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Sustainability of Home Industrial Products in Global Competition: A Case Study of Home Processed Food Suppliers in Ponorogo Mini-Market

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The home processed food industry are those who produce wet and dry processed food products, then the products produced are deposited by those producers or suppliers to various mini-market or supermarkets in Ponorogo, with a consignment system that is, the product will only be paid for once it has been sold and any remaining unsold returned to the supplier. This study aims to find out how the efforts of home industry are able to survive in facing business competition in the city of Ponorogo, especially with products that are identical to products from the large manufacturers. The research subjects or informants in this study are home industries that produce processed food products as well as supermarkets that supply various minimarkets and supermarkets in Ponorogo, and some other data as supporters. The method of retrieving data is with a "questionnaire" supported by direct interviews. The method of data analysis used is "Quantitative Descriptive Analysis". Based on the results of the study, it can be concluded that the home processed food industry shows the ability to develop well and is able to withstand competition from similar goods in supermarkets in Ponorogo. The ability to survive shows the strength and potential possessed, the skills and morale that it has, and because it is essential to fulfill the financial needs of the producers, supported by product consistency, which maintains the quality and distinctiveness of the products produced. The threat and challenge faced are competition with home industries supported by large capital, while home industries are small capital. The mini-markets and supermarkets that receive the goods deposited from home industries also get benefit because they only need to provide a place to sell and they can make a profit with no capital expenditure.

Key words: *Home Industry (processed food suppliers), Sustainability.*



Introduction

The development of the informal sector is currently being taken seriously by the government, especially the regional government with regional autonomy. Therefore, regional autonomy is a process that requires a paradigmatic transformation in the administration of regional government. Judging from the economic aspect, the main change lies in the perspective that the economic resources available in the region must be managed independently and responsibly, and the results are more oriented to the welfare of the community. Therefore, regional economic development that leads to community empowerment must get serious attention, including the informal sector.

According to Hidayat (1983), the general definition of the informal sector is part of the economic system of cities and villages that have not received economic assistance from the government or have been unable to use the assistance provided or have received assistance but have not been able to become self-sufficient. From this definition it can be distinguished that the informal sector in rural areas is often called the traditional informal sector engaged in agriculture, while the informal sector in urban areas is mostly engaged in street vendor activities.

Home industry is often defined as a business that requires relatively little capital and strives in the fields of production and sales to meet the needs of certain consumer groups, and business is carried out in places that are considered strategic in an informal environment. The home industry business sector is often the target of the community and newcomers to open businesses in urban areas. This is due to the characteristics and ease of opening a business (does not require large capital) in the sector.

Suryana (2003) in Veronika A.s. (2006) argues that small businesses have several strengths: 1) Having the freedom to act. If there are changes to the product, new technology, and new machines, small businesses can act quickly to adjust to those changes. 2) Flexible. Small businesses are very flexible, they adapt to local needs. Their flexibility is namely the ability to adjust to changes that occur, for example changes in tastes and prices. 3) Stability. Raw materials, labour and marketing of small business products generally use local sources, so that small businesses are not easily shaken by fluctuations in imported raw materials.

Meanwhile, the weaknesses of small businesses can be categorized into 2 aspects, namely:

1) Structural Weakness Aspects. It is weaknesses in the structure, for example weaknesses in management and organisation, weaknesses in quality control, weaknesses in adopting and mastering technology, and difficulties in finding capital, so structurally the weaknesses of prominent small businesses are lack of capital; and 2) Aspects of Cultural Weakness. Cultural



weaknesses result in structural weaknesses including lack of access to information and weakness in gaining access to capital, raw materials and marketing.

However, related to the conditions of home industry, some data was found that with not too large a capital, home industry activities seem to become businesses within the reach of small communities. With a capital of between 500,000 and 5,000,000 those who have high skills and work morale can create a business by making or producing processed food including snacks, which can be deposited in various supermarkets, mini-shops and shops. This is one of the reasons of the persistence of a home industry business to still be able to function.

Home industry is a form of small economic activity that is able to survive in the midst of the difficulties of the Indonesian economy. This indicates that the role of work morale and consistency in producing products can strengthen the economy of the community. Another factor that is also very decisive from this business is the existence of a relationship of trust between home industry product suppliers and mini-markets as well as supermarket owners. This is important because suppliers only leave products without guarantees, and vice versa; mini market and supermarket owners are also given the freedom to sell and serve its consumers. It is due to the no direct involvement of the suppliers on serving consumers.

