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The Strategy to Increase Competitiveness of Wood Craft Products in Ubud

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kadekmuliati@pnb.ac.id Abstract— In general, the purpose of this study is to

formulate a strategy to improve the competitiveness of wood craft products in Gianyar. 4

Data were collected using interviews, observations, questionnaires, and documentation.

Then the data obtained were analysed using: IFE matrix, EFE matrix, IE matrix and SWOT

analysis. The results of the study show that the competitiveness of wood craft products in

Gianyar Regency is in a competitive position. The strategy to improve the competitiveness

of existing wood craft products in Ubud District of Gianyar Regency is to make

differentiation and innovation both in marketing and in production. Whereas the advice that

can be given to increase competitiveness is for wood craft entrepreneurs to produce in

accordance with market demand or which are more trendy in the market, utilizing the

internet in marketing, both promotion, ordering and service to customers; stakeholders

(government, academics, business people, associations) are expected to be committed to

helping improve the competitiveness of wood craft products in Ubud District, Gianyar

Regency. Keywords— competitiveness, products, craft, wood I.

INTRODUCTION Gianyar Regency is famous for its wooden handicrafts centered in the village of Mas sub-district of Ubud which then spread to other villages such as Tegalalang,

Sebatu, and others. Crafts are one of the supporting sectors of Gianyar and Bali tourism in

general, because in addition to seeing cultural attractions and sights, the purpose of

tourists visiting Bali is to see the characteristics of the products produced by the people.

The wood craft industry is one of the leading industries for the Gianyar region in terms of

community economic empowerment including the centralized pop art sculpture industry in

Ubud and Tegallalang Districts. The products of artisans marketed in kiosks, artshops and

in the art market in the Gianyar region, which are highly dependent on tourist visits.

Meanwhile, to explore a wider market such as the export market for MSME production, it is marketed by large companies (exporters) in Bali. The era of free markets causes trade liberalization which will increase competition for domestic products in international markets and international products in the domestic market. The consequence of this competition is competition in the domestic market and in the international market. For products that have high competitiveness, it will be very profitable, but it is very detrimental to products with low competitiveness. In connection with that, wood handicraft products in the Gianyar sub-district of Ubud experience intense competition with products from other regions and from other countries. ¹ In accordance with the data there is a decline in demand for wood craft products both in the domestic market and in the international market. The results of interviews with several business owners stated that there was a decline in demand of more than 20% per year, this could be seen as a decrease in demand from artshops, a decline in sales in the art market, and a decline in demand from exporters. This condition shows a decline in the competitiveness of woodcraft products in Gianyar. According to Attiany, products that have competitiveness are products that have advantages in terms of cost, quality, flexibility and delivery that can be improved through efficiency, innovation, and responsiveness to customers [1]. Seeing this condition requires an appropriate competitive strategy in dealing with this global market, because according Assauri, the right competitive strategy is the key to success in facing the changing business environment [2]. Considering ¹ the role of the wood craft industry is one of the leading industries capable of improving the economy of the community and the absorption of labor in Gianyar Regency. This problem is very important to be researched and studied, so that these wooden handicraft products have competitiveness in the face of competitive markets II.

LITERATURE REVIEW A. Product Competitiveness Surachman defines competitiveness as the ability or advantage that is used to compete in certain markets. This competitiveness was created through continuous development on all fronts in the organization, especially in the production sector. If an organization develops continuously it will be able to improve performance [3]. According to M. E. Porter and J. W.

Rivkin, competitiveness is identified with productivity where the level of output produced for each input unit is used [4]. Increased productivity includes increasing the number of physical inputs (capital and labor), increasing the quality of inputs used and improving technology (total productivity factors). The competitive advantage is one that characterizes and makes things better than all of its competitors [5]. Products that have competitiveness are products that have the advantages of cost, quality, and delivery that can be 2nd International Conference on Applied Science and Technology 2019 - Social Sciences Track (iCASTSS 2019) Copyright © 2019, the Authors. Published by Atlantis Press. This is an open access article under the CC BY-NC license (<http://creativecommons.org/licenses/by-nc/4.0/>). Advances in Social Science, Education and Humanities Research, volume 354263

