

Analysis of Customer Focus Strategy for Business Strengthening of Actors of UMKM that are Joined as Members of Cooperatives (Study on SAE-Pujon Cooperative, Malang Regency, Jawa Timur)

Ita Athia¹, Ridwan Basalamah²

¹Faculty of economics and business, Islamic University of Malang
Email : itathia@gmail.com

²Faculty of economics and business, Islamic University of Malang
Email : ridwan193@gmail.com

Abstract

Recently the economic period is getting harder to face by the bussiness sector. UMKM sector with various weaknesses it has faced with increasingly complex challenges. The existence of the UMKM sector will be stronger if integrated into larger businesses. Cooperatives are business entities that have the potential to strengthen and integrate the UMKM sector. Therefore, cooperatives must continue to improve themselves in increasing their capacity as highly competitive business organizations. So that together the UMKM actors gathered strength through cooperatives and together can strengthen their position and competitiveness. This study aims to provide a strategy perspective that can be applied by cooperatives to focus on the quality services provided to their members. With a focus on the best service provided to members (customer focus), the cooperative can provide benefits to its members. Providing benefits will have an impact on the trust and loyalty that members give to the cooperative. The study was conducted using qualitative methods, data was collected by individual and group interview methods, observation and documentation. Eight people were taken as interviewees , there are, managers, public relations and six members of the SAE cooperative. The results shown that the implementation of customer focus brought about maximum benefits to members. Customer focuses on directing cooperatives to efficiency that is oriented towards strengthening member businesses. With this strategy, cooperatives can achieve two goals at once, firstly to meet the economic interests and objectives of its members and second which are also used to support the cooperative business itself.

Keywords: cooperative, customer focus, UMKM strengthening

INTRODUCTION

After the economic crisis in 1998, the government paid more attention to the existence of UMKM. The government is aware of the importance of the role of UMKM because this business sector is proven not to be affected by the crisis. The issuance of UU No. 20 Tahun 2008 became the legal umbrella for the UMKM movement in running its business. UMKM are expected to play a role in employment and the distribution of economic results in order to create national economic growth.

Problems arise during the growth period of the UMKM itself. Of the thousands of entrepreneurs who run their businesses, only 0.01% (4,698 units) are able to grow their business scale. While the remaining 99.99% (56,534,592 units) remain in the micro, small and medium business sector (Badan Pusat Statistik RI, 2017). The picture reflects that businesses that are managed individually have many weaknesses. When a small company

develops to a larger scale, it will meet increasingly complex challenges. This is where small entrepreneurs who are not ready to face these challenges, instead make their business die.

This condition raises the idea of how to unite the existence of the UMKM sector into a larger business. The characteristics of large businesses that approach the characteristics of UMKM are cooperatives. Cooperatives are formed based on the collaboration of people who join in to achieve economic goals together. The simple analogy is that if it is done individually it is difficult to succeed, so gathering strength through cooperatives can strengthen the position and capability of the UMKM.

Empirical conditions in Indonesia, cooperatives still have no place in the hearts of the people. The gap between the need to work together with the fact that the community is not sure of the performance of the cooperative must be addressed by the cooperative. The cooperative must formulate its strategy so that the community (especially UMKM players) are interested in joining a cooperative and are willing to work together in one place.

Research Background

The Ministry of Cooperatives and UMKM rely on cooperatives as business entities that are able to integrate business actors in the regions in order to improve regional development. The government hopes the cooperative can continue to improve itself and continue to improve its capacity as a business organization that is highly competitive.

The principle of membership in cooperatives is open and voluntary. This means that anyone can become a member of a cooperative without coercion or prohibition. This principle sometimes causes cooperatives to face problems in heterogeneous membership. Cooperatives that are wrong in addressing these principles cause cooperatives to be biased in providing services to their members. Services provided are not focused on activities needed by members. Sometimes it also causes the cooperative to prioritize the business interests of its cooperative rather than the interests of its own members (Khikmah, 2012). In such cooperatives, cooperatives actually provide greater service to external markets, because they are considered more profitable than providing services to their own members.

This research tries to provide a strategy perspective that can be applied by cooperatives to focus on quality services provided to their members. *Customer focus* strategies have the potential to create members who are loyal to cooperatives. The continuity and success of cooperatives is very dependent on its members. Focusing on the best service provided to members (customer focus) is expected to strengthen the business of the members. Members also gained positive experience and shared the experience with other UMKM so they were interested in joining a cooperative.

