview as a Method for Qualitative Research*, retrieved on August, 21<sup>st</sup> 2014 of <http://www.public.asu.edu/~kroel/www500/Interview%20Fri.pdf>
- Bisnis UKM, 2012, *Rahasia Sukses Dalam Membangun Bisnis UKM*, retrieved on August, 21<sup>st</sup> 2014 of <http://bisnisukm.com/rahasia-sukses-pelaku-ukm-dalam-mengelola-karyawan.html>
- Kabupaten Cirebon, 2013, *Profile Kabupaten Cirebon*, retrieved on August, 24<sup>th</sup> 2014 of <http://www.cirebonkab.go.id/sekilas-kab-cirebon/letak-geografis/>
- Learn Marketing, 2014, *SWOT Analysis*, retrieved on August, 21<sup>st</sup> 2014 of <http://www.learnmarketing.net/swot.htm>
- National Science Foundation, 2014, *Overview of Qualitative Methods and Analytic Techniques*, retrieved on August, 21<sup>st</sup> 2014, of [http://www.nsf.gov/pubs/1997/nsf97153/chap\\_3.htm](http://www.nsf.gov/pubs/1997/nsf97153/chap_3.htm)
- Net MBA, 2014, *Market Analysis*, retrieved on August, 29<sup>th</sup> 2014 of <http://www.netmba.com/marketing/market/analysis/>
- The Salt Institute, 2013, *Iodized Salt*, retrieved on 22<sup>nd</sup> 2014 of <http://www.saltinstitute.org/news-articles/iodized-salt/>
- UKM Kecil, *Definisi UKM*, retrieved on August 24<sup>th</sup> 2014 of <http://www.ukmkecil.com/ukm/definisi-ukm>