improved through efficiency, innovation, and responsiveness to customers [1]. The dimensions for determining competitive advantage are cost, quality, and distribution [6-7]. Kotler explains the dimensions of competitiveness in 4 parts [8], namely: (1) cost, (2) quality, (3) time and (4) flexibility. Furthermore in a strong, competitive advantage is needed for SME operations, especially in emerging markets, to maintain high performance [9]. B. Competitive Strategy Whereas [8] suggested that strategies that firmly place the company against competitors and that give companies the competitive advantage that is as strong as possible. [13] states that strategy is a tool to achieve goals. The main objective is for companies to objectively see internal and external conditions. In this case the functions of management, consumers, distributors and competitors can be clearly distinguished. So strategic planning is important to gain competitive advantage and have products ¹ in accordance with the wishes of consumers with optimal support from existing resources. [4] argues that a competitive strategy is the search for competitive positions that are profitable within an industry, the fundamental arena in which competition occurs. Whereas according to [2] the right competitive strategy is the key to success in facing the changing business environment. If the concept of strategy is not clear, the

decisions taken will be subjective and based on intuition and ignore the decisions of others. Therefore, every business is required to determine the right, active, and rational strategies to achieve the company's goals, implement its mission and excel in the face of competitive competition compared to its competitors' strategies.

III. RESEARCH METHODS

The object **1 of this study is** a strategy to improve wood crafts. The number of samples taken is as many as 100 businesses. Determination of the sample is done using proportional stratified random sampling method. Respondents in this study were wood craftsmen in the Ubud District of Gianyar Regency, and the collected **4 data were analyzed using** the IFE matrix, EFE matrix; Internal External Matrix (IE) used to determine general strategies; and SWOT analysis to determine alternative strategies

IV. RESULTS AND DISCUSSIONS

A. General Strategy Analysis

Exploration results from product competitiveness indicators according to [14] cost, quality, flexibility are then linked to the intensity of competition according to Porter (the threat of new entrants, **7 the threat of substitute products**, bargaining power, supplier bargaining power, competition between competitors in industries that the same) then internal factors can be identified and analyzed as strengths / weaknesses and external factors as opportunities and threats faced by woodworking entrepreneurs in the Ubud Gianyar District. From **3 internal and external factors**, then general strategies and alternative strategies are formulated as follows: To formulate a general strategy analyzed by the matrix Internal Factor Evaluation (IFE), **External Factor Evaluation (EFE)** and Internal External (IE) matrices as follows.

1) Internal Factor Evaluation (IFE): Based on **4 the results of the** exploration of product competitiveness and the intensity of competition that occurs at this time, internal factor variables can be analyzed as strengths and weaknesses as listed in Table I.

TABLE I. MATRIX INTERNAL FACTOR EVALUATION

Factors of Internal Strategy	Weight	Rating	Scor	Strenght
A Product quality	0,0821	3,2200	0,26	
B Product flexibility	0,1116	3,2300	0,36	
C Unique design	0,0650	3,0910	0,20	
D Flexibility in demand volume	0,1078	3,1871	0,34	
E Products follow market demand	0,0980	3,1229	0,31	
Total	1,48			
Weakness				
F Production costs are still high	0,1037	3,1429	0,33	
G Product safety is still high	0,0979	3,8143	0,37	
I Use of promotional media	0,1106	2,0010		

0,22 J Labor 0,0933 3,1429 0,29 K Entrepreneur entrepreneurial spirit 0,0979 3,0000
0,29 Total 1,51 Total IFE 2,98 From the analysis of internal factors seen in Table I shows that the side of internal weakness is greater than the side of its strength. This ¹ can be seen from the average score achieved for strength of 1.48 and weakness of 1.51. This can be caused by very high production costs which result in price competitiveness with competing products. Besides that in the era of information technology that has hit the business world, this wood craft business has not utilized technology development especially the internet in promoting its products, and the spirit of entrepreneurship is very important in supporting business activities. According to respondents the main strength that can be considered capable of competing is product flexibility, namely the type of craft that is made easy to change the shape or model, according to market demand. In addition, another factor is flexibility in the volume of demand. Regardless of the volume of requests, employers are willing to serve unlike other countries, for example China, entrepreneurs will want to serve in a certain volume. This factor is the strength to compete. Another factor is that artisans always produce according to demand, so that products sold follow market trends. This condition mean that market orientation is very important, and according to [10]. market ² orientation is very important to the companies because with increasing global competition and changes in consumer needs, companies must organize their activities with a strong focus on their markets, in order to survive. Where as the main factor which is the main weakness to face competition is that product prices are still high compared to competitor prices, this is due to production costs that have not been able to be suppressed. In addition, respondents are aware of the lack of promotion and entrepreneurial spirit that is a weakness. 2) ³ External Factor Evaluation (EFE): The results of the analysis of external factors, can be identified and analyzed variables as opportunities and threats on the external factor evaluation matrix as seen in Table II. Judging from the external factors seen in Table II, it can be seen that the Advances in Social Science, Education and Humanities Research, volume 354264