This study aims to provide an overview of the real conditions of *customer focus* strategies carried out by SAE-Pujon cooperatives to its members and describes the strategy in strengthening the business of UMKM entrepreneurs who are members of cooperatives. The purpose of this study was intended to:

1. Knowing the implementation of the *customer focus* strategy in the SAE-Pujon cooperative.
2. Knowing the benefits received by UMKM who are members of cooperatives.
3. Knowing the impact of *customers focusing* on strengthening the business of UMKM entrepreneurs who are members of the SAE-Pujon cooperative.

Customer Focus

UUD 1945 has mandated cooperatives as one of the pillars that support the Indonesian economy. The role of cooperatives is as a business entity that is established to build an economy that starts from the bottom (members) by carrying out economic activities so as to bring maximum benefits to the members until it rises to the top.

According to Arifin, 2011 in Mardiana, 2017, cooperatives are companies that are controlled by customers, so that cooperatives are oriented towards service to members in order to promote members. To achieve the mandate, cooperatives need to maintain the level of participation of members. Declining service quality will reduce the level of participation of its members.

Customer focus strategy is carried out in order to maintain the level of participation of members so that they are loyal to the cooperative. Loyalty of cooperative members is characterized by the willingness of members to provide economic resources, participation in decision making, and willingness of members to utilize services / services provided by cooperatives (Hendar, 2002). According to Whitley in Goetsch and Davis (1994), successful *customer focus* is reflected in the formation of the vision, mission of the organization; customer role in decision makers; the organization's ability to identify and overcome customer problems; pick up customers; and continuous product improvement.

The definition of *customer focus* practice is an activity that involves a relationship that is built between customer needs and satisfaction and internal processes (Sousa, 2003). According to Flynn et. al., 1995; Akhire et al., 1996 in Sousa, 2003, showed that instruments that could be used to measure the implementation of good *customer focus* include: relationships that are established with customers; customer involvement in the design / introduction of new products; and gathering information about customer needs, and organizations must be responsive to these information.

Definition And Characteristics Of UMKM

The UMKM classification according to the World Bank is grouped into three types, namely: 1. Micro Enterprises (10 employees); 2. Small Business (30 employees); 3. Medium Enterprises (number of employees up to 300 people). Whereas in the business perspective, UMKM are classified into four groups, namely: 1. UMKM in the informal sector (for example: street vendors); 2. Micro UMKM is a UMKM with the ability of a craftsman but lacks an entrepreneurial spirit to develop its business; 3. Dynamic Small Business is a group of UMKM that are capable of entrepreneurship by cooperating

(receiving sub-contract work) and export; 4. Fast Moving Enterprise is a UMKM that has capable entrepreneurship and is ready to transform into a big business.

Definition of UMKM according to UU No. 20 of 2008, UMKM are explained as a small company owned and managed by a person or owned by a small group of people with a certain amount of wealth and income. Whereas from the sector of economic activity, UMKM can be classified into 9 sectors, including: 1. Agriculture, Animal Husbandry, Forestry, and Fisheries; 2. Mining and Excavation; 3. Processing Industry; 4. Electricity, Gas and Clean Water; 5. Buildings; 6. Trade, Hotels and Restaurants; 7. Transportation and Communication; 8. Finance, Rental and Company Services; 9. Services (LPPI and Bank Indonesia, 2015).

The problem of UMKM in Indonesia is often related to economic and social problems. Internal problems such as lack of business capital, poor information on product development, lack of legal entity, less educated human resources, limited product management, limited market links, and lack of technology. Coupled with external factors that also affect the development of UMKM business, including, namely, the availability of infrastructure, access to enter the market, fast changing consumer tastes, competition, economic conditions, and much more.

The prospect of increasing the business capacity of UMKM is very large, so strengthening UMKM in various sectors needs to be done immediately.

Strengthening UMKM

The cooperative is a business entity whose establishment is motivated by the aspirations of a group of people who have similar economic objectives to jointly prosper their economic life. ICA (*International Cooperative Alliance*) A cooperative is a business organization, where the purpose of its establishment is to gain profits that are carried out jointly. Therefore, it is not wrong if the cooperative is appointed as a business entity that accommodates UMKM players to jointly strengthen and develop their business. In this case, cooperatives are expected to play a role as a driver to increase the competitiveness of UMKM in all fields.

