

Home Industry Furniture in Surabaya: Condition and Their Needs

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ABSTRACT

Home industry Furniture in Surabaya, Indonesia, at the micro and small business level. Like other developing countries, micro, small, and medium enterprises have an essential role in economic growth. The problem is that imported products make them suffer. They try to sustain in this tough competition. This study aims to understand their position and what they need to sustain or grow in the future. This study uses a qualitative approach with interviews as the primary data source, surveys and documentation as supporting data sources. The respondent in this study, both for interview and survey, is the owner of the home industry, with a minimum of ten years in business and the level micro and small business. The result of this study shows that home industry' owner must change their mindset about how they do their business significantly; they must innovate their product, have a new idea, have a professional marketing plan, and the important one is to understand the market.

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the answer to the economic development of a country. In Indonesia, based on the Dinas Koperasi, Usaha Mikro, Perindustrian dan Perdagangan Kabupaten Semarang (2021), MSMEs in Indonesia are categorized as micro if they have a turnover of less than 300 million per year with assets of less than 50 million; categorized as a small business if it has a turnover of more than 300 million to 2.5 billion per year with assets between 50-500. Meanwhile, medium-sized businesses have a turnover of above 2.5 billion to 50 billion with assets of 500 million to 10 billion. Based on the number of employees, small businesses have 5-19 employees and medium businesses 20-99 people (Statistik, 2014). Although the number of employees they have is not large, MSMEs are the most absorbent of labor compared to large businesses. Therefore, MSMEs are essential for the economic development of developing countries such as Indonesia (Sutrisni, 2019). Based on BPS Surabaya, 95% business in Surabaya in the level of micro, small and medium enterprises and only 5% in the level large company (BPS, 2018). This data reinforces the importance of the role of MSMEs in Indonesia especially in Surabaya. MSMEs is important because they help to open new job and help to reduce unemployment.

One of the MSMEs in Indonesia is MSME Furniture. With the growing number of middle-class population in Indonesia, the need for furniture is increasing. Supported by natural resources in Indonesia, the furniture industry in Indonesia has a fairly significant contribution. The Global Business Guide Indonesia reports that in 2013 alone, domestic furniture consumption in Indonesia reached IDR 9T (GBGI, 2018). This should be able to support the growth of the furniture industry in Indonesia. However, more furniture entrepreneurs in Indonesia are looking at the export market to enter foreign players in Indonesia. The existence of foreign players such as IKEA or imported furniture that enters through large distributors in Indonesia such as Informa causes the local furniture industry in Indonesia to experience difficulties, especially those still at the micro and small business level (Indreswari, 2012).

In Surabaya, as the second-largest city in Indonesia, the existence of MSME Furniture is quite a lot, especially those still in the form of home industry, but the competition in the furniture business in Surabaya is also quite fierce (Wahyudi, 2016). Companies that are not at the home industry level can deal with innovations according to consumer demand, and they can follow the designs that consumers expect. Those who have networking can work together with players from abroad to learn from world players so they can compete. However, it is challenging to develop for those who do not have networking or are still at the micro and small level.

Complaints about declining income from players in this industry indicate the difficulties they face, especially for those accustomed to offering furniture repair businesses. Cheap new furniture prices from big import players have made their business decline. From an interview with one of the businesses supporting the furniture industry in the city of Surabaya, sales of raw materials for furniture decreased from IDR 8.3 billion in 2015 to 6.3 billion in 2018. According to the owner of UD. AJ in Surabaya, his customers, who are long-time players in the furniture industry, complained about a decrease in orders, which resulted in a decrease in the number of purchases to their business. The average player in the Furniture Industry who is at the micro and small business level in Sawahan District, Surabaya, a customer of UD AJ, is a home industry that does not have an exhibition area to be able to compete with big players. Therefore, this study was conducted to determine the condition of MSME Furniture in Surabaya and the factors that can help them survive amid fierce competition. The purpose of this study is to maintain the existence of the local furniture industry, especially the home industry, which is still at the micro and small level, which opens up job opportunities in Surabaya amid business competition.

