

## Implications of Marketing Mix on Salak Farming Enterprises (Study on Horticultural Commodity Farming in Enrekang Regency)

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**Abstract:** Enrekang Regency is one of the producers of horticultural crops, especially the largest salak fruit farming. It is also hoped that it can increase the income of salak fruit farming which is one of the horticultural crops currently being developed, especially in Enrekang Regency, South Sulawesi Province. The development of a good production and distribution channel system is one of the keys to success in increasing the income of salak fruit farmers, especially in Enrekang Regency. This research is a survey research, the sample in this study used purposive random sampling in three villages namely Kambiolangi Village, Mata Allo Village, and Sumilang Village in Alla District. The analysis tool uses the method of relative profit analysis (Benefit Cost Ratio Analysis) and margin analysis. Each village obtains  $B / C > 1$ . Thus it can be said that the use of a marketing mix strategy can provide additional income for salak fruit farmers. Margin analysis and marketing efficiency showed that the salak fruit marketing activities in Alla District, Enrekang Regency through three marketing channels gave different results. Marketing efficiency will be created when using short marketing channels.

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### I. Introduction

The economic development of a region is defined as one of the joint efforts between the regional government and the community in managing their resources and forming cooperation to create the availability of business opportunities and employment and encourage the growth of economic activities<sup>1</sup>.

The agricultural sector development strategy is aimed at improving product quality and handling in the post-harvest period. Problems that commonly arise in the handling of the agribusiness sector in Indonesia include : a) Limited land ownership by farmers, b) The characteristics of the product are easily damaged, c) Post-harvest handling is still traditional so that the quality produced will be more quickly damaged, d) Commodity prices are very cheap when the harvest is great, e) management is still traditional, f) Greater benefits are received by intermediary sellers compared to the farmers themselves<sup>2</sup>.

The creation of a healthy business climate to stimulate the development of the agribusiness sector is basically the main support, so that the obstacles that are still inherent in the sector can be overcome immediately. The agricultural sector continues to be improved with the aim of increasing agricultural production, in order to meet food and industrial needs, increase exports, increase farm income, expand employment opportunities, encourage business opportunities and support regional development. To support the achievement of the aforementioned objectives, the government of the South Sulawesi Province decided that commodity zoning is a policy of economic development in South Sulawesi. The main objective is to realize development in the agricultural sector in a directed and integrated manner, as well as the optimal use of natural resources which in essence is an effort to develop the production and marketing of agricultural products.

Horticultural plants are one type of commodity developed including salak fruit which is a plant that is needed by humans because of its high nutritional value, as a source of vitamins, minerals and vegetable protein. From this description, surely you can imagine that the trade system requires a large cost for the development of the agricultural sector and the complexity of the trading system itself<sup>3,4</sup>. Salak fruit is one type of fruit that is widely available in various provinces in Indonesia and generally has a name according to the producing region, several variants of salak fruit are well known and preferred, including salak Bali, Pondoh, Madura, Banjarnegara, Tasiklamaya, Condet, Enrekang and Salak fruit Padangsidempuan<sup>3</sup>.

Enrekang Regency is one of the biggest producers of salak fruit in South Sulawesi, which has potential that can be developed in terms of quality and quantity of production which will hopefully also increase the income of salak fruit farming<sup>5</sup>. However, it should be understood that the salak fruit products produced by farmers are products that are not durable, are easily damaged and rot quickly. This is one of the problems faced by salak fruit farming. The result is that it can reduce product quality which at the same time has an impact on

price. To deal with this, it is necessary to conduct distribution as soon as possible to avoid the decline in prices of salak fruit products from farmers in the study area. Agribusiness products such as fruits, vegetables and ornamental plants are horticultural crops that have considerable production potential, high economic value and broad market share, so good handling is needed to arrive consumers<sup>3,4</sup>.