Empowerment of cooperatives and UMKM themselves has been initiated by the government in the RPJPN document (National Long Term Development Plan) 2005-2025. Kumorotomo, 2008 in his paper describes the objectives of the strategy of empowering cooperatives and UMKM according to the stages, namely macro, meso and micro.

At the macro level, the intended improvement goals are to improve the business environment and increase the competitiveness of cooperatives. In the long run, the challenges of cooperatives are increasingly severe, including increasingly fierce business competition, higher transaction costs, and more expensive human resources needed.

At the meso level, the policy objectives are to increase access of cooperatives and UMKM to productive resources to improve the health and expansion of their businesses. The policy focus is on strengthening institutions, expanding business networks and marketing, increasing access

to capital and advocacy, and increasing the intensity of the application of technology that is appropriate to the needs.

While in micro terms, the policy objective is to overcome problems related to the characteristics and behavior of business actors. In this policy, the focus is aimed at encouraging entrepreneurial behavior in UMKM, including creative and innovative, having a high work culture, developing a conducive environment for businesses.

Interest In Becoming A Member Of A Cooperative

The long-term achievement expected from the quality improvement carried out by this cooperative is to bring maximum benefits to members. Members whose welfare is fulfilled will be proud and loyal to their cooperative. This condition is expected to attract the interests of other UMKM players so that they want to join in cooperating in a cooperative.

According to group formation theory, the reasons underlying a person to enter a particular group include getting a sense of security, status and self-esteem, interaction and affiliation, strength, achievement of goals, and power (Robbins, 1991 in Putra, 2014). According to Vaughan (2005, in Hogg, 2005), individuals interested in becoming members of a group are caused by proxies, similarities in attitudes, interests, and beliefs, interdependent to achieve a particular goal, positive reciprocal support, emotional support, and social identity.

Some theories about groups about the reasons why humans connect with other humans, among others, are: 1. Proximity theory (Luthans, 1987), the reason a person joins a group because of the proximity of space and area; 2. Interaction Theory (Homans, 1950), the reason someone is grouped because of the actions, interactions, and situations that exist in the group; 3. Equilibrium Theory (Newcomb, 1961), a person is connected with a group because of the similarity of attitudes in facing a relevant goal with each other; 4. Practical Reason Theory (Reitz, 1977), states that the reason for a group is because of economic, security or social reasons (Putra, 2014).

RESEARCH METHODS

Research Approach

This study uses a qualitative approach, which departs from the data in the field and is then linked to the existing theories as supporters. Qualitative research is descriptive research that tends to use analysis and highlight the process of meaning. The data collection process in the field uses interviews, observation and documentation. Interviews are conducted individually or in groups, observations are carried out by directly going to the subject of research and documentation is done by studying the results of previous research and other supporting data.

Primary data is obtained from the results of interviews with the cooperative, the first interview was conducted to determine the background of the formation of cooperative organizations. The second part continues to explore information about cooperative activities that are emphasized on the focus of the members served, the focus of the types of services provided and the parts that focus on the priority members. The next session was

carried out on cooperative members to find out the motivation to join as a member of the cooperative, the services obtained and measure the responses of members which aspects of the cooperative service that could improve their business development.

Secondary data is obtained through cooperative data, previous research and articles that are linear with the topic raised. Secondary data is used to support or strengthen the results of interviews and observations.

Object of Research

The sample was taken purposively that was chosen according to the research objectives. Purposive sampling is the provision of information from those who are most prepared and willing to be willing, sometimes getting information from specific target groups (Hidayatullahman).

The resource persons used in this study included SAE-Pujon cooperative public relations, SAE-Pujon cooperative manager, six SAE-pujon cooperative members, four members of dairy cattle owners, and two other UMKM actors (farmers and shop owners).

Data Analysis Method

Data analysis consists of analysis carried out before going down to the field and analyzing data during the field. After the data is collected, then the data is presented by compiling a narrative to present information systematically. The next step is to interpret the data, namely the process of understanding meaning. The last thing to do is to draw conclusions or verify data, which is the process of formulating the meaning of the research results that are related to the relevance and consistency of the title, purpose and formulation of the problem.