As with general trading activities, the relationship between home industries, suppliers and owners of mini-markets and supermarkets is a sufficient link to determine the smoothness of income. Buyers who feel satisfied and close to a mini market or supermarket will not only become regular customers but also at the same time can bring the beneficial snowball effect to the traders and home industries concerned. With the snowball effect then there is an opportunity to increase the number of customers. From the relationship with customers, it is possible for traders to obtain new information. Although the information is generally not directly related to business activities, it can have economic value. Thus, it can be said that the capital of the trust they have can expand business opportunities or even pioneer other new businesses (Aloysius Gunadi Brata: 2004).

A person's economic behaviour is not only an act to fulfill economic needs alone. According to Max Weber (Damsar: 1997) a person's economic behaviour can be a social action if the action takes into account the behaviour of others. The network of economic relations between buyers and sellers can be influenced by non-economic considerations. This happens in a society that has strong emotional ties both racially, ethnically and religiously. This situation by Durkheim (Kinlock: 1997) is referred to as Mechanical Solidarity and is often found in certain communities who prefer to conduct business transactions based on non-economic considerations, even though the transaction can actually be done with other community groups with mere economic considerations.



In Ponorogo, the development of mini-markets and supermarkets is very rapid. This is also in line with the increasing effort of emerging home industries. As a positive form of correlation, mini-markets and supermarkets that grow can also meet the needs of consumers in wanting home-based processed food products that are usually only sold in traditional markets and stalls. Besides, in line with these developments, mini markets and supermarkets sell processed foods that are more hygienic and have a distinctive taste compared to the traditional markets and stalls.

Around 1999 (after the economic crisis), there were only around 5 supermarkets in Ponorogo. Until 2017, the number of mini-markets and supermarkets had increased, namely more than 20 (twenty) outlets that have spread in the city of Ponorogo, and now even in almost every sub-district there are mini markets or supermarkets. The presence of the mini market and supermarket also encouraged several communities in Ponorogo to open other businesses, including processed food businesses. With these developments, mini-markets and supermarkets, in addition to having to sell manufactured goods, must also provide products from home industries. Thus, this home industry including suppliers must also compete against products from manufacturers, and also compete with other home industries.

In connection with the description above, ¹ this study aims to determine how the efforts of processed food industry have a sustainable way to be able to survive in a more competitive business competition.

Research Methods

This study took place in Ponorogo District (Kota District), Ponorogo Regency. The location is based on the condition that many mini-markets ¹ and supermarkets are in the District area where many suppliers supply their products. The method of retrieving this data is with a "questionnaire" supported by direct interviews. The method of data analysis uses "Quantitative Descriptive Analysis" which uses a distribution table and calculation of ratios based on primary data and secondary data that have been collected. Whereas for sustainability (resilience) an analysis of strengths, weaknesses, and opportunities and threats (SWOT analysis) ¹² is used, which can describe and explain the real conditions in the field based on the results of data collection. In addition, this study also requires data collected from mini market owners as supporting data. The informants who were asked as respondents were 18 respondents; they were those who already had business brand names.

Results and Discussion

For the Ponorogo people who often go to traditional markets or warungs (small shops at villages), they are no strangers to the presence of home industry processed food that is



offered or sold by traders. Furthermore, people who rarely go to traditional markets or stalls, are no longer having trouble getting processed home-based food products in the form of wet and dry foods because now there are already many supermarkets or mini markets that sell processed food. In carrying out their business, the production of processed food is carried out at home, and usually carried out by family members, and their production is deposited or supplied to various supermarkets or mini markets in Ponorogo.

Producers and suppliers of processed foods, generally supply several supermarkets or mini markets in Ponorogo, with a consignment system where the goods that are deposited and sold in supermarkets or mini markets are paid on a return basis and, they will be withdrawn by the producers if unsold so that the supermarkets or mini markets do not risk having unsold goods. With this system, it is actually not only supermarkets or mini markets that get benefits. It happens because they do not spend capital for stock; also the home industry suppliers get convenience by just entrusting mini markets and not having to invest time and capital in making direct sales to the public.

