Marketing Mix Analysis of Arenga Palm Sugar in Riau Province

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Abstract: Arenga Palm sugar is one of local products that potentially substitutes cane sugar and has become a source of income for people in Riau Province. Development of arenga palm sugar products in Riau Province faces problems of limited marketing, increased competition, and decreased production of palm sugar because some farmers switch to sell their fresh arenga sap to be processed into traditional alcoholic drink (tuak). Therefore, the purpose of this study is to examine the marketing mix strategy for palm sugar products in Riau Province. This research was conducted from May 2016 until April 2017 at arenga palm sugar production center in Riau Province, Rokan Hulu Regency and Kuantan Singingi Regency by survey method. Data analysis was conducted descriptively quantitative. The results showed that arenga palm sugar produced by small-scale producers/farmers has block-shaped sugar with dark brown colour wrapped with dry banana leaves and no brand label is attached. The determination of palm sugar price was based on existing market prices and distributed through direct and indirect marketing channels. Arenga palm sugar agroindustry uses only direct promotion.

Keywords: agroindustry; marketing strategy; arenga palm sugar; Riau Province.

1. Introduction

Globalization trend has led to the fact that international trade for all products including agricultural products in Indonesia is inevitable [1]. One of agricultural products which plays an important role for the people in Indonesia is arenga palm sugar (gula aren). The national sugar demand continues to increase as Indonesia’s population grows.

Most sugar agroindustry in Indonesia is not efficient, as evidenced by the higher cost of sugar production compared to imported sugar [2]. In 2015, the national consumption of sugar (cane sugar) achieved 5.7 million tons, consisting of 2.8 million tons for household consumption and 2.9 million tons for the food and beverage industry. This condition forced Indonesia to import cane sugar of approximately 1.2-1.6 million tons in form of raw sugar per year to meet national sugar consumption, especially to be used as raw material for food and beverage industry. This condition is expected to improve by diversifying the national sugar sources such as use sugar from coconut palm, nira palm, siwalan palm and sugar palm [3]. Moreover, sugar is now a commodity with high demand and continues to increase every year along with the increasing number of population and the number of food and beverage industry [4] Arenga palm sugar has been known by the people of Indonesia as one of the sweetener that can function as substitution for cane sugar. Arenga palm sugar is obtained from the process of tapping sugar palm sap (nira) which is then processed to reduce its water content to create solid sugar dough. Arenga palm sugar has been an important source of livelihood for farmers in the production centres.

One of the production centers of arenga palm sugar in Riau Province is in Rokan Hulu and Kuantan Singingi regencies. The arenga palm plantation area in 2015 in Riau Province is 23 ha [5], where Rokan
Marketing Mix Analysis of Arenga Palm Sugar in Riau Province

Hulu Regency produced 14 tons of arenga sugar from the plantation area of 12 ha and Kuantan Singingi Regency produced 8 tons of arenga sugar from plantation area of 11 ha.

In Rokan Hulu Regency, there are three districts that become the centre of the arenga palm plantation which are Rambah Samo, Rambah, and Bangun Purba Districts and each district has an area of 3 ha of plantation area. The yield of palm sugar production in 2015 in Rambah Samo District was 4.63 tons, Rambah District 4.95 tons, and Bangun Purba District 4.62 tons. While in Kuantan Singingi Regency, the central production area of arenga plantation is Benai District with the area of land of 11 ha and production of 8 tons [6].

Production of arenga palm sugar in Riau Province is not sufficient to meet the demand of the arenga sugar because the agroindustry faces both on-farm and off-farm constraints. So far, the development of sugar palm has not been managed optimally due to many problems faced by sugar palm farmers. The increasing trend of market demand and the availability of large natural resources have led to the hope that this arenga palm agroindustry is prospective and has high potential to provide added value for the farmers [7].

Arenga palm sugar agroindustry is an important source of income for farmers in the production centre areas. Problems in small and medium scale agroindustry include the problem of market limitations, non-continuous supply of raw materials, lack of capital, weak infrastructure, and low product quality which has influenced the capability of our agricultural products to compete [8]. Prior research [9] has shown that in Riau province, the marketing constraint of arenga sugar has caused some farmers to stop processing arenga sap liquid (nira) into palm sugar and sell fresh sap as raw material for the production of traditional alcoholic drink (tuak) because it is easier and faster for them to get the cash. This causes the decrease in production of arenga palm sugar and threaten the sustainability of palm sugar products in Riau Province.

To preserve the palm sugar product as a prospective local agricultural product in Riau Province which has the capability to substitute cane sugar and possibly reduce sugar cane import, this study was aimed to analyze the marketing mix strategy of arenga palm sugar in Riau Province.