## **II. Material and Methods**

Salak fruit is one of the horticulture plants currently being developed, especially in Enrekang Regency, South Sulawesi Province<sup>5</sup>. The development of a good production and distribution channel system is one of the keys to success in increasing the income of salak fruit farmers, especially in Enrekang Regency. Several characteristics of agricultural products as follows: 1) Agricultural products are seasonal, meaning that each type of agricultural product might not be available at any time without being followed by good management, 2) Agricultural products are fresh and easily damaged, meaning that each type of agricultural product is actually obtained in a fresh state (still wet) so it cannot be stored for a relatively long time. If only the desired storage in a relatively long time, then additional treatment is needed, 3) Agricultural products are bulky, meaning that the volume is large but the value is relatively small. The result is that in the process of processing it takes a large place. This means that relatively more storage space is needed and a more thorough maintenance system, 4) Agricultural products are more susceptible to pests and diseases, so the damage caused by pests and diseases is also large. If it is desired that the product is protected from pests and diseases, it is also necessary to pay a small amount, and 5) Agricultural products are local or conditional. This means that not all agricultural products can be produced from one location, but from various places<sup>6</sup>.

Fruits are perishable and not long-lasting, as is the case with salak fruit. Salak fruit damage is characterized by a foul odor and changes in the flesh of the fruit to become soft and brownish in color<sup>4</sup>. If salak fruit farmers and marketing institutions want to save their agricultural products with the intention of waiting for a better price, then handling it in postharvest must be able to ensure that the arrival of the fruit in the hands of consumers still have high quality, both the level of freshness, vitamin content and mineral value. Postharvest handling is very influential on the quality of production of salak fruit. Whereas handling activities include handling salak fruits during harvest, activities in collection and transportation warehouses, these actions require producers or intermediary traders to incur costs associated with postharvest activities<sup>4</sup>.

The main purpose of the farmers in producing and marketing salak fruit commodities is to meet the needs and improve the standard of living of the family. For this reason, there is a series of related marketing systems in marketing salak fruit, which acts as a link between producers and consumers. While the marketing process of salak fruit agriculture can basically be done through marketing channels, there are marketing channels that involve various marketing intermediaries such as (producers - local collectors - village traders - retailers - consumers), so that the channels become long. In addition, there are also marketing channels that only involve one marketing intermediary agency such as (producers - retailers - consumers) and there are even direct marketing channels such as (producers - consumers)<sup>7</sup>. The issue regarding marketing channels, for the salak fruit farmers lies not in the short length of the marketing channel, but which marketing channel provides the greatest level of acceptance for them.

Decision making in marketing is almost always related to marketing mix variables. Therefore, the marketing mix is very important and can be used as a practical marketing tool. Marketing mix is a combination of four variables or activities that are the core of the manufacturer's marketing system namely products, prices, distribution and promotion<sup>7</sup>.

The main pressure of the marketing mix is the market because ultimately the products offered by producers are directed to the market. Market needs are used as a basis for determining the type of product, as well as the market situation for various alternatives, such as price, distribution and promotion. Because the market is the center of attention for all decisions concerning the marketing mix, it can be said that the product itself can have an important impact on decisions, both at the price level and on the distribution. In marketing agricultural products, one of the goals to be achieved is to achieve efficiency in marketing activities. Marketing is a whole system of business activities aimed at planning, determining prices, promoting and distributing that can satisfy consumer needs<sup>8</sup>. Marketing is a liaison between organizations and consumers with market orientation<sup>7</sup>. Marketing is a human activity that is directed to satisfy needs and wants through the exchange process<sup>9,10</sup>.

Consumer goods are generally sold through intermediary traders with a view to reducing the costs of achieving a broad and spread market<sup>7</sup>. Distribution of consumer goods through intermediary traders, both large traders, collectors and retailers. Producers can obtain cost savings by delegating some of their marketing functions to intermediary traders. Determination of this distribution channel is very important because it can affect the smooth sales, both the level of profit, capital, risk and so on. The development of horticultural production is emphasized in the development of vegetable and fruit production around the city with the

consideration that the marketing of vegetables and fruits can be more smooth so that farmers can enjoy the benefits of their farming through marketing margins.