2. Research Method

This research is qualitative research using an interview approach to obtain data. In addition to interview data, questionnaires were distributed to support the results of the interviews conducted. Respondents from this study are the owners of MSME Furniture in Surabaya, where the business has been running for more than ten years, has 0-10 employees, does not have modern exhibition outlets (only workshops or ordinary shops). According to these criteria, the number of respondents who were interviewed was five. Questionnaires to support the interview results were distributed to 113 respondents with the same criteria as the interviewees. In addition to interviews and questionnaires, a study of documentation through valid and reliable news sources was carried out to strengthen the data obtained. This study uses source triangulation to check the truth of the data obtained from various perspectives. The stages in this study are interview, filtering, coding, and analysis, followed by distributing questionnaires and finally documentation.

The Idea of this research is come from the difficulties of home industry furniture in Surabaya to maintain their customer. Their business performance is decline in this recent year, especially when they must compete with large company and large exporter. Performance is vital for a business, not only for large businesses but also for the micro-business level. However, the variable that influenced the business performance in micro and small businesses still varies. For example, social commerce influenced business performance, but unique resources do not affect micro and small business performance (Yacob et al., 2021). Another study suggests that business capability is vital for business performance. Planning and innovation are two business capabilities that influence business performance (Wanasida et al., 2021). Venkrataman and Ramanujam tries to classify business performance because business performance is a subset of the overall concept of organizational effectiveness, which makes business performance for one business is different from others. The core domain of business performance is financial, operational, and organizational effectiveness (Venkatraman & Ramanujam, 1986). Nevertheless, financial performance is difficult to measure in micro and small business performance because the owner usually does not make financial reports.

Daskalakis et al. (2013) found that only 5% of micro, small and medium companies have a financial statement; that way, financial performance cannot become a measurement in small and micro business performance. Even financial is essential, but operational performance is more suitable for understanding the business performance. Hudson et al. (2001) state that micro, small and medium business know how to plan, act according to their plan, use the essential data and learn how to review is the most important thing. Sousa et al. (2006), using a balanced scorecard perspective, try to study the performance of small and medium businesses. They only use internal processes, customer perspective, innovation, and learning. They also focus on developing their strategy, customer and business process improvement. It is similar with the study of home based business in New Zealand that the owner who doing business in their home actually developing their activities in operational and marketing area (Clark & Douglas, 2010). As small businesses, the focus is on customer, operational, and what they learn to sustain and grow.

Innovation is one of the essential things in business performance (Tohidi & Jabbari, 2012). In large and multinational companies, most innovation comes from research and development. Most of the innovation, even using professional research and development, came from improving the current product based on market suggestions (Hitt et al., 2011). Alonso and Bressan support that statement. They found that innovation in the wine industry came from their participant testing for wine; because of that, innovation and market research is essential (Alonso & Bressan, 2016). To survive, micro and small business must understand their market and make innovations. They must adapt to survive. All organizations must identify and adapt to change (David, Fred R. David, 2017). The successful organization effectively manages to change, continuously adapting. That also happens for micro and small businesses to survive and success.

3. Results And Discussions

The first data collection carried out in this study was through interviews. Interviews were conducted on five respondents, coded as follows:

Table 1.
Respondents for Interviews

No.	Coding	Experienced in Business	What they offer	Number of Employers (Full Time)
1	ML	Ten year	Making and repairing Sofa	0
2	BO	15 year	Making Sofa	3
3	MP	15 year	Making Sofa and Spring Bed	10
4	LY	18 year	Making Sofa and Spring Bed	5
6	YS	16 year	Making and repairing sofa	0

Table 1 shows that of the five respondents selected to be interviewed, they have been in this home industry for ten years. On average, they provide the same services focusing on the sofa. From interviews conducted with ML, it is known that the sofa that he did was made in a customized manner according to the customer's request; therefore it took him 3-4 weeks to complete.

“Normalnya satu set sofa itu bisa selesai kurang lebih 3-4 minggu, karena kan saya juga harus cari bahan yang sesuai dengan permintaan konsumen. (Normally a sofa set can be finished in approximately 3-4 weeks because I also have to look for materials that match consumer demand)” (ML)

It is different with BA and LY. BA said it only takes 1-2 weeks, but it could be more if the model chosen by consumers is getting more complicated.

