

Marketing Strategies of Organic Rice On Sri Makmur Farmer Group in Sragen District

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Abstract: *The objectives of this research are to determine the factors that affect the marketing of organic rice strategic priorities and make recommendation based alternative program strategies. The method research uses internal and external environment analysis, formulation strategy using SWOT analysis, weighting priority strategy through the preparation of hierarchy based on the SWOT framework (A'WOT) and the program recommendation made by the strategic architecture model. Based on the research are obtained 4 strength factors, 6 weakness factors, 4 opportunities factors and 3 threats factors. The Implication of alternative strategies is divided into two groups, where is 15 programs recommendation that run gradually and regularity.*

Keywords: Organic Rice, Marketing Strategy, Sri Makmur Farmer Group, A'WOT

1. Introduction

The development of organic farming in Indonesia has increased rapidly (Krystallis et al 2010). This was driven by the rise of consumer awareness of the importance of products that are healthy and eco-friendly (Shaikh 2007). Besides Saha and Dranton (2005) explains that the rise of awareness among farmers to adopt organic farming because it is safer for the environment, good for soil fertility and higher selling prices than products derived from conventional farming systems. Therefore, starting in 2001 pioneered organic rice farming in Sragen is fully supported by the government and run well until today. Sragen became the first area to cultivate organic rice in Indonesia although not all areas in Sragen run purely organic agriculture, which is still semi-organic. However, there is one district that has implemented a system purely organic cultivation, which is in Sambirejo District

A natural condition in the Sambirejo District supports to cultivate organic rice. It lies at the foot of Lawu Mountain, makes Sambirejo has abundant water available. Besides that, awareness among farmers to cultivate organic rice that serves a sustainability and preservation of the environment is very good. The Sri Makmur farmer group is a group of farmers who have been known as the pioneer of organic rice cultivation farm in Sambirejo and also known as produces high-quality organic rice. However, Sri Makmur farmer groups now face problems in marketing. The problem is the lack of good planning in terms of marketing the product. In addition, Magnusson et al (2001) explained that the organic rice market segment is limited, causing organic rice is less known by the general public. This led to lower sales of organic rice that result in lower profits of farmers. Therefore, the development of marketing strategies for organic rice has to be done right in orders to be effective and efficient in the marketing process.

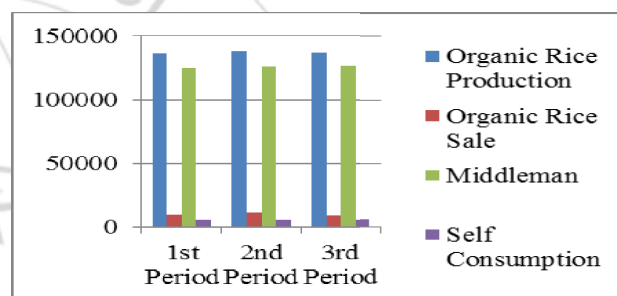


Figure 1: Production, Sale and Consumption of Sri Makmur Farmer Group, Data 2015

From the above data, sales of organic rice are lower than its production. This happened because the Sri Makmur farmer group has lost their market. A Sri Makmur farmer group previously received many orders from PD PAL and PB Padi Mulya. PD PAL is owned by Sragen government, while PB Padi Malaya is a privately owned by the company that located in Sragen. **In addition**, the Sri Makmur farmer group also supplies organic rice in some companies and traders from outside Sragen such as Surabaya, Yogyakarta, Tangerang and Bogor. However, after the PD PAL declared bankrupt and PB Padi Mulya has many problems in running the business, the demand for organic rice farmer groups Sri Makmur dropped dramatically. The drop in demand is getting higher when rice traders from outside Sragen are also no longer supply organic rice from the Sri Makmur farmer group due to high shipping costs. The continued development of organic rice cultivation in various regions in Indonesia makes rice traders from outside Sragen are easier to get organic rice from the closer region. This can reduce the higher shipping costs if the traders supplying organic rice from Sri Makmur farmer group that is in Sragen. This makes Sri Makmur farmer group lost their organic rice market.

