

# Analysis of Competition SMEs Wooden Educational Toys: Case Study of CV Omocha Toys

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**Abstract:** *CV Omocha Toys is a producer of educative wooden toys and props. The increasing number of middle-class people leads to the increasing demand for wooden educational toys. The aim of the research is to analyze level competition of the industry where CV Omocha Toys competing in. The factor that most determines the intensity of the competition of wooden educational toys industry is consumer bargaining power. By comparing between the result of industry foresight analysis and the actual condition of CV Omocha Toys, several gaps were found. The gaps were the company was still focusing on increasing the production capacity, there're some retail market abroad that is still untouched, limited capital, limited competencies, and limited resources*

**Keywords:** Competitiveness, Wooden educational toys, Small micro and medium enterprises, Porter's five forces, Industry foresight

## 1. Introduction

The number of middle class people in Indonesia continues to increase. Improvement can be seen through the growth of gross domestic product (GDP) per capita of 13.9% from 2000 to 2013 (BPS 2014). World Bank data in 2011 showed middle-class consumers with criteria for the disbursement of US \$ 2-20 per day has reached 134 million people or more than 50% of Indonesia's population (Palupi 2012). Broadly speaking, it was triggered by two aspects. The first aspect is increasing consumer education which makes them more modern, informed, civilized, technologically savvy, have global perspective, health conscious, and care about environment. Second, the increased purchasing power which is indicated by the rising levels of discretionary income. The average income of middle-class society residual Indonesia reaches one-third the total revenue (Sidiq 2013). In terms of the education of children, middle-class people also want the best. At the age of under eight years of education can be obtained through play activities. Every child loves to play and play has become a necessity for a child. Educational toys provide a solution to the wishes of parents and the needs of children. Helpful educational toys to stimulate the abilities and potential of children. Educational toys can be made of wood, plastic, and fabric. Wood is the most durable and most good for the child's motor train compared to other types of materials.

Educational toy industry is labor-intensive industry that is dominated by micro, small and medium enterprises (SMEs). It takes a special skill to be able to produce educational toys. The increasing number of middle class people make the higher demand for educational toys. Omocha Toys are SMEs which has seven years to produce toys and educational wooden props. Owners Omocha Toys realize that a lot of parents, especially of middle class people who are looking for a toy that can train children's intelligence and creativity. Omocha Toys impose SNI on all products toys. In addition to products that are useful, unique, and creative, Omocha also want to

produce products with good quality. With quality products that are useful and, so far Omocha Toys can be said to own competitiveness. But rising demand for educational toys, making the industry's competitiveness in the increasingly tight. According to Malian *et al.* (2004) triggering factors of competitiveness consist of technology, productivity, prices and input costs, the industrial structure as well as the quantity of demand and exports. Currently there are nine manufacturers of wooden educational toys listed in Asosiasi Pengusaha Mainan Indonesia (APMI). Among the producers there who already have thirteen workshops and experienced in making wooden toys for the share of the USA, Europe, and Japan.

The purpose of this study was to analyze the level of competition in the educational wooden toy industry. The analysis needed for CV Omocha Toys can find out the company's position in the industry wooden educational toys and determine the appropriate strategy for the company. Porter's five competitive forces are used to determine the state of competition in an industry. Five competitive forces consisting of the inclusion of new entrants, the threat of substitute products, bargaining power of buyers, bargaining power of suppliers, and rivalry among the competitors in the industry. The union of the five forces determines the intensity of competition, potential final profit in the industry, where profit potential is measured in the form of return on invested capital (return on invested capital) long-term, and powers most decisive and to be important in the formulation of the strategy (Porter 1980). Further analysis of the foresight to build a base industry's best assumptions regarding the future and develop the knowledge needed to proactively shaping the evolution of the industry (Hamel and Prahalad, 1994). The results of the two analyzes are used to formulate a strategy to increase competitiveness CV Omocha Toys.

## 2. Review of Literature

### Micro, Small and Medium Enterprises (SMEs)

Wooden educational toys toy business as it is run by Omocha Toys dominated by SMEs. According to Law No. 20 of 2008 on SMEs, micro enterprises are businesses that have assets of up to 50 million and a maximum turnover of 300 million. While small business is a business that has assets of > 50 million-500 million and a turnover of > 300 million-2.5 billion. For medium-sized enterprises are businesses that have assets of > 500 million to 10 billion and a turnover of > 2.5 billion-50 billion (BI 2008). Until now, SMEs still the largest contributor to the gross domestic product (GDP) and employment in Indonesia. Ministry of Cooperatives and SMEs showed that 99% of companies in Indonesia are SMEs, with a contribution to GDP of 59% and the contribution to employment of 97%. (Deny 2014). With such great contribution, it takes the right strategy for SMEs in Indonesia can be grown and can boost economic growth.

