

Application of Financial Management, Online Marketing, and the Diffusion of Medan Production Technology for Typical Crafts

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Abstract- The creative industry sector contributes positively to the national economy and the economy of the people in the regions. One creative industry is a craft whose export value continues to increase. The value of handicraft exports in 2012 was close to 700 million dollars. In 2016 the handicraft sub-sector contributed Rp. 93 trillion or around 28.5% of Gross Domestic Product (GDP). In the surrounding Medan City there are many potential creative industries, in the form of Micro and Small and Medium Enterprises (SMEs). Politeknik Community Partnership Program (PKM) of Ganesha Medan (Polgan) has a partnership with Syafri Handicraft and Kun Art which is engaged in handicrafts located in Maimun and Medan Perjuangan Districts, Medan City. Most of the raw materials use used materials, such as natural and household waste, namely organic, wood, oil palm, coconut fiber, etc.

The main problems of the two partners are: 1) Do not have access to banking for business capital facilities or production facilities; 2) Marketing management is passive and conventional; 3) The marketing media used is the traditional Word of Mouth Marketing (WOMM); 4) Financial management is very simple and not systematic; 5) Government programs do not run smoothly; 6) dependence on orders causes thin profit margins; 7) Product quality needs development; 8) Strategic management as a business improvement has not been carried out.

Solutions offered: 1) Open access to banks and other financial institutions and change the form of business into a legal entity CV so that it can be accessed easily through basic financial statements of Micro Small and Medium Entity Financial Accounting Standards; 2) Apply online and offline active marketing (WOMM) techniques; 3) Designing Website and Facebook Optimization supported by Search Engine Optimization (SEO) and Facebook Advertising media as well as Optimizing Entrepreneurship Capacity Build promotion and partner products; 4) Designing standard standards for production management; 5) Make a management strategy design that is carried out. The method of implementation is a participatory method, namely the existence of interactive collaboration between Polgan as a facilitator with partners. Implement measurable design methods and use standards so that the performance of SMEs and their product quality increases. So far, the two partners have used hand made techniques, product quality is not optimal

Index Terms - Creative industries, SMEs, WOMM, Social Media.

I. INTRODUCTION

1.1. Background

The creative economic sector is being promoted by the government several decades ago. Basically, the creative economy relies on the creative industry as stated below: "Creative industries are defined as those requiring creativity, skill, and talent, with potential for wealth and job creation through exploitation of their intellectual property" (Natawiria, 2010) Actually this new type of economy is a repositioning of the British economy in an effort to respond to the global world in 1997. One of the potential creative industries is the handicraft sub-sector whose export value increases every year. Approaching 700 million US dollars, whereas in the previous year, in 2011 the export value reached 660 million US dollars, which means that there was an increase of 7 percent" (Kompas, 22 May 2013: 34). IDR 93 trillion or around 14.88% of Gross Domestic Product (GDP), which means that sub the above sectors include potential to be developed.

Around the city of Medan and its surroundings there are many potential creative industry sectors that can produce economic values for the businessmen and the community. However, most businesses in the creative industry sector are run by Micro or Small and Medium Enterprises (SMEs) with limited business capital.

In the Community Partnership Program (Program PKM) the Polytechnic of Ganesha (Polgan) Medan intends to partner with Syafri Handicraft and Kun Art. Both partners are classified as businesses in the handicraft sector. The location of the Syafri Handicraft workshop with its owner Syafri is located on Jl. Mantri No. 16 Maimun Sub district and the location of the Kun Art workshop the owner is Ariady located on Jl. Lake Singkarak Gg. Madrasah, Medan Perjuangan District, Medan City. Most of the raw materials use natural waste such as organic, wood, oil palm, coconut fiber and others as well as household waste such as used bottles, plastic waste, and so on. Both partners include creative and innovative craftsmen because they are able to utilize waste to become a craft and art product that has high economic value.