Organic rice that is not sold by the Sri Makmur farmer group ultimately only sold to middlemen at the same price with conventional rice. In addition to the loss of markets, it

happens because the Sri Makmur farmer group is only selling the organic rice by waiting for orders from customers and has no other efforts except by following the SME exhibition that ever held by Sragen government. In order to expand the market, increase sales, and compete with producers of organic rice from other regions, it is necessary to improve the management of the Sri Makmur farmer group in terms of formulating the right marketing strategy. Considering this, the study aimed to analyze the internal factors and external factors that affect the marketing of Sri Makmur organic rice, formulate alternatives and priority strategies that can be applied in the marketing of Sri Makmur organic rice and mapped the recommend activity program from priority strategies that resulted in marketing Sri Makmur organic rice.

2. Review of Literature

Research conducted by Maisiana (2010) by using SWOT analysis explains that there are several key factors in rice marketing strategy analysis is done. Internal strengths include reliable labor, product quality, production quality machine, experience in producing rice and an affordable price. The weakness factor includes custom production, limited market share, high production costs and less promotional activities. Key factors include the chance of a good customer loyalty, the image of good rice and the use of advanced technology. While external threats include the similar manufacturers, high production costs and unstable economic conditions. In harmony with Dasipah et al (2013) research that there are factors that affect the application of organic rice marketing strategy includes internal and external factors. Internal factors including product, pricing, distribution and promotion. While external factors include macro and micro. Macro external factors include macroeconomic conditions, technology, natural conditions, demographics and the government role. Micro external factors include customers, competitors, distribution networks, suppliers and population.

3. Research Methods

The research was conducted on Sri Makmur farmer group who produces organic rice that located in Sukorejo, Sambirejo District, Sragen. The location selected for this research is done intentionally (purposive) with the consideration that Sukorejo is a pioneer village in Sragen who cultivate pure organic rice that has been certified INOFICE (Indonesian Organic Farming Certification) and Sri Makmur is a farmer group who be the first cultivates organic rice in Sukorejo. In addition, the Sri Makmur farmer group is the largest farmer group and as a pilot, farmer group for farmer groups in Sukorejo.

Research data collection was conducted in September-December, 2015. Selection of survey respondents conducted by intentionally (purposive sampling) by selecting certain people who are able to provide information on the marketing strategy of Sri Makmur organic rice. Respondents were selected in this study include internal and external respondents. Internal respondents are respondents from Sri Makmur farmer group that head of the farmer group and marketing department of the Sri Makmur farmer group.

While external respondents include organic rice distributor of Sri Makmur, Head of the District Sambirejo Agricultural Extension Agent and the Department of Trade Sragen District

The data obtained will be processed and analyzed with quantitative descriptive. Descriptive analysis is used to explain the real situation actually that obtained in the field about Sri Makmur farmer group profiles, identify and analyze the determinants of marketing of Sri Makmur organic rice. The quantitative analysis used in the assessment of the marketing strategy formulation Sri Makmur Organic rice. Strategy formulation is done using A'WOT method, namely the merger between AHP (Analytical Hierarchy Process) and a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). Kurttila et al (2000) described the steps in the analysis A'WOT are as follows:

1. SWOT Analysis.
2. Assessment of pairwise comparisons between each factor SWOT performed in each group.
3. Assessment of pairwise comparisons made between four groups of SWOT.
4. Using the results in the formulation strategies and the evaluation process.

Value score has been obtained from the questionnaire to the respondent will then be analyzed and processed using Expert Choice software applications 2000. After that, a strategy that has been established will be translated into programs that are prepared using the Architecture Strategy.

According to Yoshida (2006), the architecture strategy is a more flexible approach to planning strategies as well as solutions to deal with the changing business environment that very dynamically. Architecture strategy prepared with respect to some elements of the vision and mission of the organization, internal and external environment analysis, industry foresight, goals and challenges of the organization.