SMEs must have the competitiveness to be able to continue to grow. Toys Omocha as SMEs should also be competitive. According to Tambunan (2008), SMEs are highly competitive characterized by: (1) an increasing tendency of the rate of growth of production volume, (2) the market share of the domestic or export market are always increasing, (3) for the domestic market, not only serve local market, but also national, and (4) for export markets, not only serve in one country but also many countries. But to have competitiveness, SMEs encounter many obstacles. According to Susilo (2007) factors that constrain the increase in competitiveness and performance of SMEs are: (i) limited access to capital, (ii) lack of access to markets, and (iii) limited access to information on resources and technology. Factors that become obstacles to this need to watch out for the SMEs in particular in this case is Omocha Toys because this can be a threat to the survival of their enterprises.

### Children toys

Products produced by Omocha Toys categorized as children's toys. Toys are any product or material designed or clearly intended for use by children age 14 and under to play, both for normal use and the possible use of unnatural customary child (Herjanto and Rahmi 2010). There are different criteria for grouping of children's toys. First, the grouping of toys based on its age, divided into toys children aged 0-18 months, 18-36 months, 36-96 months, and toys without age classification. Second, the grouping is based on the physical form that soft toys (toys that contain soft goods), hard toys (toys of hard materials such as wood, plastic, metal, etc.), and electrical toys (toy powered by electricity or batteries). Third, grouping based on functionality and usability as assembly toy, miniature, puzzles, toys that involve physical activity, and toy collection. Fourth, children's toys are grouped based on the criteria of raw materials such as wood, stone, leather, paper, or glass fiber. Toys for Omocha products included into the category of toys for ages 18-36 months, with the kind of hard toys toys wood raw material consisting of

puzzles, wooden blocks, groove board, abacus, and so forth. In the purchase of children's toys, consumers need some consideration. According to research conducted Dongoran et al. (2015) early stage that are considered by consumers in the purchase of toys is a recognition of the need. After the introduction of the needs of the case, then the second consideration is that consumers do search for information on a product or service to be purchased. Further consideration by the consumer before deciding to buy is the first to evaluate the product to be purchased, either from the time of purchase, the purchase, consumer habits in purchasing a product or making a purchasing decision. For consumers Omocha Toys are mostly middle-class people, they have their own considerations in the purchase of toys. One of them taking into account the elements of education and the safety of the children's products.

## 3. Research Elaborations

This research was conducted in February 2016-April 2016 CV Omocha Toys is located in Pillar II, RT 001 RW 002, Bubulak, Bogor Barat. This research uses descriptive method with survey approach. Descriptive method used to provide an overview of information and explanation regarding the object under study. The information contains the factors affecting the competitiveness CV Omocha Toys. Analysis of data using qualitative analysis combined with quantitative analysis. There are two types of data used are primary data and secondary data. Primary data was collected through depth interview. While secondary data retrieved from the archive, database, and corporate reports. The research instrument used for primary data collection was a questionnaire. Respondents in this study is the owner, employees, and distributor CV Omocha Toys, representative Office of Dinas Perindustrian dan Perdagangan Kota Bogor, representative Office of Dinas Koperasi dan UMKM Kota Bogor and representative Office of Kamar Dagang dan Industri Indonesia Kota Bogor.

To analyze the intensity of competition in the industry wooden educational toys used Porter's five competitive forces. Further analysis compared the industry foresight Omocha today with an overview of educational toys industry in the future. From the analysis results will be known factor that needs to be repaired by CV Omocha Toys to win the competition in the future.

## 4. Result and Discussion

### Porter's Five Competitive Forces

After weighting for factors that affect the intensity of competition wooden educational toys industry, it is known that the most decisive factor is the buyer's bargaining power factor (3,0560) with moderate intensity (Table 1). The parameters for assessing the bargaining power of buyers is the importance of product quality to buyers, the company's dependence on the purchaser, the purchaser information, and offer competitive prices. From the results of the assessment parameters bargaining power of buyers obtained parameters with the greatest value is in the interests of product quality to buyers. These results can be explained

by the segments served by CV Omocha Toys namely upper middle class people who are concerned with the safety and comfort of the product. National Standards Body (BSN) as a government agency that coordinates the activities in the field of standardization nationwide, has set five Indonesian National Standard (SNI) with respect to the security and safety of wooden educational toys. SNI rules are: (1) ISO 8124-1: 2010, Safety Toys - Part 1: Aspects of security-related physical and mechanical properties, (2) ISO 8124-2: 2010, Toy Safety - Part 2: Personality flammable, (3) ISO 8124-3: 2010, toy Safety - Part 3: Migration of certain elements, (3) ISO 8124-4: 2010, toy Safety - Part 4: swings, slides and similar activity toys for use inside and outside the residence, and (5) IEC 62 115: 2011, electric Toys - Safety (BSN 2014). These regulations become non-tariff barriers for business in producing wooden educational toys products. The businesses are required to have SNI certificate stating that the product has passed the test of security and safety. All products Omocha been labeled SNI. But every six months SNI certificate must be updated. It required the cooperation of all parties involved in the business process Omocha, ranging from the Owner, staff, and the craftsmen.

