



Environmental analysis of Smart Sago (SS) product marketing strategy

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Abstract

This environmental study aimed to characterize alternative strategies for marketing of the smart sago (SS) product by observing the implementation of marketing, segmenting and targeting, and positioning strategies using a SWOT analysis. Data were collected through observation, interview, and documentation, and analyzed with data reduction, presentation, and conclusion. The strategy applied was to segment the market for SS in terms of people commonly divided in regions in North Maluku with an average age between 30 and 60 years old. The positioning of the product was focused on the development of the SS product that makes it distinct in terms of flavor and smell, and creation of a high-quality product. The development of smart sago is seen as the appropriate approach due to the fact that the business unit will encounter many environmental opportunities and has the strengths to use those opportunities to its advantage.

Keywords: marketing strategy analysis, product development, smart sago, high-quality product

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INTRODUCTION

Product development of cassava-based foods is a strength in both local and national markets, for the cassava is the third main food in Indonesia after rice and corn (Kheiry et al. 2013). The demand for cassava-based foods provides opportunities in the market to develop products. Based of BPS North Maluku in 2012, high demand for cassava in Indonesia especially North Maluku, is indicated by high utilization of cassava in North Maluku. The harvest and production of palawija in a district/city with an area of 11.770 Ha generates 34.621 tons per year, which is directly consumed by people. This strongly promotes interest in developing cassava-based products, including the smart sago product, as functional foods. (Bayramlar et al. 2015, Erbaba and Pinar 2015).

Flattened sago is commonly used in North Maluku and Maluku and in nearby regions such as Sulawesi and Papua. Flattened sago is also commonly marketed directly without packaging. Food packaging is tightly correlated with hygiene, safety, and eligibility to be consumed, and also affects the storage period and consumer interest. The flattened sago industry in Ternate has not paid attention to such issues. Labelling in terms of an expiry date is essential for safety. There are no foods that have unlimited endurance, which means all foods will eventually decay (Coles et al. 2003).

From the explanation above, development of the smart sago product (flattened sago) requires relevant strategies following the dynamic in consumer taste in the market environment, developing products with emphasis on the effort to design safe packaging, appropriate labeling in accordance with product standards, and an expiry date. Thus, an integrated marketing plan requires the right marketing strategy approach, as cassava-based products are already found in the local market. In this study, our smart sago product is distinguished by distinct flavors—strawberry, lemon, mango, and chocolate—to change perceptions (market) of the product (sago) which has long been distributed in the local and regional market (Zeithaml et al. 2009).

Product diversification is important in creating a cassava-based high-quality product. Furthermore, the strategy involves a range of marketing devices, including product design in accordance with affordable price, promotion, and effective and efficient distribution. These are all important factors in developing the smart sago product at the local, regional, and national scale. Therefore, the suggested marketing activity of the ongoing business is to consider the strategy needed to deliver products to the customer that can be adjusted in

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Table 1. Implementation of marketing mix for SS

Product	Price	Distribution	Promotion
<p>- SS is a pastry consumed directly after being dipped in coffee or other drinks. Generally, it is shaped into four rectangles. It has a firm texture, is light, has little taste, and swells rapidly when dipped. It uses cassava as the raw material.</p> <p>Procedure:</p> <ul style="list-style-type: none"> • Cassava flour • <i>Cakalang</i> fish flour • Mixing • Sieving • Cooking • Drying • Final product (Smart Sago) 	<p>- Pricing was conducted following consideration of competitors' current pricing.</p> <p>- Penetration Pricing</p>	<p>- Simple distribution consisting of three steps:</p> <ol style="list-style-type: none"> 1. Producer 2. Distributor 3. Final consumer 	<p>- Sales promotion: Provide product sample of smart sago to market</p> <p>- Utilize local website and social media</p> <p>- Cooperate with government to participate in exhibition of middle-micro business</p>