4. Results and Discussion

The company's internal environmental analysis is performed by the analytical approach marketing mix organic rice conducted by the Sri Makmur farmer group. According to Kotler (1997), the marketing mix is a mix of marketing variables that used by the company to pursue the desired level of sales in the target markets. The marketing mix is known as the 4P includes product mix (product), price (price), place (place) and promotion (promotion). The analysis environment external is held to find out factors out the company that affects, where factors become an opportunity that can be used the company as well as threats to be avoided by the company (David 2009). Companies must be able to formulate strategies that take advantage of external opportunities or minimize the impact of potential threats. Analysis of the external environment is divided into two, namely opportunities and threats. Having obtained the internal factors and external should be weighted pairwise comparisons between each of the SWOT factors. AHP assessment carried out by experts who understand the

conditions of marketing of organic rice Sri Makmur. The assessment is done by assessing factors into strengths, weaknesses, opportunities and threats in the marketing activities of organic rice Sri Makmur. The following table is the result of the AHP assessment of experts

On the strength factor assessment, quality of products (0,535) subfactors considered to be the most important force by experts. This is because there is no doubt about the quality of Sri Makmur organic rice and is well known by consumers. In tune with the studies carried out by Agustina (2011) which states that the product quality is the main factor that affects the community in organic rice purchasing. After that, the certification of organic rice (0.230) ranks second on the ratings given by experts. Sri Makmur organic rice has been certified by INOFICE showing that organic rice Sri Makmur has been tested as high quality of organic rice and free of chemicals. As explained in research Willer and Kilcher (2009) that consumers will be more confident and interested in buying organic rice which has been certified.

Organic rice packaging, less attractive and less qualified (0285) is considered the most important factor because the product packaging of Sri Makmur organic rice is still very simple, that is just packed with the usual plastic and is branded Sri Makmur. Then, the results of the assessment of the chance factor can be concluded that increasing healthy lifestyle community (0443) became the most important subfactors. In line with the explanation of Mayrowani (2012) that healthy lifestyles increasingly in demand by the public so the need for healthy food will increase. One of them is replaced rice conventional with rice organic, so demand rice organic will increase (Bean and Sharp 2011). The assessment on the threat showed that many other producers rice organic popping up is the main threat (0542). Other organic rice producers become a severe threat to the Sri Makmur farmer group. As the development of organic rice cultivation in many areas, many emerging new organic rice producers.

Table 1: SWOT Factor Weighted Priority of Sri Makmur Organic Rice

Internal Factor	Incon-Sistency	Local	Global
Strengths	0.02		0.546
1. High-Quality Product		0.535	0.292
2. A good human resource knowledge about the cultivation of organic rice		0.163	0.089
3. Organic rice price competes with another price of organic rice manufacturers		0.072	0.039
4. Organic rice certification		0.230	0.125
Weaknesses	0.01		0.232
1. The Lack of promotion activities		0.235	0.055
2. The less target of organic rice distribution		0.101	0.024
3. The lack of market information		0.268	0.062
4. Higher shipping cost		0.073	0.017
5. The organic rice price is more expensive than price of conventional rice		0.038	0.009
6. The organic rice packaging is less attractive and less qualified		0.285	0.066

External Factors	Local	Global
Opportunities		0.138
1. The increased of healthy lifestyle	0.443	0.061
2. The increased of educated people	0.280	0.039
3. The increased income levels	0.197	0.027
4. The information technology advance	0.081	0.011
Threats		0.084
1. The amount of other organic rice producers (domestic/overseas)	0.683	0.057
2. The development of substitute product	0.200	0.017
3. There is no government support in the marketing of organic rice	0.117	0.010
Global Ratings Total		1.000

Source: Primary Data 2016

This makes Sri Makmur organic rice customers from different regions is not buying organic rice from the Sri Makmur farmer group. As described in the study Smithers et al (2008), the customer will choose to buy organic rice from producers who are closer than their territory to reduce the cost of transportation or shipping. The development of substitute products can also be a threat, with the existence of healthy rice and analog rice. Healthy rice revolve in society are still largely semi-organic, but demand in big cities tends to be high. As described by Hutchins and Greenhalgh (2005) that the label healthy rice will be accepted in society as rice is healthier than other rice.