Marketing margin is the difference between the price received by producers and the price paid by consumers which is a profit for producers, because of the involvement of marketing institutions so that the biggest marketing margin to marketing institutions is called marketing agency margin. Margins of each marketing institution are influenced by the price, the activities carried out, the costs and benefits obtained, while the marketing channel margin is influenced by the location of marketing<sup>4</sup>. Further, marketing margins at various levels of marketing are proportional, where retailers receive greater margins due to risk compared with village traders and inter-city traders, as well as the level of capital turnover at retailers slower than the level the rotation of village traders and inter-city traders<sup>3</sup>. Therefore the burden of capital costs and the risk of damage to products sold by retailers is also greater, this is natural if you receive a greater marketing margin.

The concept of marketing ultimately leads us to a complete concoction of marketing. Marketing is a human activity that takes place in relation to the market or means working with the market to realize human needs and desires<sup>4</sup>. The strategy starts with the concept of how to use resources effectively in a changing environment, therefore the benefits of the strategy are : a) To anticipate changes that occur, directing and overseeing the company's course for the better, b ) If everyone involved in the company knows the purpose and direction of the future, hence this matter : 1) Reducing conflict between them, 2) Give encouragement or enthusiasm for work. 3) Make it easy to take action, 4) Facilitate control (Reduce the risk that occurs), 5) Help improve communication, coordination, allocate resources and formulate long-term plans, 6) Streamline the flow of information regularly, and 7) Educate producers to make decisions the good one.

The strategy is a comprehensive and integrated force that connects the strength of the company's strategy with the environment it faces, all of which ensure that the company's goals and are achieved<sup>11</sup>. Interpreted that producers must see the desire of consumers for the results of production that requires producers to improve their farming.

### **Procedure Methodology**

The research method used was a survey method. The survey method is carried out by conducting research on a portion of the population or conducting research on samples, samples in research are farmers who are working on horticultural crops.

The research area is Alla District, Enrekang Regency, South Sulawesi Province, because it is a center for the production of salak fruit and is very potential to be developed<sup>3,4</sup>. Alla Subdistrict consists of eight villages, and from that village selected purposively three villages, each Kambiolangi Village, Mata Allo Village and Sumilang Village<sup>5</sup>, with the following considerations :

1. That the three selected villages (Mata Allo Village, Kambiolangi Village and Sumillang Village) are potential salak fruit producing regions / regions
2. In accordance with regional zoning policy, Enrekang Regency is determined as a mainstay for the development of salak fruit commodity
3. That the marketing institutions both at the sub-district level (small traders), districts (large traders), and generally are in the study area with the chosen marketing target being Makassar City

Determination of the sample is done by simple random sampling. Respondents to be selected are salak fruit farmers who do postharvest processing and have land area of 0.5-1 ha each of 10 people in each village. Collecting traders 15 people, and retailers 20 people. For big traders 5 people, and traders in Makassar City 5 people do census.

Data collection methods in this study include primary data and secondary data. Primary data were collected through direct observation and interviews with salak fruit farmers and marketing intermediaries which include: a) the area of cultivated land, b) the type of fertilizer and labor used, c) the amount of production obtained by farmers in one harvest season, d) the place to sell salak fruit to consumers, e) post-harvest costs and marketing and f) and sales of farmers. For secondary data obtained from relevant agencies such as the Agriculture Office in the form of fruit production data, and the Statistics Office in the form of data on the area, population, harvested area and salak fruit production in each district in Enrekang Regency.

The analytical method to test the benefits of the marketing mix is used relative profit and marketing margin analysis :

$$\text{Gross B/C Ratio} = \frac{\text{Gross Benefit}}{\text{Gross Costs}}$$

Gross B/C Ratio = The amount of benefits received by salak fruit farmers after applying the marketing mix.

Gross Benefit = The total benefits of salak fruit farming using marketing mix.