Source: *Managed data*

Table 2. Implementation of segmenting, targeting, and positioning of SS

Market segment	Determination of target market	Positioning
<p>- The SS market segment is people in the regions of North Maluku: Ternate, Tidore, South Halmahera, West Halmahera, North Halmahera, Middle Halmahera and East Halmahera</p> <p>- The segment primarily involves men and women aged between 30 and 60 years.</p>	<p>- Geography: Ternate is the central marketing area.</p> <p>- Demography: Men and women aged 30 to 60 years; employees, public servants and retirees; education from elementary school to doctorate.</p> <p>- Psychography: social, middle upper, middle low.</p> <p>- Lifestyle: consumptive, creative, modern, critical.</p>	<p>- Traditional food-based product.</p> <p>- Processed from cassava; laboratory tested to compare with current products in market.</p> <p>- Test of level of water, lipids, carbohydrates, and protein.</p> <p>- Distinct flavors and smell make it a competitive product.</p> <p>- Free shipping distribution.</p> <p>- Durable and practical to carry (travel-friendly), and can be an alternative to sugary snacks.</p>

terms of both physical and service characteristics. Implementation of these strategies (market segmenting analysis, target market, and product position in the market) requires relevant information (Akyürek et al. 2015, Zeithaml et al. 2009).

Management of the marketing mix—consisting of product, price, distribution channel, and promotion—can be effectively done by managing product attributes such as features, packaging, affordable price in accordance with the target market, efficient distribution channels, and a promotion platform to achieve segment capacity and target market. This study aimed to observe the implementation of marketing, segmenting and targeting, and positioning strategies, using a SWOT analysis to determine alternative strategies for marketing the smart sago (SS) product.

MATERIALS AND METHODS

This study used a descriptive approach, systematically describing the facts and characteristics of the studied object, including the price and distribution model for SS, and comparing these with a similar product from competitors to consider the pricing plan and strategy used for SS. This study was conducted on SS in Ternate, based on the production of SS obtained through a natural process, from seed screening, to cultivation, and production, which is different from the traditional approach used by competitors in the local market.

The next step was data collection. This was done in three ways: 1) direct observation of the production and marketing strategy for SS, comparing the marketing model with that for similar products; 2) interviews with the owner of SS and several producers in the local market to ascertain marketing activities; and 3)

gathering documentation in terms of photos and notes to support and complete the analysis.

Data were separated into main points, analyzed according to themes and patterns, and then reduced and classified. Data were presented descriptively, organized and arranged according to patterns of correlation. A temporary conclusion was drawn, which was further changed in the next step.

RESULTS

SS Marketing Mix

The marketing mix elements of a product are essential for the development of the product. The marketing mix for SS is presented in **Table 1**.

Segmenting, Targeting, and Positioning Strategies of SS

The three main strategies to achieve successful marketing are: (i) segmenting; (ii) targeting; and (iii) positioning. Implementation interrelates these three strategies, as shown in **Table 2**.

Implementation of SWOT Analysis of SS

SWOT analysis is a measurement of the strengths and weaknesses, opportunities and threats, encountered by the company. Through a SWOT analysis, an overview of the company's situation can be obtained to assist with its strategy.

SWOT and Product Development Strategies

The production aspect requires a development strategy to fulfill the production plan and capacity. The SWOT analysis and subsequent development strategy can be seen in **Table 3**; and SWOT analysis of the SS development strategy can be seen in **Table 3**.

Table 3. SWOT analysis of SS

	Internal	Strengths (S): 1. Easy production which doesn't requires sophisticated technology 2. Quality control is available	Weaknesses (W): 1. Lack of tools for <i>quality control</i> plan. 2. Lack of technical skill in quality control
External			
Opportunities (O):			
1. There are many suppliers of materials, both local and regional in the same province		(S) – (O)	(W) – (O)
2. Production tools are available			
Threats (T):			
1. Limited area of cultivation of raw materials in long term		(S) – (T)	(W) – (T)
2. High cost of supplementary materials			

DISCUSSION

Based on **Table 1**, implementation of the marketing mix for SS focuses on the idea that smart sago can be directly consumed after being dipped in a drink, as well as being cooked into a porridge or sweet jelly. Shape, size, and color vary depending on its maker or cook; they are also dependent on the type and color of the starch sago as raw material. Generally, flattened sago is flattened into four rectangles. This food is firm, light, tasteless, and relatively hygroscopic: it rapidly swells when it is dipped in drink. Flattened sago contains low protein. Flattened sago is made of half-wet/half-dried cassava flour which is gently crumbled. Production of smart sago is performed through many processes. SS should consider aspects such as package design, smell, and flavor, and the distinct texture that differentiates it from competitors. Cravens and Piercy (2006) states that a product is “anything that is potentially valued by a market target for the benefits or satisfaction it provides, including objects, service, organizations, places, people, and ideas”.