RESULTS AND DISCUSSION

The Implementation Of The Customer Focus Strategy In The SAE-Pujon Cooperative

The SAE-Pujon cooperative has a different membership background. The number of members of SAE cooperatives is approximately 13,000 people and those with active members are 9,000 people with different backgrounds. The SAE cooperative was able to identify the biggest market that it decided to serve. The focus of service is given to the largest members, namely members who are dairy farmers (62%), farmers (29%), traders (5%), employees (4%).

The cooperative principle states that cooperatives must carry out their business activities in a transparent and democratic manner. Each member has the right to get the quality service they will receive. In addition the expectations of the members are very diverse and sometimes this creates a conflict of interest between the cooperative and its members. *Customer focus* is one of the efforts in the cooperative to determine the form of core services that will be carried out and efforts to improve the quality of products / services in order to provide services that exceed customer expectations.

The implementation of *customer focus* on SAE-Pujon cooperatives began when the cooperative decided to give top priority to members with the largest profession, namely dairy farmers. What about members with professions outside dairy farmers? Do these members still get quality services? In this case, the cooperative conducts initial selection in advance of prospective members. The selection of prospective members is done strictly. Previously, prospective members were briefed on the core activities carried out by the cooperative. SAE cooperative business activities are a manifestation of business activities owned by the majority members. The Cooperative also shows the rules (AD / ART) that must be obeyed by prospective members, so that the rights obtained by each member are the same. Prospective members must agree to the conditions determined by the SAE cooperative.

The core business that SAE cooperates with is milk production, where milk is obtained from the members' deposits. The main business units include animal husbandry business units, feed units, dairy units. Then SAE cooperatives add (diversify) businesses to support the core business, including transportation business, savings and loan business, waserda, restaurants (cafes), and health centers that can be utilized by members for free. Members who are not dairy farmers can contribute to diversification efforts developed by cooperatives.

The implementation of a customer focus strategy (focus on members) is then gathering information about the benefits needed by its members. The main key in identifying member needs is continuous communication between cooperatives and members. The right strategy in forming a focus on customers is to form effective mechanisms to facilitate communication and then implement it.

The cooperative always tries to establish interactions with its members to gather information about the needs and desires of members. Thus the cooperative will always inform the activities carried out by the cooperative, so that members feel involved and needed support. This involvement fosters a sense of belonging to its members.

The need for members is an improvement in the economic level through the development of its business. In this case the needs of members include improving the quality of human resources, information on quality product development, knowledge and technology transfer, market expansion, and access to business capital.

In order to improve human resources and develop the production of its members, SAE cooperatives provide training for business strengthening both formal, semi-formal and informal to its members. Formal training is training that has been scheduled by the cooperative, in the form of training held by internal cooperatives, as well as training held in collaboration with the cooperative stakeholders. Semi-formal training is an activity in the form of socialization by cooperative officers, group leaders, or other group members. While informal training is an interaction carried out by members of cooperatives outside of scheduled meetings. This informal meeting just happens sometimes it is also not planned and occurs because of the interaction of individuals in the group.

Members of cooperatives totaling 9,000 people are grouped by region. The number of members that are so large and spread throughout this sub-district may not be entirely handled by the cooperative without having to cooperate with other parties. Therefore, cooperatives need to work using a comprehensive system, which is to work with all stakeholders so that all members are accommodated. In addition to working with PT. Nestle, the regional cooperative service, the livestock and dekopinda service, the SAE cooperative formed a team named BPP (Badan Pembina dan Pengayom) at the sub-district and village level. The task of the BPP is to accommodate all the complaints and aspirations of the members, as well as fostering members to produce more quality services and production on an ongoing basis. The district level BPP is filled by the subdistrict head, danramil, police chief, agriculture department, while the village level BPP is filled by village heads in the subdistrict. The BPP is obliged to provide information to the cooperative, because it has been regulated in the cooperative regulations. They are bound by the responsibility as an extension of the cooperative to foster and protect members of the cooperative. The members work in groups, as many as 59 coordinators (group leaders) that spread throughout the village and supervise approximately 100 members.