Gross Costs = The total cost of farming using the marketing mix.

The calculation results provide three possibilities that will be obtained by salak fruit farmers, namely :  
 If  $B / C = 1$ , it means that the total benefits obtained are equal to the total costs incurred, so that the use of the marketing mix will be considered whether or not to be implemented.  
 If  $B / C > 1$ , it means that the total benefits obtained are greater than the total costs incurred, so that the use of the marketing mix can be implemented because it provides benefits for farmers  
 If  $B / C < 1$ , it means that the total benefits obtained are smaller than the total costs incurred, so that the use of the marketing mix can cause losses in terms of costs, time and risk of damage to farmers

To determine the size of the marketing margin the following analysis is used:

$M = H_p - H_b$   
 M = marketing margin  
 HP = Sales price  
 Hb = purchase price

### III. Results

One element in the marketing strategy is the marketing mix strategy that is related to the business of presenting product offerings in certain market segments which are the target market. Marketing mix is a tool that can be used by entrepreneurs to influence<sup>7,10</sup>. The marketing mix is composed of four variables namely: price, product, distribution, and promotion<sup>8,9</sup>

#### Profit and Cost Analysis (B / C Ratio Analysis)

In order to find out to what extent the success achieved by salak fruit farmers who do the marketing mix and the benefits obtained compared to marketing costs incurred by farmers in post-harvest. Next to see the activities of each marketing mix can be described : 1) marketing mix activities I (before application), purchasing manure, pruning, cleaning pests and diseases, weeding, pollination, picking, packaging in the form of bunches made from salak fruit leaves themselves and 2) marketing mix activities II (after application), purchase of manure, pruning, cleaning of pests and diseases, weeding, pollination, picking, sorting and grading, packaging of plastic sacks and crates.

**Table 1 : Analyze B / C Ratio using marketing mix in Alla District**

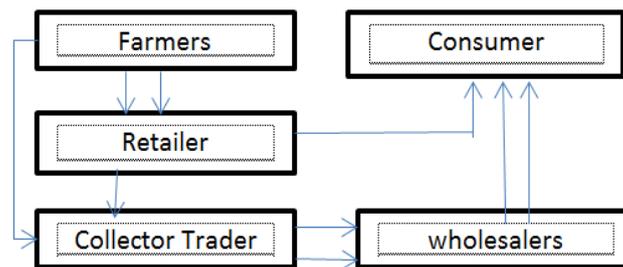
Description	Kambiolangi Village (Rp/Ha)	Mata Allo Village (Rp/H)	Sumillang Village (Rp/Ha)
Revenue before using the marketing mix	2.329.920	2.522.814	2.526.618
Revenue after using the marketing mix	2.658.648	3.001.134	2.938.686
Total cost before using the marketing mix	2.220.120	2.288.580	2.159.382
Total cost after using the marketing mix	2.508.072	2.604.660	2.462.034
Cost difference	287.952	316.080	302.652
Revenue difference	328.728	478.320	410.068
Revenue difference B/C ratio	1,14	1,51	1,36

Table 1 explains that the three salak fruit producing villages (Kambiolangi, Mata Allo and Sumillang) in Alla District, Enrekang Regency produced B / C ratio  $> 1$ , this illustrates that by using a marketing mix strategy, salak fruit farmers can obtain additional benefits and this means that the marketing mix strategy is suitable for use by wrong fruit farmers in Alla sub-district.

