

Export Competitiveness of Minahasa Cultural House Production in North Sulawesi

Yesita Windi WUISAN*, Fulgentius Danardana MURWANI
and SUHARTO S.M.

State University of Malang, Indonesia

The purpose of this research is to understand the extent of the business of Minahasa Cultural House and how it can compete in international market, particularly in facing other competitors while maintaining its uniqueness and cultural value. The researchers used a qualitative approach, in addition to the case-study method. The data used in this research were both primary and secondary data. The data collection was achieved through observation technique, interview, and documentation. The data analysis implied three steps, namely (1) data reduction, (2) data display, (3) conclusions. The results of this research show the main factors that will help achieve the competitiveness of Minahasa Cultural House to other business competitors are: condition factor, demand factor, industrial-related factor, and the government's role. The key factor highlighted in this research that influences the competitiveness is the condition factor, such as the quality of the product, price of the product, human resources, uniqueness, innovation, and the demand of the product itself.

Keywords: Competitiveness, Minahasa Cultural House, Marketing, Qualitative Research, House Production, Export Competitiveness

JEL Classification: M31, M21

1. Introduction

ASEAN Economic Community (AEC) is designed to integrate the economics of ASEAN in facing the free trade between countries, since it was founded in 2015. ASEAN Economic Community (AEC) is one of founders of ASEAN Vision 2020, together with ASEAN Security Community (ASC) and ASEAN Socio-Cultural Community (ASCC). The trade of international product or service which involved ten countries in South East Asia would engage in trade, in and out of Indonesia, freely with the member countries of ASEAN that agree with this contract and start to sell in every region of Indonesia. This competitiveness means a combination of institutions, policies, and factors affecting to the productivity level of a country by World

*Corresponding Author:
Yesita Windi Wuisan, Graduate Program of State University of Malang, Indonesia

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Economic Forum standards. This level of productivity, in turn, sets its prosperity level which is obtained from the economic situation (Schwab et al., 2011).

Competitiveness of each country is strengthened by the creative products from each country. This product competitiveness means that the product has not only the competence to realize its strategic target of production and marketing in the marketplace, but also the success to bring the product to superior levels in the market by improving its value, expanding its market share, and raising the product's price in the market. According to Iansiti and Levien (2004), the firm's performance is perceived from the advantage and superiority owned by each firm to increase the success in business world.

Recently, the housing industry is in the great competition, that house is considered as one of primary need in the advancement of rapid economics. There are several types of housing needs which start from the materials of wood, concrete, glass, and so on. The change in market demand tends to alter according to customers' interest. The housing industry tends to be a great business opportunity for Minahasa Cultural House Production in Tomohon, North Sulawesi, Indonesia.

The production demand of Minahasa Cultural House comes from the tourists from overseas. Minahasa Cultural House has its own characteristics. It has sixteen up to eighteen pillar foundations which are able to load one extended family, around six to nine families, and two stairs on each side which have their own cultural history.

From the Department of Industry and Commerce of Sulawesi Utara, the export demand of wooden houses started in 2013, when it reached 69.603,2 export volumes (kilograms) from the number of export revenue, then, in 2014 the data showed a great increase of export, up to 293.987,19 (kilograms). This export demands are from Maladewa, Malaysia, and Saudi Arabia. In 2015, the export demand reached 261.340,6 (kilograms). In the first trimester of 2016 it reached 54.607,80 export volumes (kilograms) from Belgium, Maladewa, Thailand and Malaysia. From these data, the researchers identify the fluctuation of demand, experienced by the firms, which are caused by some obstacles like the limit of wood, as main material which is derived from the other region. This aspect affects the big opportunity of some other competitors to compete in the same industry of Minahasa Cultural House.

The competitiveness to create product superiority in each region was firstly offered by the manufacturer from Kalimantan with his main competitive superiority in producing the cultural houses of betang, lamin, and banjar. This housing industry highlighted the value of togetherness from each culture, especially to depict the life of Dayak Tribe. Besides, cultural house of Bali has particular characteristics in its entrance in the form of gapura, which also has Hindu cultural values. The quality of each competitor determines the successful opportunity in the competitive housing industry (Tsai et al., 2009).

This research is significant for the following reasons: 1) Minahasa Cultural House is able to compete with the other competitors from other regions, while maintaining its own regional culture, 2) competitiveness of Minahasa Cultural House uses knock down system, so the process of house construction is not long, 3) the demand of Minahasa Cultural House has recently increased especially from overseas customers, but it is still lacks production materials, 4) the production process of the Minahasa Cultural House is a bit overdue, since the materials needed in the construction process are derived from the outside of North Sulawesi.

This research is conducted to analyze the strategy of Minahasa Cultural House in competing in international markets, where it will encounter intense competition from other ASEAN Economic Community (AEC) countries, while also maintaining its regional culture.