In terms of the place of sale, home industry suppliers also get benefits because the mini-markets and supermarkets that they entrust goods are generally strategically located and also crowded with visitors so that the majority of the items are mostly sold (90%). Of the total sales, the average supermarket or mini market takes profits between 10-20%.

Based on the results of the data obtained, there are 10 mini markets, 6 shops, and 6 other places that are used as places to trade goods from producers and suppliers of processed food industry in Ponorogo. The number illustrates that the existence of these places shows that there has been a lot of influence on the economic business of the people of Ponorogo and its surroundings, both in terms of the sellers and their production.

The Existence of Home Industry Suppliers

The home industries in Ponorogo are parts of the informal sector traders who can survive the impact of the economic crisis in Indonesia. Besides being able to provide relatively sufficient income for families, they are also able to open jobs and at the same time reduce unemployment.

For Ponorogo, the existence of an industrial home is able to stimulate the merchant sectors which are at the level of self-service mini markets, shops as well as traders in the traditional market. The existence of economic activities gives a lot of positive impacts to the community at large and for mini market and supermarket owners. Besides, shops are able to provide a variety of products that are traded so that with a wide range and variety of products sold, it attracts consumers to shop. Especially for mini market and supermarkets owners, they not



need capital to add merchandise because with the consignment system, providing a place of sale is enough.

Home industry suppliers in general as well as business owners carry out their activities based on the desire to add and fulfill their daily needs. This provides endurance to maintain the business to continue to run smoothly because if the business experiences a decline, it will also have an impact on sustainability in meeting their life needs. Therefore, the existence of suppliers is not only dependent on themselves but also on several parties, especially for mini-markets, supermarkets and shops, where they can deposit their products to be sold. Thus, suppliers also must be able to pay attention to the market segment targeted by supermarkets, mini markets and the store so that they will be able to provide benefits to all parties.

The items supplied by suppliers include various types, from wet to dry processed food types with their variants. Suppliers supply goods produced at different frequencies and vary from day to day, especially for wet food, which has an expiration date of only 1 day; that is delivered in the morning and any unsold in the afternoon must be withdrawn, and for goods whose expiration date is 1 - 3 months takes one to two weeks to supply the deposit. Payment for goods that have been supplied is carried out by the mini market, supermarket, and shop the day after the item is shipped. The supplier can also collect profits for the previous day shipments at any time after the goods arrival.

Suppliers of the processed food home industry deliver shipments to mini-market and supermarkets as well as shops by motorbike because of the small volumes. They can cover all shops in one day, while the larger orders will be delivered separately according to the customers' desired amounts.

The Sustainability of Home Industry Products Compared to Manufacture Products

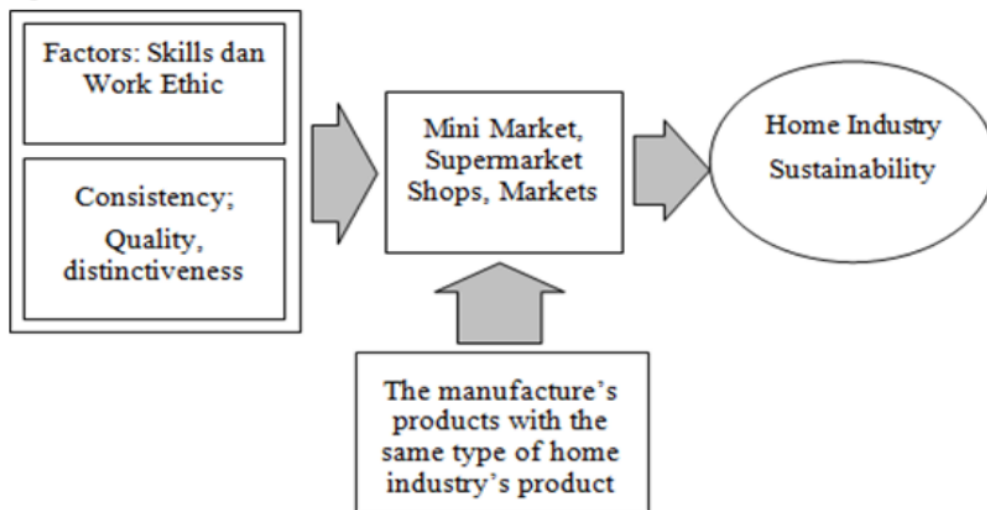
The processed food home industry is one of the informal sector businesses in Ponorogo that is able to show significant developments over time. They are able to develop and survive to face business competition in Ponorogo. This shows the strength and potential of an industry possessed. It also shows the skills and enthusiasm they have. Their survival ability is also encouraged by efforts to fulfil life's needs, supported by consistent manufacture maintenance, and the quality and distinctiveness of the products produced. Meanwhile, the threat and challenge they face are competition supported by large capital versus small capital home industries.