opportunities for woodcraft entrepreneurs in the District of Ubud to win the competition are quite high, but the threats faced in business activities are higher in this competitive era. Especially if we look at the market, competing products can reduce the price so that it can be cheaper. According to respondents, the most likely factor to increase the competitiveness of their products is the global market share, after that the national market. Demand from the global market has a great opportunity for the demand of their products, if accompanied by policies from the government in helping artisans, they hope **1** to be able to compete in both national and global markets. But when viewed from a threat that causes competition to be very tight because of competitors being able to provide lower prices compared to **7** the prices of their products. Besides that which is considered to be another threat, competitors are more varied models of products that are marketed with more intense promotion. That mean product innovation is very important, and according to [11] states that market orientation needed an innovation, and innovation is the key to success in improving business competitiveness. One of the important things is product innovations, and according to [12] firms with strong product innovation will obviously have better performance.

TABLE II. MATRIX EXTERNAL FACTOR EVALUATION

Factors of External Strategy	Weight	Rating	Score
Opportunities			
A National market share	0,1250	2,0661	0,26
B Global market share	0,3004	2,4714	0,74
C government policy	0,0981	2,2371	0,22
D The existence of an association	0,0846	2,0857	0,18
E Development of information technology	0,0888	2,1086	0,19
Total	1,58		
Threats			
F Availability of raw materials	0,1520	3,2429	0,49
G Price of competing products	0,2020	3,0614	0,62
H Promotion of competing products	0,0038	3,9761	0,02
I Variation of competing products	0,1015	3,3429	0,34
J Foreign businessmen try in Bali	0,0790	3,0157	0,24
Total	1,70		
Total EFE	3,29		

3). Internal External Matrix Analysis (IE): After an internal factor evaluation **3** and external factor evaluation analysis, the IE matrix was then made to determine the position or existence of the competitiveness of wood craft products in the Ubud District of Gianyar Regency. the intersection between the averages score of IFE (2.99) and EFE (3.31) is in cell II in the IE matrix. Thus the general strategy can be

formulated as a growth strategy. In order **1 to be able to** compete in the future of woodworking businesses in the District of Ubud, Gianyar Regency must do product differentiation and innovation (product innovation and innovative marketing). B. Alternative Strategy Analysis **The result of the** SWOT analysis resulting in several alternative strategies to improve the competitiveness of wood craft products in the Ubud District of Gianyar Regency including 1) Expanding the market (SO): Expanding the market can be done with innovation in the field of marketing (marketing innovation). If previously marketing was done offline, then with the internet, entrepreneurs must use the internet in marketing (e-marketing) both in promotions, reservations, and services. 2) Product differentiation (WO-1): This can be done by making our products different, for example by doing product branding, so that there is a difference with competing products. 3) Product innovation (WO-2): Product innovation is done by paying attention to what is the trend in the market, in other words production must be adjusted to demand or market tastes. 4) Pricing strategies (WO-3): Prices are adjusted by comparing competitor prices, so the prices we offer are not much different from competitors. In setting prices, innovation must be carried out both in production and raw materials 5) **1 Role of the government** (ST-1): **The role of the government** is very important, especially in making policies in helping woodcraft entrepreneurs. 6) Improve service (ST-2): Improve service by keeping agreements with customers. 7) Improve **the quality of human resources** (WT-1): Conduct training held by stakeholders. 8) Collaborating with stakeholders (WT-2): Collaborating with stakeholders both in improving HR capabilities, and in getting loans or in product promotion. V. CONCLUSIONS **1 From the results of the analysis** and discussion in this study, **it can be concluded that:** (1) that the competitiveness of wood craft products in Gianyar Regency is in a competitive position; (2) The strategy to Increase the competitiveness of existing wood craft products in Ubud District of Gianyar Regency is to make differentiation and innovation both in marketing and in production. **1 From the results of the** discussion, it can be a strategy that can be done in increasing the competitiveness of wood craft products in the Ubud District of Gianyar Regency is to

innovate both product innovation and marketing innovation by utilizing e-promotion techniques. Whereas the advice that can be given to increase competitiveness is for wood craft entrepreneurs to produce in accordance with market demand or which are more trendy in the market, utilizing the internet in marketing, both promotion, ordering and service to customers; stakeholders (government, academics, business people, associations) are expected to be committed to helping improve the competitiveness of wood craft products in Ubud District, Gianyar Regency, Bali. **5** *Advances in Social Science, Education and Humanities Research*, volume 354265

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