**Table 1:** Value factor intensity of competition wooden educational toys

Factor	Value	Explanation
Threat of new entrants	2,8907	Moderate
Challenges substitutes	2,3075	Low
Bargaining power of suppliers	2,3483	Moderate
<b>Bargaining power of buyers</b>	<b>3,0560</b>	Moderate
Competition from competitors	2,5661	Moderate

Explanation: 1 - 2,33 Low  
 2,33 - 3,67 Moderate  
 3,67 - 5,00 High

### Industry Foresight

Industry foresight of the educational toy industry wood obtained from non-formal interviews with the experts who understand the related industry conditions. In general, the experts expressed their views on the development of industries and businesses wooden educational toys in the future as follows: The population of middle-class incomes in Indonesia continues to increase. Improvement can be seen through the growth of gross domestic product (GDP) per capita of 13.9% from 2000 to 2013 (BPS 2013). Increased revenue is directly proportional to the increase in consumption that carried the Indonesian population. Based on BPS data, urban public expenditure every month for education is 4.44% of their total expenditure (BPS 2015). Rapid technological advances, makes it easy for parents today to access information related to good education for children. Increasing number of parents who are concerned about the education of children, then the demand for wooden educational toys are also a growing number of wooden educational toys market is still very wide because it has its own captive market. Unknown at this time the number of local manufacturers of new wooden educational toys in the hundreds, while Indonesia has approximately 32 million children aged 0-6 years. Of these, the newly served as many as 11 million children, of which 11

million children do not all have and know the wooden educational toys (source: Director of ECCE, Erman Syamsuddin). Therefore, the business prospects of wooden educational toys for local producers for the next five years is still relatively good. Along with the increased demand will be more and more interested in doing business in the wood industry. Educational toys local timber industry, manufacturers are able to consistently produce products with good quality and always innovating to produce new products will be able to win the competition. This is because the parents more aware of the importance of product quality and safety educational toys wood.

In addition to the quality of the manufacturers are also required to be able to market their products well. Wooden educational toys is not new for people around the world. Especially for the international community, which generally have technological sciences (Science and Technology) is more advanced than Indonesia, demand for wooden educational toys have become primary goods. So it has a lot of wooden educational toys manufacturer is earlier known to the world community. The producers Indonesia still mostly sells its products business to business. Going forward with a more vigorous marketing, as well as support from the Indonesian government, the educational toys wood products can also be sold as a business to consumer. Character of Indonesian society tend to be more interested in imported products compared with products of Indonesia also needs to be aware of. Society believes better imported products in terms of quality and has an element of "prestige". Manufacturers of wooden educational toys Indonesia must convince consumers through promotional activities that Indonesian products are actually better in terms of quality and has a cheaper price.

If the comparison between the results of the analysis of industry foresight wooden educational toys then there is gap (Table 2). Omocha Toys must respond to the condition in the next five years. The internal respondents conclude Omocha current conditions as follows:

Omocha product quality and safety is now guaranteed by the ISO certificate. All products Omocha meets the standards set by BSN. Omocha also have a variety of designs and coloring that makes many consumers interested in their products. Given the increasing demand for wooden educational toys that come to Omocha, then Omocha need to increase production capacity. Omocha current production capacity is 300 pieces / item. This amount has been able to meet the demand coming into Omocha by 80%. There is still a 20% market untapped by Omocha.

For the marketing of products Omocha also do not have a marketing team that is still a lot of marketing activities handled by the owner. Omocha many rely on the website that they have is grahamainan.com and omochatoys.com promotion. Reseller they have also continued to increase in numbers to make the product easier to Omocha can be obtained by the public. As for the global market, Omocha still running the business to business, or it can be said is still focused on the project.

**Table 2:** Industry Foresight Analysis of Wooden Educational Toys

Industry Foresight	CV Omocha Toys now	Factors to be Modified
There is still a 34% market educational toys that have not been serviced	The current production capacity is 300 pieces / item	Increasing production capacity up to 1000 pieces / items by increasing its resources.
Actively conduct marketing activities to seek new opportunities	Marketing activities are mostly done by the owner.	Omocha must have a marketing team, so the more the markets can be entered.
Industry Foresight	CV Omocha Toys now	Factors to be Modified
Companies can apply business to consumer activities. So that producers can sell directly to the buyer	In the global market is still running a business to business activity.	Omocha need to establish cooperation with retail companies in overseas so that their products can be sold in the country.

## 5. Conclusion

After weighting for factors that affect the intensity of competition wooden educational toys industry, it is known that the most decisive factor is the bargaining power of buyers (3.0560) with moderate intensity. It can be interpreted that the company was still able to face the bargaining power of buyers and not in a condition under pressure. Comparing the results of the analysis with state of the industry foresight CV Omocha Toys today is still a gap that is still berfokusnya companies on increasing production capacity, yet tergarapnya existing retail markets abroad, as well as the lack of capital, competencies, and resources available.

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