The rest of the paper is organized as follow. In Section 2, we introduce related works to this study, Section 3 describes the methodology. Then Section 4 describes the results and discussions followed by the conclusions (Section 5).

2. Literature Review

2.1. Arenga Palm Sugar

In Indonesia, most sweetener (sucrose) is sourced from cane sugar which is processed into white sugar. In fact, sucrose can also be obtained from other plants such as palm trees such as coconut and palm sugar plants which produce brown palm sugar [10].

Aren or enau (Arenga pinnata Merr) is one of the palm family that has high economic potential and can flourish in tropical regions like Indonesia. Determinants of the development of sugar palm processing is the development of processing technology, product development and marketing. Opportunities for sugar palm industry development in the future is very promising which can be seen from the facts that the sugar palm trees are spread widely in Riau Province, raw materials can be processed into a variety of products of higher economic value, have comparative value, simple technology is needed, processing is relatively easy to apply by the farmers and ability to create new jobs [11].

2.2. Marketing mix

The concept of marketing not only in the narrow sense of exchanging goods through distribution and promotion but includes some aspects contained in the marketing mix. The purpose of marketing is to meet and satisfy the needs and desires of consumers. Marketers must learn the needs, perceptions, preferences and consumer behavior of shopping and buying, for which marketers must be able to develop a marketing mix strategy including product, price, distribution channel and promotion [12].

Marketing mix is the elements of marketing which need to be interrelated, mixed, organized and used properly so that companies can achieve the marketing objectives effectively as well as satisfy the needs and desires of consumers [13]. In addition, marketing mix consists of 4 P (product, price,
Marketing Mix Analysis of Arenga Palm Sugar in Riau Province

promotion and place (distribution). The marketing mix applied should be adjusted to the company's situation and condition to be able to facilitate consumers’ buying decision [14].

3. Methodology

The research was conducted in Riau Province, Rokan Hulu Regency and Kuantan Singingi Regency. Site selection is based on consideration that both Rokan Hulu Regency and Kuantan Singingi Regency are centres of arenga palm plantation in Riau Province. The method used in this research is survey method. The selected agroindustry selected as respondents in this study are small-scale agroindustries (home industries) that produce arenga palm sugar. The research was conducted from May 2016 to April 2017. The sampling technique was conducted by census of all arenga palm sugar producers in Kuantan Singingi Regency and by simple random sampling in Rokan Hulu Regency. Determination of respondents to identify the marketing institutions was conducted by snowball sampling. Data used in this study are primary data and secondary data. Collecting primary data on arenga sugar agroindustry was conducted by using questionnaire through interviewing arenga sugar producers, intermediary traders and consumers. Data analysis was conducted descriptively (qualitative and quantitative).

4. Results and Discussion
4.1. Arenga palm agroindustry

Arenga palm sugar (gula aren) has long been developed in Rokan Hulu Regency by small craftsmen and residents in rural areas. Arenga palm trees in Rokan Hulu regency is not cultivated, or in other words, they are wild plants. Until now, arenga palm trees are found naturally on the banks of rivers, gardens and community yards.

Arenga palm sugar agroindustry in Rokan Hulu and Kuantan Singingi Regency are generally implemented by arenga palm farmers who also act as Arenga sugar producers. Arenga palm sugar industry showed cooperation within households, where tapping teh arenga palm sap (nira) in the plantation areas was conducted by the male in the village while the process of cooking and shaping the sap into arenga palm sugar was performed by women in their homes.

People in Rokan Hulu and Kuantan Singingi are known to be capable in producing palm sugar with better sweeter taste than products from other regions. It has its own way in processing palm sugar which is in fact one of the local wisdom of ancestral heritage which continues to be maintained until today. In Rokan Hulu District, processing of palm sap into arenga palm sugar is commonly done by residents so that the common sight in the production areas is that next to almost every kitchen there is a specific cooking area to process arenga palm sugar. From this simple kitchen the local people produce high quality palm sugar.

In addition to traditional processing, the producers still use traditional natural packaging of dried banana leaves. Manufacturers believe based on their experience that wrapping with dried banana leaves can protect palm sugar products so it is more durable in terms of preserving the taste of the brown sugar.

4.2. Marketing mix strategy of arenga palm sugar

Market opportunity is defined as an opportunity for producers, farmers or other parties to sell agricultural products with a profit. The facts showed that among marketing actors, producers or farmers' position are the weakest. Some of the reasons are the long marketing chain and the disadvantaged producers due to limited market information and the weakness of the farmers' position to bargain for a good selling price and the business is mostly not based on market demand but is more of a habit or activities inherited between generations [15].