Another *customer focus* practice that contributes to the strengthening of UMKM businesses is maintaining good relationships with all components involved in the cooperative. A good relationship is implemented in the provision of clear roles and responsibilities for each component, so that they are able to work together according to the assigned duties and functions. Thus cooperatives and UMKM can work effectively and efficiently to improve their competitiveness.

Benefits Received By UMKM Actors

The majority of breeders before becoming members of cooperatives carry out their business for generations with the expertise acquired in a self-taught manner. By joining as a cooperative member, the breeders benefit from acquiring skills in livestock management, livestock health, livestock feeding, housing systems, and skills in milking. In addition they also get other economic benefits, including the quality of products that have been standardized, standardized prices, well-packaged, has a product variance, and the expansion of marketing.

The benefits received by dairy farmers are, among others, working together in a cooperative environment, they get a stronger *sense of community*. Where by working in groups, they are easier to exchange ideas and exchange experiences. They are also more aware of the problems and then try to work together, so that handling is faster than they have to think for themselves. The existence of knowledge sharing activities among members in a group.

Benefits of marketing expansion, members do not need to bother to market their products. The Cooperative has been PT Nestle's main supplier since 1975. The existence of this collaboration has created a link between the UMKM sector and the industrial sector, so that the continuity of the

business is a member of the KOP SAE is more guaranteed. Up to now, in addition to being a permanent partner of schools and offices, SAE cooperative dairy products have also been marketed through hotels, gift shops, cafes and restaurants to national scale, even SAE cooperative products have been successfully exported to international markets. Processed dairy products originating from members, marketed cooperatives with one brand with various variant forms. Better products, more quality and until now there is no significant complaint from consumers.

The ease in accessing credit greatly helps members in terms of strengthening production assets. Members are greatly helped by the existence of loans for livestock, pension expansion loans, and food procurement. With this business capital assistance facility, the business scale of dairy farmers has increased significantly.

Many business benefits that can be developed include individual participation, self-confidence and personal resilience, and creating social capital. Cooperative institutions create long-term, sustainable and successful business security jointly (ICA, 2013). By working together in a cooperative environment, members can reduce the costs and risks they bear.

Impact Of *Customer Focus* On Business Strengthening UMKM Actors Who Are Members Of The SAE-Pujon Cooperative

The first impact is the creation of an increasing member productivity scale. According to SAE cooperative public relations, cooperatives do not focus on increasing the number of members. But it focuses more on increasing the number of livestock and production that are owned by active members. Members are encouraged to be more productive by increasing the number of livestock, more one-member ownership scale, than many members but small-scale ownership. In other words, cooperatives focus more on increasing / developing business members rather than focusing on increasing the number of members.

The next impact is the creation of effectiveness and efficiency in business activities. Improvements in all fields, such as improving members' knowledge and skills, improving (expanding) the marketing network, accessing technology can be done together. So as to minimize costs and risks, solutions can also be found together.

Grow members who are informed and educated. The existence of education and communication programs is a very good investment for the progress of cooperatives. Members will be better at making decisions if they understand problems in the field of cooperatives, business management and finance. This will more or less support the business continuity of the members themselves as well as the sustainability of cooperative activities.

The programs of the cooperative which are beneficial, generate the willingness of UMKM players voluntarily (bottom up) to join into cooperative membership. Members who feel great benefits, will be encouraged to participate more and ultimately can form trust and loyalty to the cooperative.

The intended output of the sustainability of the cooperative is the improvement of services and production which will have an impact on

strengthening the local economic community. Cooperatives can be a source of employment for the surrounding community, and foster a positive image of cooperatives in order to capture the interest of the community to join together to get income to achieve prosperity through a cooperative.

CONCLUSION

The purpose of implementing customer focus is to provide maximum benefits to members. The customer focuses had directing cooperatives to efficiency that is oriented towards the interests of members. With this strategy, cooperatives can achieve two goals at once, that is to meet the economic interests and objectives of its members and also used to support the cooperative business itself.

The process of implementing customer focus in cooperatives must be systematic, among are: 1). Identify potential members served, 2). Conduct as much communication as possible, 3). Collect information on needs and complaints from members, 4). Realizing services that are programmed efficiently, effectively and comprehensively.

The focus on members is felt by many members and has an impact on strengthening the businesses owned by members. The impacts felt by members are: 1). Increasing growth in productivity scale, 2). Creation of efficiency and effectiveness in business, 3). Growing informed and educated members, 4). Generating voluntary willingness (bottom up) of UMKM actors to join cooperatives, 5). Improving the quality of products and services in order to strengthen the local economy.