“Lama pengerjaan... tergantung dari kerumitan sofa yang dibuat. (The processing time... depends on the complexity of the sofa made)” (BA)

“Tergantung dari permintaan konsumennya,.....kurang lebih 2-3 minggu tapi biasanya disesuaikan lagi dengan permintaan konsumen (Depending on consumer demand,.....approximately 2-3 weeks but usually adjusted again according to consumer demand)” (LY)

From the three interviews above, it can be concluded that generally, it takes a minimum of 1 week or more according to consumer demand, meaning that they do not provide ready-to-buy sofas. They only make sofas when there is an order. Consumers who come to them cannot see the finished goods, although consumers benefit from choosing models and materials according to their expectations and budget. However, with the existence of imported sofas or from large businesses that are ready stock, of course, this is hitting their business. This can make potential customers move to business with goods ready to be purchased.

From the survey results to 113 respondents to find out the growth of their customers, especially new customers who come to them, 74% stated that new customers have decreased over the past three years. As many as 82% of respondents feel that their market share is smaller. This data reinforces the notion that consumers may move from buying custom to buying ready-made products and can be seen as an example.

These findings indicate that businesses that only make sofas according to customer demand need to change. Customer will love to buy customized product if the product design is constant, they would like to buy something different, unique for themselves (Jiang et al., 2006). This is supported by Bardacki & Whitelock who also said that readiness product still in the need in some level, that's way the concept is not full customization but mass customization (Bardacki & Whitelock, 2006). The concept of mass customization make IKEA become popular because customer can express themselves but they do not like to paid higher that they must paid for readiness product (Ling et al., 2020). Home industry Furniture in Surabaya must try to adapt the preference of their customer to buy a mass customization product and not depend on full customization based on customer come to them when they want a custom product.

ML states that innovation is what makes him survive. According to him

" *sama berinovasi pasti akan terus digemari.....karena model sofa sendiri itu terus berkembang.....kita sendiri sebagai pembuat sofa juga harus mengikuti perkembangan....(with innovation (product) will continue to be popular.....because the sofa model itself continues to grow.....we as sofa makers must also follow developments....)*"

BO supports the opinion of ML. BO states:

" *Berani untuk terus berinovasi dan mengembangkan model-model terbaru (Dare to continue to innovate and develop the latest models).*"

Both interviewed respondents stated that innovation is essential in facing competition, but both of them innovate on the sofa model. Innovation itself in theory according to Joseph Schumpeter is introduce or commercialize new or improved product or service in the application of existing product or services. Developing new supply source such as materials, equipment and other inputs (Tohidi & Jabbari, 2012). Based on our respondent, they only innovate in product especially on model, so their innovation is just small differentiation compare to the real innovation for competitive advantage.

Apart from ML and BO, only MP also stated the importance of innovation even if it was only in the sofa model, while LY and YS only stated that they were maintaining quality and fulfilling consumer desires. From this interview, a survey was conducted to 113 respondents to find out how vital innovation is even though it is only on the sofa model. Out of 113 respondents, only 42 respondents feel that innovation is essential for continuing their business. This means that 62.8% of respondents, such as LY and YS, do not feel it is critical to innovate in their business. According to Tohidi & Jabbari, innovation is essential, especially in the face of increasingly fierce competition (Tohidi & Jabbari, 2012). Therefore, for MSME furniture players, especially those that focus on sofas, it is necessary to change their mindset and look for innovation opportunities. From the survey results, it is also known that 80 respondents answered "No" when asked whether ideas often appear in their business, both in terms of their activities and products. This further strengthens the need for a change in the owner's mindset in the midst of competition.