4.1 Alternative Analysis of Marketing Strategy

Alternative Strategy to be recommended to Sri Makmur farmer group formulated by SWOT matrix from the results of all external and internal factor analysis. These factors include the strengths, weaknesses, opportunities and threats. SWOT Analysis is a strategy formulation that underlies strategy which is adapted to company environmental conditions both internal and external and the market. In formulating a strategy with SWOT matrix, obtained some alternative strategies that have been formulated as follows:

S-O Strategies (Strength-Opportunity)

SO alternative strategy is a formulated strategy by considering the strength of the Sri Makmur farmer group to exploit the opportunities as much as possible. SO strategy has been formulated that take advantage of advances in information technology to inform the quality and certification of organic rice (S1, S4, O1, O4). Product quality and certification of organic rice that is part of the strength of Sri Makmur organic rice can be used as an advantage to be disclosed to consumers. In line with Maisiana's research (2010), by informing the quality and certification of organic rice to consumers is expected to attract more consumers.

S – T Strategy (Strength-Threat)

ST strategy is a strategy that used to avoid the threat which is coming from the external environment by utilizing the power that is:

1. Maintaining the quality and certification of organic rice (S1, S2, S3, S4, T1, T2).

2. Increase cooperation with the government in the marketing of organic rice (S1, S3, S4, T3).

By maintaining the quality and certification of organic rice which has been obtained, Sri Makmur organic rice is expected to compete with other manufacturers. In addition, as

described in Agustina's research (2011), in cooperation with the government in the process of marketing of organic rice will be very helpful to the Sri Makmur farmer group. This is due to the limited access to the Sri Makmur farmer group to the organic rice market.

Internal Factors	Strengths	Weaknesses
External Factors	<ol style="list-style-type: none"> 1. High-Quality Product 2. A good human resource knowledge about the cultivation of organic rice 3. Organic rice price competes with another price of organic rice manufacturers 4. Organic rice certification 	<ol style="list-style-type: none"> 1. The Lack of promotion activities 2. The less target of organic rice distribution 3. The lack of market information 4. Higher shipping cost 5. The organic rice price is more expensive than price of conventional rice 6. The organic rice packaging is less attractive and less qualified
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. The increased of healthy lifestyle 2. The increased of educated people 3. The increased income levels 4. The information technology advance 	<p>S-O STRATEGY</p> <ol style="list-style-type: none"> a. Utilizing the information technology advances to inform the quality and certification of organic rice (S1, S4, O1, O4) 	<p>W-O STRATEGY</p> <ol style="list-style-type: none"> a. Utilizing advances in information technology to promote organic rice and obtain market information (O4, W1, W3) b. Targeting organic rice distribution to educated people and high income (W2, O2, O3)
<p>THREATS</p> <ol style="list-style-type: none"> 1. The amount of other organic rice producers (domestic/overseas) 2. The development of substitute product 3. There is no government support in the marketing of organic rice 	<p>S-T STRATEGY</p> <ol style="list-style-type: none"> a. Maintaining the quality and certification of organic rice (S1, S2, S3, S4, T1, T2) b. Increase cooperation with the government in the marketing of organic rice (S1, S3, S4, T3). 	<p>W-T STRATEGY</p> <ol style="list-style-type: none"> a. Streamline the distribution channels of organic rice (W2, W4, W5, T3). b. Fix the product packaging (W6, T1)

Figure 2. SWOT Matrix Analysis

W – O Strategy (Weakness-Opportunity)

WO Alternative strategy is a strategy that can be done to mitigate the effects that arising from weaknesses in the company by exploiting the opportunities that exist. Alternative strategies are:

- 1) Utilizing advances in information technology to promote organic rice and obtain market information (O4, W1, W3).
- 2) Targeting organic rice distribution to educated people and high income (W2, O2, O3).