Strengthening UMKM through cooperatives has a very strategic value because in addition to being able to help increase the economic level of its members. Working together in cooperatives can reduce the level of rivalry among the UMKM actors, so that business inequality can be minimized. The cooperative pursues its long-term strategy is to meet the needs of members while supporting ongoing business continuity.

The conditions was presented in the discussion chapter are limited to members and SAE-Pujon cooperatives. If the customer focus strategy is used as a prototype and adopted by other cooperatives, the results are likely to change depending on the quality of the members, management performance and the quality of the programs offered at the cooperative concerned.

The involvement of members is more developed to increase their creation and innovation. For example, the practice of many cooperatives abroad that allows its members to present their business ideas include the prospectus to the directur and management. These activities must be familiarized so that members are more creative and independent, so that cooperatives can create strong UMKM actors.

REFERENCES

- Badan Pusat Statistik RI, 2017, katalog publikasi BPS, no.122001, no.publikasi. 02130.1802, tgl rilis. 2018-05-16
- Baga. Lukman Mohammad, 2003, Peran Wirakoperasi dalam Pengembangan Sistem Agribisnis Kajian terhadap Pengembangan

Agribisnis Persusuan di Indonesia, Disampaikan pada Seminar Dwibulanan ISTECS Eropa, pada tanggal 5 Juli 2003 di Pusat Studi Asia Tenggara Universitas Frankfurt am Main, Peneliti ISTECS Eropa

- Goetsch, D. L., dan Davis, S., 1994, *Introduction to Total Quality: Quality, Productivity, Competitiveness*, Englewood Cliffs: Prentice Hall International, Inc
- Heiko Gebauer and Christian Kowalkowski, 2012, Customer-Focused And Service-Focused Orientation In Organizational Structures, *Journal of Business & Industrial Marketing*, Vol. 27, Issue 7, pp. 527–537.
- Hendar, 2010, *Manajemen Perusahaan Koperasi, Pokok-Pokok Pikiran Mengenai Manajemen Dan Kewirausahaan Koperasi*, Erlangga
- Hidayaturrehman. A, *Penyampelan*, diunduh di: <https://www.academia.edu>
- Hogg, Michael A., Graham M, Vaughan. (2007). *Social Psychology*, Pearson/Prentice Hall.
- ICA (International Co-operative Alliance) magazine, 2013, *BluePrint For A Co-operative Decade*
- Khikmah. Siti Noor, Arif Fajar Wibisono, 2012, *Pengaruh Faktor Internal Dan Eksternal Terhadap Perkembangan Usaha Koperasi Di Kota Magelang*, Penelitian Dosen pemula, Universitas Muhammadiyah Magelang
- Kumorotomo. Wahyudi, 2008, *Perubahan Paradigma Peran Pemerintah Dalam Pemberdayaan Koperasi Dan UMKM*, Makalah ditulis sebagai Background Study RPJMN Tahun 2010-2014 Bidang Pemberdayaan Koperasi dan UMKM, Bappenas, September 2008. Penulis adalah dosen pada Jurusan Administrasi Negara, Fisipol, Universitas Gadjah Mada.
- LPPI dan Bank Indonesia, 2015, *Profil Bisnis Usaha Mikro, Kecil dan Menengah (UMKM)*, Kerjasama LPPI dengan Bank Indonesia, September, 2015
- Mardiana, Selvy, *Manfaat Program One Village One Product*, *Citra Koperasi Dan Minat Masyarakat Menjadi Anggota Koperasi*, *Coopetition Vol VIII*, Nomor 1, Maret 2017, 55 - 66
- Putra. Adriansyah Wijaya, Hendang Setyo Rukmi, Hari Adiinto, 2014, *Peningkatan Minat Mahasiswa untuk Menjadi Anggota Koperasi Mahasiswa (KOPMA) Itenas Berdasarkan Teori Pembentukan Kelompok*, *Reka Integra* ISSN: 2338-5081 Itenas, No.04, Vol.02
- Sousa. Rui, 2003, *Linking quality management to manufacturing strategy: an empirical investigation of customer focus practices*, *Journal of Operations Management* 21 (2003) 1–18