Figure 1 : Workshop on Syafri Handicraft and Kun Art

in general, the weakness of Indonesia SMEs is in the aspect of Human Resources (HR) because the average are of low education, self-taught skills, namely learning from experience or conducting trials using simple production equipment. It was mentioned by Tambunan : "In fact, SMEs in developing countries such as Indonesia are often characterized by low productivity, mainly due to lack of access to capital to technology and human resources" (Tambunan, 2011)

1.2. Partners Problem

The problems of the two partners as SMEs are general and have similarities with the other SMEs, namely as follows: "... the disadvantages are often related to lack of financial and technological resources. This can lead to problems in their ability to absorb and diffuse technology within industrial sectors " (Thomas, et al., 2011). Regarding the problems of the two partners are as follows:

- a. Do not have access to banks to get business capital loans or add production facilities and it is difficult to meet export procedure requirements such as legality of business legal entities such as CV. Below is an overview of SMEs in Indonesia.

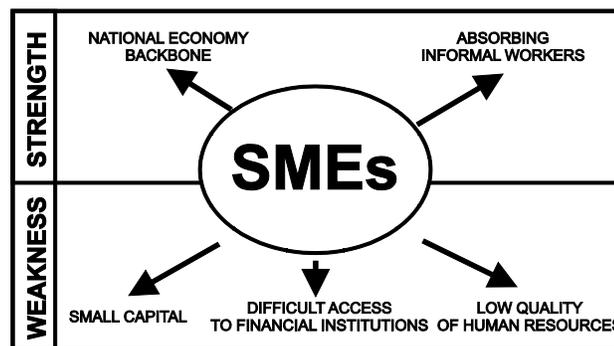


Figure 2. SMEs Medan overview

- b. Simple financial management, for example there are no daily, monthly and annual reports but only based on the memory, experience and version notes of each partner without a clear system. This can make it difficult to control circulation of money or profits calculation.
- c. Passive and conventional marketing management. The current situation and condition of the craft market are competitive, new and innovative marketing techniques are needed. During this time the marketing media used was the traditional Word of

Mouth Marketing (WOMM). The weakness of this technique is that the response or feedback from the WOMM is minimal, uncertain, long time and ineffective

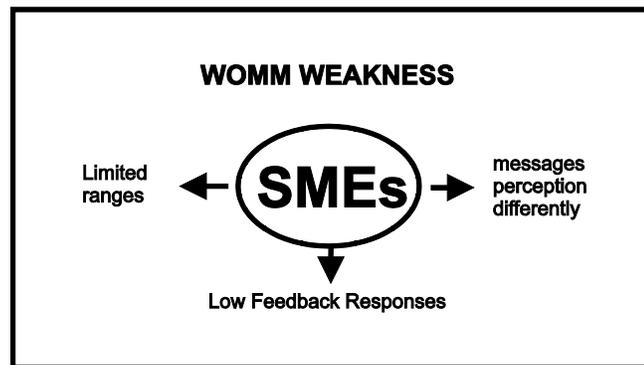


Figure 3 : WOMM Traditional weakness

- d. Local Government assistance programs do not run smoothly, for example Assistance through the Local Government website or Facebook needs to be actively regulated by the partners themselves.
- e. There is a dependence on orders that causes the following impacts: a) Minimum profit margin, b) Product quality is not optimal.
- f. The difficulties of SME partners in increasing their business both internally and externally are limited by data and information and the quality of human resources that are still minimal as strategic business management through the above management.

II. LITERATURE REVIEW

2.1. Word Mouth for Mouth Marketing (WOMM)

Relating to WOM is communication about services and services between people they consider from companies that provide services, in media that will be considered independent from the company (ID, 2017). According to George Silverman in his book, The Secret of WOM Marketing, WOM communication can be in the form of messages or testimonies such as speaking directly, by telephone, email, group list, or other means of communication (Silverman, The Secret of WOM Marketing).