The existence of imported products with various models and functions that consumers can choose from and are increasingly in demand by consumers shows that innovation of models and functions needs to be carried out because this follows the development of existing trends. Jiang et.al. stated that when the product design remains, customization is beneficial for a business. But when the product design is easy to change, the customization is no longer profitable because the customer does not have a sensitive preference (Bower et al., 2003; Jiang et al., 2006; Moon et al., 2008). This can also be seen from the increasing sales of ready-stock furniture products from large retail companies such as IKEA, even though the products are not explicitly made for specific customers (not customized product). Besides IKEA, Informa also shows that sales of its furniture, especially sofas, have increased by more than 50% (Jateng, 2018). Even IKEA and Informa have ready stock product, their product still has little customization. IKEA as example apply mass customization what make their product look like custom. Mass customization make company like IKEA make a mass production product more personal (Duray, 2002). This shows that products with designs that are easy to change are more profitable when made in mass production because know another company have mass production in certain stage and finishing with personal preference. So the owner's mindset thinks that making products by waiting for customers to come needs to be changed.

When dealing with a design, customers have pretty complicated behavior, especially concerning furniture. Therefore, following the market demand is a way to enter the target market (Kaplinisky et al., 2002). It can be concluded that the trend is one way that must be done to survive in business. By following existing trends, the products offered can attract customer interest. Research related to purchasing intention and purchase decision shows that purchase intention has a significant influence in influencing customers to decide to make a purchase (Alavi et al., 2015). The intention to buy arises because of interest; after that, the intention can make the customer decide to buy supported by a good marketing strategy.

From the interview results, it is known that none of the five respondents have exceptional staff in carrying out their marketing activities. Some understand the importance of marketing, but the owner still relies on himself and his connections. The owner has not used professionals to develop his marketing strategy or inactivate the marketing plan in mind.

" *Harus pintar-pintar mencari koneksi ya..... kita harus kenal dengan orang dalam (We have to be smart to find connections, okay..... we have to get to know the insiders).*" said LY

" *Jadi sudah banyak yang mengenal usaha saya... customer juga cukup banyak (So there are many who know my business... there are also quite a lot of customers...)*" said MP

"...karena juga biaya besar saya tangani sendiri, saya iklankan pakai media social facebook biasanya...(because I also take care of the high costs myself, I usually advertise using Facebook social media)," said ML

In addition, of the 113 respondents who were asked about their efforts to find customers, less than 50% said they were trying to acquire new customers. This shows that marketing activities are still lacking in this home industry. As the study proven that marketing have important role to make customer have intention to buy (Martins et al., 2018). Social Media as ML stated is one of popular marketing tools but reality business needs their brand popular first before their social media can become their marketing advantage (Balakrishnan et al., 2014). Based on previous study, owner of home industry needs to activate their brand first, they need to plan for activities than social media and not to depend on their old networking.

From research conducted by Kaplinsky, et. al., it is seen that not only in Indonesia, the local furniture industry in South Africa also shows that although in terms of quality, but the fulfillment of promises to consumers is also equivalent to large companies or importers, the home industry has difficulties related to after-sales service, distribution, and retaining that is part of the marketing activity. Marketing activities to introduce their products are also not carried out seriously or even non-existent.

From the discussion above, it can be concluded that MSME furniture in Surabaya, which is generally at the Home Industry level and focuses on the local market, has difficulty developing due to the owner's mindset in facing competition, especially the willingness to innovate, do marketing professionally, develop designs and conduct market research.

4. Conclusion

The results of this study indicate that the owner of the home furniture industry needs to change their mindset concerning the willingness to innovate, seek opportunities, conduct market research, develop designs and carry out professional marketing. Willingness to do market research is a necessity in competition. Large companies can provide a variety of models; therefore, the home industry must look for what the market needs specifically to compete.

Further research can see from the consumer's point of view the factors that make them choose a piece of furniture. Knowing the consumer's point of view can help local home industries struggle in competition; another research that can be done is to develop this research by focusing on home industry strategies in facing competition at the local level.

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This research can be done because the respondents in this study are willing to take their time to be interviewed and fill out surveys. This research is still not perfect, especially before Covid. More in-depth research is needed on the respondent's current condition after Covid has begun to be controlled. Finally, although this research is far from perfect, this research can open up insight into the condition of the owner of the home industry in the local furniture market share in Surabaya who needs help to face the competition.

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