Utilizing technology advances to obtain market information in line with the strategy expressed in Agustina's research (2011). By maximizing the benefits from the advanced technology, especially information technology (internet), the Sri Makmur farmer group can find out the market price information and information about potential customers. While determining the target distribution of organic rice needs to be more effective, considering consumer sales of organic rice is among the middle and upper segment and highly educated.

W – T Strategy (Weaknesses-Threats)

WT strategy is an alternative strategy where this strategy will minimize losses from weaknesses as well as how to avoid the threats that come with:

- 1) Streamline the distribution channels of organic rice (W2, W4, W5, T3).
- 2) Fix the product packaging (W6, T1)

Streamline the distribution channels will make the marketing of Sri Makmur organic rice more effectively and efficiently. One example is focusing the marketing of organic rice from the nearby area. In harmony with Smithers et al's research

(2008) will make Sri Makmur farmer group can reduce transportation costs, so the price back to compete with other producers. Meanwhile, with regard to product packaging, Sri Makmur farmer group need to change the product packaging so it looks better to attract more consumers.

4.2 Analysis of Strategic Priorities

Based on the AHP weighting assessment, the first priority strategies according to experts is utilizing technology information advance, to promote organic rice and obtain market information. The second priority is to utilize information technology advances to inform the quality and certification of organic rice. The third priority is to improve the product packaging. The fourth priority is to improve cooperation with the government in organic rice marketing. The fifth priority is to streamline the distribution channels for organic rice. The sixth priority is to determine the distribution target of organic rice to people who are educated and high income. Seventh priority is to maintain the quality and certification of organic rice.

The most important strategic priority is utilizing information technology advances to promote organic rice and obtain the market information. This strategy is necessary because of the sales made by the Sri Makmur farmer group is just waiting for orders and rely on mouth promotion so that sales tend to be low. One of the weaknesses of the Sri Makmur farmer group is the lack of market information obtained, particularly information about the organic rice market because until now the farmers are still having trouble where to sell the organic rice.

Table 2: Ratings in Determining Marketing Strategy Order Priority

Strategy Weighting Results	Inconsistency	Weighting	Priority
1. Utilizing the information technology advances to inform the quality and certification of organic rice (S1, S4, O1, O4)	0.02	0.249	2
2. Maintaining the quality and certification of organic rice (S1, S2, S3, S4, T1, T2)		0.048	7
3. Increase cooperation with the government in the marketing of organic rice (S1, S3, S4, T3).		0.087	4
4. Utilizing advances in information technology to promote organic rice and obtain market information (O4, W1, W3)		0.326	1
5. Targeting organic rice distribution to educated people and high income (W2, O2, O3)		0.050	6
6. Streamline the distribution channels of organic rice (W2, W4, W5, T3).		0.085	5
7. Fix the product packaging (W6, T1)		0.155	3

Source: The Processed Primary Data (2016)

As described in Maisiana's research (2010), one of Sri Makmur's weaknesses can overcome by utilizing information technology, called the Internet, to find the information market for organic rice. In addition, the development of information technology would facilitate the process of interaction, communication and delivery of information to consumers as using the social media such as Facebook, Twitter and Blog. Therefore, informing the quality and certification of organic rice by utilizing the information technology advances that can maximize the marketing activities of Sri Makmur organic rice.

4.3 Hierarchical structure A'WOT and Architecture Of Strategy

After the external and internal analysis of Sri Makmur organic rice marketing and formulating strategies using the SWOT matrix, then the results of the analysis were compiled into A'WOT Hierarchy structure. Internal analysis is divided into 2, the strengths and weaknesses. While the external analysis is divided into two, called opportunities and threats. Here is AHP-SWOT hierarchical structure of Sri Makmur organic rice marketing strategy