Smart sago pricing is set in accordance with the target market. Usually, similar cassava-based products already exist in the local market, therefore the pricing strategy will likely take the target market strategy into account without neglecting the real main price calculation (Palabiyik et al. 2017).

The penetration pricing strategy of SS is based on similar products of fellow competitors and aims to make the product price lower: a characteristic of the penetration pricing strategy is that price is lower than fellow competitors in the market. Price also facilitates the positioning value of the product or company brand in the market (Kotler and Keller 2009). According to Tjiptono et al. (2008), price is the only element of the marketing mix that provides income to the organization.

Initially, exclusive distribution was chosen as the distribution channel for SS, in which marketers employ just one person/specialized mediator to distribute the product in a particular region on the condition that the mediator is not allowed to sell products from other suppliers. This requires harmonized cooperation between the supplier and the mediator. The next stage was selling to the customer through the mediator and distributor. These two stages were chosen in

accordance with the new product characteristics in the marketing area, especially in the local area.

As a first stage, the type of promotion used was sales promotion, by giving a sample of smart sago to the reseller and another distributor. The promotion was also conducted by utilizing the local website and social network to minimize the cost.

To increase promotion of SS, it is essential to build a partnership with associated parties such as the Department of Industry and Commerce, the Department of Cooperatives, and the Department of Tourism to participate in bazaars or exhibitions, and to be able to offer economies of scale. Moreover, there is an order system for smart sago. Referring to Rewoldt et al. (2005), to determine the best method by which to sell a product, the main decision focuses on the most effective promotion combination. According to Kotler and Keller (2009), there are several forms of promotion that can be used to deliver a product message to customers. Implementation of promotion is conducted through a range of activities, namely advertising, sales promotion, publicity, and personal selling. Zeithaml et al. (2009) state that advertising is a non-personal presentation paid to offer a product. The message is spread via television, radio, newspaper, magazine, outdoors, and the internet. Setiadi (2008) states that advertising is composed of six elements: (i) paid communication; (ii) identification of sponsor; (iii) persuasion to affect customer; (iv) medium as a platform to deliver the message to target audience; (v) non-personal; (vi) audience as the customer and message target. Referring to Kennedy and Soemanagara (2006), publicity is a tool that strongly affects public opinion of the desired situation.

As shown in **Table 2**, looking at implementation of segmenting, targeting, and positioning of smart SS, to sell smart sago it is necessary to perform market segmenting in which the market segment for smart sago is people commonly divided into regions in North Maluku: Ternate, Tidore, South Halmahera, North Halmahera, West Halmahera, and Middle Halmahera. The age segment is between 30 and 60 years, these being the people more likely to consume the product in quantity, as compared to those aged below 30 years.

A study conducted by Iskandar (2015) reported that identifying the customer target consists of geography, demography (age, sex, and education) and

strategic manager to find a strategic compatibility among external and internal opportunities.

CONCLUSION

Implementation of the marketing mix consists of components such as product (tasteful packaging, smell and flavor, distinct texture), price (penetration price strategy), distribution (exclusive distribution and direct selling without mediator/distributor), and promotion (sales promotion and local web site/social network).

The market segment of smart sago is people commonly divided into regions in North Maluku: Ternate, Tidore, South Halmahera, North Halmahera, West Halmahera, and Middle Halmahera. The age segment is between 30 and 60 years, the segment which is assumed to consume the product highly compared to those below 30 years. Ternate is the main target for the SS customer, who belongs to the low- and upper-middle class. Smart sago aims to position itself as an excellent product in both the local and regional markets. Although sago products made from cassava are currently available on the market, smart sago's emphasis is on its

distinctive flavor and smell. The quality of smart sago is different from other similar products, because it is scientifically tested to measure water, lipids, carbohydrates, and protein level.

SWOT analysis was used to analyze the development of smart sago and its appropriate marketing strategy. Thus, a growth strategy is seen as the appropriate approach due to the fact that the business unit will encounter many environmental opportunities and has the strengths to use those opportunities to its advantage.

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