Before supplying to supermarkets in the mini market in Ponorogo, the suppliers of home industries in general have had the experience of being traders or producers of snacks for food stalls around them and they have a fairly high work ethic. Facing increasingly large business

competition for manufactured goods, they do not despair and keep trying to find breakthroughs and strategies to develop the business. In this case, the role of the business spirit and work ethic becomes very important for the processed food home industry because with this foundation, they are able to develop well and have the ability to survive the competition in Ponorogo.

For the owners of the mini-markets, supermarkets and shops receiving goods from home industry suppliers, this can provide a distinct advantage because with no capital investment to purchase goods supplied from home industry suppliers, they can already take advantage. It even gives almost no risk because goods that are not in demand will be returned or withdrawn by the supplier. Based on the explanation above, the ability of Home industry and their suppliers in Ponorogo to develop a business and survive in facing competition (sustainability) can be described as follows.

Figure 1



Conclusion and Suggestions

⁸ Based on the results and discussion described in the previous chapter, it can be concluded as follows:

- 1). ¹ The Ponorogo Home Industry business actor has been able to develop well and is able to withstand business competition. This can be seen from the development of suppliers of the processed food industry which supply a lot of goods to various mini markets and supermarkets.



- 2). The ability to develop and survive in facing business competition, aside from being encouraged by high skills and morale, is also driven by the role consistency of home industries in producing products in order to adequately meet the needs of life.
- 3). With a consignment system or goods deposited where they will be paid according to the amount sold will provide benefits to the mini-market, supermarket, and shop owners to ensure they still want to accommodate and receive supplies from home industry suppliers.
- 4). For home industries, the availability of mini-markets and supermarkets to receive stock from suppliers provides an opportunity to be able to continue producing processed food items, because home industries will find it difficult to sell their products if they have to provide their own space, especially from relatively small capital.
- 5). From the consumer's side, they do not have to go to larger markets or traditional stalls to get processed food because the products are already available in mini markets and supermarkets. Besides, they can also shop for other necessities conveniently.
- 6). Although in a relatively small number, the existence of home industry has also been able to help the economy of the community. One of the benefits is being able to absorb the workforce around it, as well as helping to create productive activities on the sideline.
- 7). The research data has shown that the economic potential in the informal sector has been able to wriggle amid the flow of competition with mass manufactured goods. With the willingness, enthusiasm, and high work ethic, the home industry can survive (sustainability) amid similar manufacturers.
- 8) To expand the business, the home industries and suppliers plan market extension and capital increase which is expected to provide greater additional profits, and at the same time strive to maintain products that are produced from the competition of similar products from mass manufactured goods. Besides, the more product variants produced the more satisfaction the consumers get.

Meanwhile, based on the research results and conclusion above, some suggestions are proposed:

- 1). For Ponorogo Regency Government. The existence of the informal sector has shown significant development from year to year. This development has a positive impact, both on the receipt of Ponorogo Regency Original Revenue (PAD), as well as an effort to increase people's income, open employment opportunities and reduce unemployment. Therefore, the



local government is very much needed for its role in providing supporting facilities and infrastructure, including training, guidance and capital assistance.

2). For Ponorogo community. The existence of home industry and its suppliers in Ponorogo can be highlighted as a valuable lesson, that to open a business in addition to requiring capital, skills and enthusiasm, also requires a spirit of consistency, both regarding the product, the taste and distinctiveness of the processed food that it produces.

3). For next researcher. The constraints faced in conducting research, related to the informal sector, are the problems of time to conduct in-depth interviews. The implementation of data mining is less than optimal if it is only carried out at the business location and at their busy hours. Therefore, data mining can also be carried out in their homes and also in mini markets, supermarkets and shops where they supply goods.



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