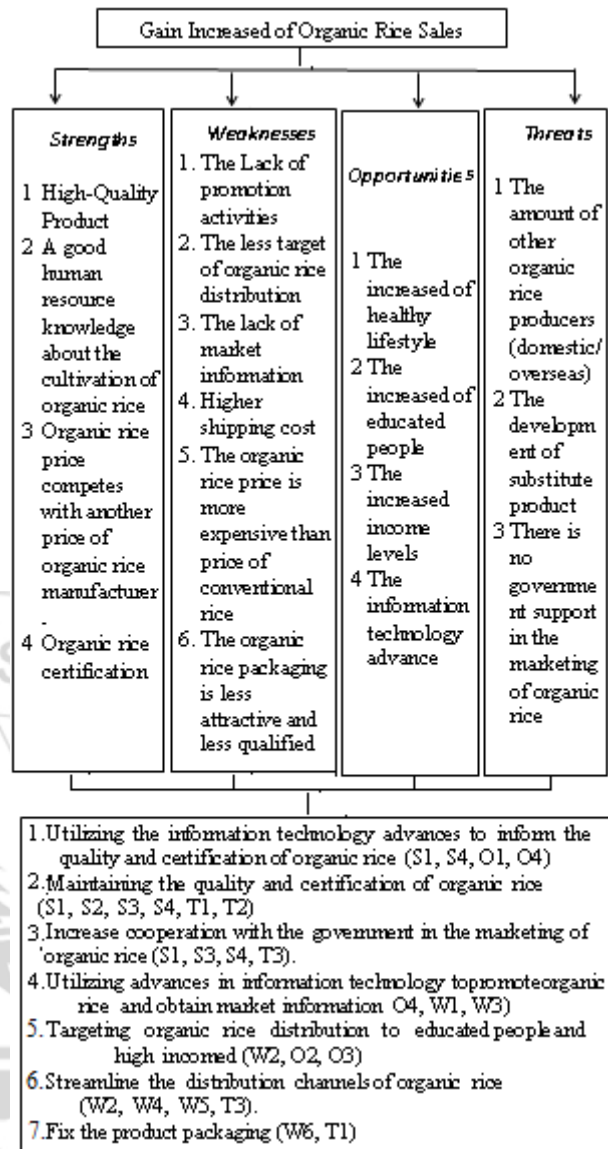


Figure 3: Hierarchical Structure of AHP-SWOT Strategy of Sri Makmur Organic Rice Architecture Draft Strategy

The architectural design of the Sri Makmur organic rice marketing strategy is a draft activities program that designed to give an overview of the steps that can be taken in order to realize a future goal. X and Y axis are the axis that describes the dimensions of time needed for one specific strategy and programs. X-axis is the time period used in the period, while the Y axis is the time sequence of activities program. Programs that will be printed on the strategic architecture is divided into two: a regular program and phased program (Yoshida 2006). Here is the distribution of regular programs and phased program:

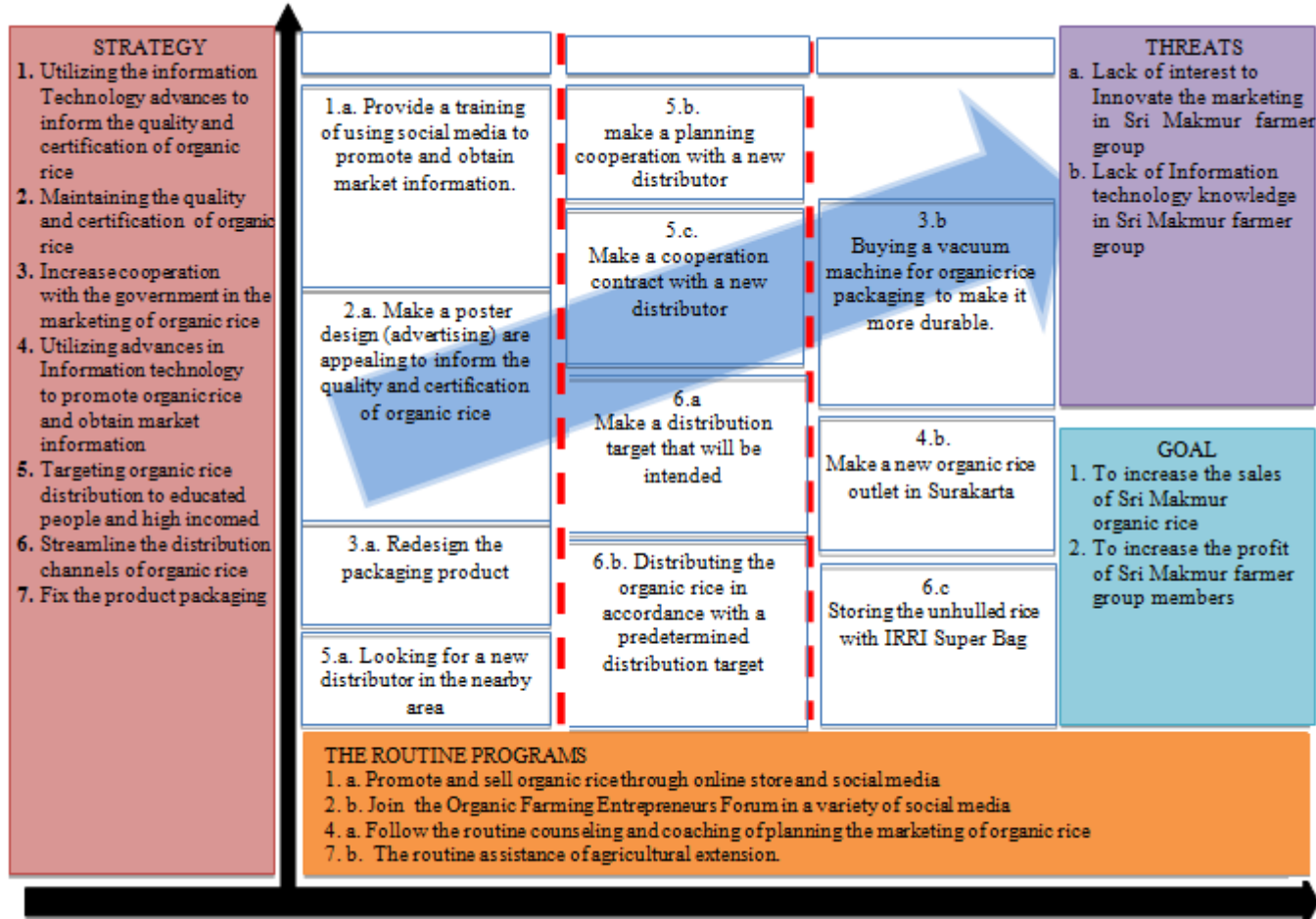


Figure 4: Marketing Strategy Architecture of Sri Makmur Organic Rice

5. Conclusion

Based on A'WOT analysis produced 7 alternatives and priority strategies. The first priority strategy is to utilize the information technology advances to promote organic rice and obtain the market information. The second priority is utilizing the information technology advances to inform the quality and certification of organic rice. The third priority is to improve the product packaging. The fourth priority is to increase cooperation with the government in the marketing of organic rice. The fifth priority is to streamline the distribution channels of organic rice. The sixth priority is to determine the distribution target of organic rice to people who are educated and high income. While the last priority is to maintain the quality and certification of organic rice. Of the seven strategies produced are then translated into fifteen programs is divided into two: a regular program and phased program.

6. Suggestion

- 1) The government is expected to conduct training about using social media and the internet for Sri Makmur farmer group to support the strategic priorities that have been formulated.
- 2) The government is expected to give the direct assistance to help open a new business unit in the nearest town.
- 3) The government is expected to give a routine accompaniment to help agricultural activities of the Sri

- Makmur farmer group from upstream to downstream to maintain the quality of organic rice.
- 4) The Sri Makmur farmer group is expected to create a new packaging design by using expert services.
- 5) In order to assure the market of organic rice which has been produced by the farmers, the government is expected to build a partnership bridge between entrepreneur and consumers with the farmers by strengthening the marketing institutions.

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