#### Margins and Marketing Efficiency

Salak fruit production per harvest season reached 3,676.5 tons. The distribution of salak fruit to Makassar reached 2,389.73 tons or 65%, inter-island marketing was 1,029.42 tons or 28%, and inter-district marketing and local marketing including those consumed / damaged were 257.35 tons or 7%. The salak fruit marketing channel is depicted in picture 1:

**Figure 1: Salak Fruit Marketing Channel**



The price of salak fruit is Rp. 550 per kg in the form of bunches that still use simple packaging, that is wrapped using the bark leaves of the fruit bark itself. Furthermore, after the farmers made a marketing mix by issuing costs for processing, selecting, packaging and taking into account shrinkage due to bunches removed and other impurities, so that prices also participated in the average salak fruit increased to Rp. 3,900 per Kg

Figure 1, some alternative marketing channels according to the purpose of marketing location as follows:

- a. Farmer ---> Retailer ---> Costumer
- b. Farmer ---> Wholesalers ---> Retailer ---> Costumer
- c. Farmer ---> Collector Traider ---> Wholesalers ---> Retailer ---> Costumer

Margin calculation and marketing efficiency based on three alternative marketing channels can be seen in the following table 2:

**Tabel2 :Margin and Marketing Efficiency according to MarketingChannels**

Description	Marketing Channels		
	I	II	III
Farmer Prices	3.900	3.900	3.900
Wholesale Prices			4.500
Collector Traider Prices		6.150	6.150
Retailer Prices	7.800	7.800	7.800
Total Cost	1.350	1.344	1.542
Total Profit	2.550	2.556	2.358
Margin	3.900	3.900	3.900
Marketing Efficiency	17%	17%	19,76%

Based on table 2 above, it shows that if the price of farmers is the same in each marketing channel of Rp. 3,900 per kg and the retailer's selling price is the same in every marketing channel of Rp. 7,800 per Kg, then the marketing margin will be the same for each marketing channel.

Based on table 2 above, shows that the longer the marketing channel, the lower the marketing efficiency, this is shown in marketing channels I and II get a value of 17% while marketing channel III which uses a long marketing channel marketing efficiency level of 19,76%.

To see the percentage of marketing margin on each marketing channel can be seen in Table 3 below.

**Tabel3 :Percentage of Marketing Margin by Marketing Channel**

Description	Marketing Margin (Rp/Kg)			Percentage (%)		
	I	II	III	I	II	III
Collector Traiders	-	-	600	-	-	15,38
Wholesalers	-	2.250	1.650	-	57,69	42,31
Retailers	3.900	1.650	1.650	600	42,31	42,31
Total	3.900	3.900	3.900	600	600	600

Table 3 illustrates that in marketing channel I (farmers - retailers) received a marketing margin of Rp. 3,900 per kg or 100%. This shows that if only one marketing institution is involved, the selling price of the retailer is immediately reduced by the farmer's price so that the marketing margin obtained is relatively large. For marketing channel II by involving large traders, the price of Rp. 2,250 per kg or 57.69%. The high marketing margin at large traders is because it directly buys to farmers and retailer's marketing margin is Rp. 1,650 per kg or 42.31%. Then, the marketing channel III involves collecting traders, wholesalers, and retailers. Collector trader margin of Rp. 600 per kg or 15.38%. Merchant marketing margin of Rp. 1,650 per kg or 42.31% and marketing margin for retailers Rp. 1,650 per kg or 42.31%.

The results of this study indicate that if the purchase price from farmers is the same in all marketing channels, namely Rp. 3,900 per kg and the selling price is the same as Rp. 6,600 per Kg, the total marketing margin achieved will be the same even though there are several marketing institutions in one marketing channel. In this research, it shows that marketing efficiency will be created when using short marketing channels.

#### **IV. Discussion**

The marketing mix strategy can be used by salak fruit farmers in Alla district in marketing production, so that it can increase the selling price and automatically increase income.

The results of the benefit cost ratio analysis in the three biggest salak fruit producing villages in Alla Subdistrict, each village received  $B / C$  ratio  $> 1$ . This means that the use of a marketing mix strategy can provide additional benefits and deserve to be developed by salak fruit farmers.

Marketing margin analysis shows that the salak fruit marketing activities in Alla District through three alternative marketing channels produce different marketing margins in each marketing institution, resulting in different marketing efficiencies in each marketing channel and in this study the most marketing channel Efficiency is a marketing channel that involves two marketing institutions, namely wholesalers and retailers.

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