2.2. Small Micro Enterprises

Republic of Indonesia Law No. 20 of 2008 provides the definition of a company that is an individual micro-enterprise (Indonesia, 2008). Criteria referred to as SMEs are business entities that have a minimum asset of Rp. 50 million and a maximum of Rp. 300 million. Regulations governing SMEs, namely Bank Indonesia Circular No. 26 / I / UKK dated May 29, 1993 concerning Small Business Credit (Kredit Usaha Kecil) are businesses that have total assets of Rp. 60 million (UKM, 2016).

2.3. Internet Marketing

Internet Marketing is a marketing online strategy which includes promotional activities, advertising and marketing efforts using website networking to increase sales through electronic commerce (e-commerce). Internet marketing is considered more effective and efficient than traditional marketing, such as radio promotion , newspapers or magazines, this is because internet marketing costs are very cheap and to find targets (potential customers) is much easier.

Some internet marketing strategies are web marketing, email marketing, social media marketing. and now the influence of internet marketing through social media is expanding with unlimited reach.

III. RESULT AND DISCUSSION

Implementation of Community Service in this case Partnership between Politeknik Medan Ganesha and Syafri Handycraft and Kun Art, among others :

1. Open access banks for business capital loans, making easy how to control of money and calculating turnover and business expansion, the following solutions are needed:
 - a. Polgan provides basic and simple accounting training but has followed standards such as the Micro Small and Medium Enterprise Financial Accounting Standards issued by the Indonesian Accounting Association (IAI), where one of its functions is to make daily, monthly and annual reports manually or computerized
 - b. give understanding and mastery of accounting are useful in exploring changes in partner SMEs into legal entities, namely in the form as an CV. Then banking access and non-bank financial institutions are easier. This also includes meeting administrative requirements for export procedures.
2. Polgan Provide training to partners or active in Modern Word of Mouth Marketing (WOMM) based on enticing and courageous. SMEs can connect directly with potential buyers and increase marketing targets and selling national and international products. Applications that are being developed are soft skills using optimization on Entrepreneurial Capacity Building smart ones on smart sales. Entrepreneurship Capacity Build about:
 - a. Mental Want to Learn,
 - b. Patient Mentality,
 - c. Mental Professional,
 - d. Mental Honest and Open,
 - e. Mental Serving / Customer satisfaction.

The technique of active marketing online used is the optimization of the Website and Facebook using Search Engine Optimization (SEO) and Facebook Advertising (Facebook Ads) media. Advantages are of the two services above are:

- a. Costs are relatively cheap;
- b. Wide marketing reach without knowing territorial (region) or time boundaries;
- c. The SMEs can choose its target customers or segments, for example the segment of young people or teenagers and others.

The constraints of SMEs in implementing information technology, especially from inside companies: "Many of small and medium enterprises (SMEs) try to adopt IT support for their business. Due to their limited resources, IT adoption is different from larger business. IT adoption Barriers in SMEs may come from inside and outside of organizations. The internal factors consist of the attitude, knowledge and support from the owner, resources availability, and employees attitude, knowledge and acceptance (Sarosa, et al., 2003).



Figure 4: Social Media Constraints Scheme for SMEs

3. Another program is the technology diffusion production so that partner SMEs can improve product quality, production volume, and timeliness. The above criteria are mainly for fulfilling export orders. According to Bradley (Bradley, 1995) that diffusion of technology is: "technology diffusion can be defined as the spread of a new technique from one small firm to another (inter-firm diffusion). There are two types of technological diffusion principles, namely: "disembodied diffusion (the transmission of knowledge and technical expertise) and" embodied "diffusion (the introduction into production processes of machinery, equipment and components incorporating new technology" (Thomas, et al., 2011)

4. In the context of achieving and enhancing dynamic business competitive, partner SMEs must do business upgrading or improvement internal or external. The Polgan provide training on management strategy for partner SMEs.

IV. CONCLUSION

PKM activities made by the dedication team are:

- a. Financial management training includes the compilation of standardized financial statements.
- b. Give bold and enticing marketing training Provide training for websites to increase sales

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