Marketing mix strategy is variables that companies can use to influence consumer responses. To assess the marketing mix strategy conducted by sugar palm agroindustry in Riau Province, this study identified four marketing indicators (product, price, promotion and distribution channel).

4.2.1. Product

Product is an important element because with this company is trying to meet the needs and desires consumers associated with the target market selected [16]. Palm sugar products in both districts are wrapped with dried banana leaves and have no brand label. Palm sugar wrapped in banana leaves has a
Marketing Mix Analysis of Arenga Palm Sugar in Riau Province

durability of about two months to 1 year. Palm sugar product in Rokan Hulu regency is rectangular with weight about 500 gr each, while palm sugar in Kuantan Singingi Regency is smaller with round shape with weight of 25 gr each.

4.2.2. Price

Price is the value of the goods determined with the money that must be paid for goods or services at a certain time and in certain markets [17]. The determination of the selling price is based on the cost of goods and market price of the product [18].

The agroindustry of arenga palm sugar in Riau Province determined the price based on prevailing market price. The tendency to increase the selling price occurred during the fasting month and Eid Festival due to increasing demand compared to normal period.

In the process of marketing, price plays an important role so the guarantee of price is highly beneficial for the producers. There is prospective market opportunity to market the arenga palm sugar outside the District, however, the associated cost to develop the market is high so the producers focused on the local market.

Previous research [9] showed that lack of linkage (contract) between producers and traders of arenga palm sugar has led to the producers feeling benefited because they can get a good price based on market prices. The producers have the independence to sell their palm sugar to the market instead of the collecting agents. In this study, the price of palm sugar product was sold at IDR 25,000 per kg at the producers’ level.

4.2.3. Promotion

Promotion is communication to provide explanations that convince consumers of the reliability of goods and services. Factors that influence promotion strategy are: (1) promotion fund set up by the company; (2) market conditions, in term of geographic area of the market and the prospective customers; (3) the consumers of the product, whether the product is intended for the end consumers or as an industrial material; and (4) product life cycle [14].

Promotion strategy applied by arenga sugar palm agroindustry in Riau Province is not commonly conducted by other companies which mostly utilize print media and electronic media. The arenga palm sugar agroindustry used the method of personal selling or direct communication between sellers and the prospective consumers.

Arenga palm sugar agroindustry did not make intensive effort to promote their products because the producers assumed that even without promotion activities all the products were sold. This is might due to the fact that people know palm sugar well and often used it in making various dishes. Usually the local government invites small-scale producers of agro-based products including arenga palm sugar to attend agricultural exhibitions held in District or Province level, and this exhibition initiative was gaining interest from the producers.

Table 1. Arenga palm sugar marketing channels in Riau Province

<table>
<thead>
<tr>
<th>No</th>
<th>Marketing channel</th>
<th>Rokan Hulu</th>
<th>Kuantan Singingi</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Channel I Producer – Retailer – End consumer</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2</td>
<td>Channel II Producer – Collecting agent (Broker) – End consumer</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>3</td>
<td>Channel III Producer – End consumer</td>
<td>√</td>
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</tbody>
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Source: survey data, 2016-2017

4.2.4. Distribution

Once the agroindustry has succeeded in creating the required products or services and setting a reasonable price, the next step is to determine the method of delivering the product or service to the target market through an effective channel, arriving at the right moment according to customer
expectations [19]. Distribution channels are intermediaries that deliver products from producers to consumers either directly or indirectly [17]. Arenga palm sugar marketing channels in Riau Province can be seen in Table 1.

Competition among sugar palm agroindustry in Riau Province is still relatively low because each producers were able to market their arenga palm sugar to consumers on a daily basis. Thus, the supply was still lower than the demand, especially at the time of high demand in the month of Ramadan and Eid Festival, when the producers were often unable to meet increased market demand.

The marketing constraint still faced by producers in the marketing of palm sugar. This is due to lack of access to market information, especially about available marketing channel so that producers were unable to expand the existing distribution channels of arenga palm sugar [9]. Yet market opportunities are still prospective and there is an opportunity to develop partnerships to improve this traditional arenga palm sugar industry.

5. Conclusion

a) Arenga palm sugar produced by the producers in Riau Province were shaped into block (brick) shape (Rokan Hulu) and round shape (Kuantan Singingi) and both products were wrapped with dried banana leaves and had no brand label.

b) Determination of the selling price for arenga palm sugar in both districts was set up according to the existing market price.

c) Promotion by the producers was conducted by personal selling method or direct communication between seller and buyer or customer.

d) Distribution channel used by arenga palm sugar agroindustry was direct marketing channel and indirect marketing channel, and the target market were consumers either traders, households or home industry.

References