2. Literature Review – Competitiveness and Export of the Minahasa Cultural House

2.1. Competitiveness

The competitiveness value of a country could be a source to build up a strong economy. This competitiveness is an interesting concept in a variety of examination levels, including the level of individual firms, the microeconomics level of the industrial policy, and the macroeconomics level for a competitive position of national economics (Nelson, 1992). Whatever the focus level, the competitiveness is related on the long-term performance of a related subject, which is then regarded as the result of competitive values. However, the competitiveness is also related to the factors affecting this competitiveness and the process of its achievement (Man et.al, 2002).

Gradually, on-time supply and competitive prices are influenced by two other important factors: the flexibility and capability to adapt the customer's needs and interests. The firm which does not own the value of competitiveness would not be able to compete in market. Therefore, this means that the firm does not have typical superiority to keep facing the competitive market in a long term. This competitiveness relates to how

far the effectiveness of a firm in a competitive market, compared to the other firms which offer similar products or services.

The firms which are able to manufacture and deliver the products and services with good quality are considered effective firms which means they are able to compete in a broader marketplace. Porter (1998) stated, "Competition is at the core of the success or failure of firms". The competitiveness here means the core of the success or failure is determinant of the firms' survival. There would appear to be two sides in a firm's competitiveness. On one side, success encourages the firm to be more dynamic and competitive in manufacturing the products and providing the best service to its target market. Therefore, this side considers the competitiveness as the firm's success booster. On the other hand, failure weakens the status of the firms, frightened by the competitors, the firm will not be able to manufacture the product with good quality, which leads to the failure of firm.

2.2. Export

Export represents the sales of goods in overseas markets, by applying a system of payment, quality, quantity, and other sales standards which have been approved by the exporter and importer. Particularly, developed countries export capital and final goods, whereas the main exports of developing countries are the goods or products of the mining industry, especially natural resources (Fakhri and Samadova, 2010)

The export demand represents the number of products or services requested to export from one country to other country. Generally, the export process means an activity of product or commodity manufactured from a country and then sold in another country (van Weele, 2010). The product or service is valued as profitable for a firm when it has an affordable cost, is able to fulfill the customer's need in both quality and quantity aspects, and also time and location.

To expand the Indonesian product in broader marketplaces, this export activity is one of means to market the Indonesian products overseas. For example, batik is a product of Indonesia which is well-known and approved by the other countries. This export activity then increases the foreign exchange. This commerce between countries enables the Indonesian exporters to sell the products to overseas customers. Then, it could increase the country's wealth since the exchange is one of sources of country revenue.

The export activity would not only expand the employment possibilities and marketplace for the products of Indonesia, but also increase the production activity within the country. The more labor is needed, the employment possibility increases.

2.3. Minahasa Cultural House

Minahasa Cultural House is originally from Sulawesi Utara Indonesia and known as "Wale" or "Bale" which means a place to do activities as a family. According to the philosophy of Minahasa people, Minahasa Cultural House has two stairs in front porch. Those two stairs have a special meaning in a marriage proposal. The man who would propose a woman comes in from the left stair. If the proposal is accepted, he would come out through the right stair; on other hand, if his proposal is rejected, he would come out through the left one. Once upon a time, a cultural house of Minahasa was able to include six to eight families. Each family takes care of their own family, particularly as it relates to the economic life.

The architecture of rumah panggung has two eras: namely, the period before the earthquake (1845) and after the earthquake (1845-1945). As for the inner space, rumah characteristics contained a shed for all activities. To determine the territorial divider was to fling out the rattan or rope fiber and hanging up the mat. The orientation of house direction was based on Tonaas, who got instruction from Empung Walian Wangko (God). Whereas, the characteristics of Minahasa Cultural House changed after earthquake, and had several rooms, like front space as living room, center space as a place to welcome the relatives, and bedrooms for parents and daughters, and the back room as the place to store the rice (sankor). The kitchen is separated from the other building. Within rumah, the stair functioned as yields storage.

3. Research Methodology

This research employs the method of case study with a qualitative approach. The case study approach has to identify the research background and position, as well as the interactional circles of certain social units. This qualitative approach is oriented on collecting the data which is gathered via the contextual data and to contribute in creating a deeper understanding (Sanders et al., 2014). The main data source of research is primary and secondary data. Within the analysis technique, the researchers conduct in-depth interviews which contain questions regarding the examined subject of research (Gauche et al., 2017). The researchers conduct the interview according to the interview instructions and interpreting the reports of human factor feedback

from one individual to another individual. The research is semi-structured which creates flexibility and enables the researcher's freedom to clarify the existing findings along the discussion process (Doddy and Noonan, 2013).

The sources of the main data in this research are primary and secondary data. Primary data is the data obtained directly from the source. Primary data were obtained through the interviewing of 65 businessmen and craftsmen of Minahasa Cultural House. However, the researcher only took 5 businessmen as the main sources of the research to obtain the data. The secondary data are the data obtained or collected by the researchers from various available sources. The secondary data can be obtained from the Department of Industry and Commerce of North Sulawesi, Indonesia regarding the export data of Minahasa Cultural House, in the time period of 2013-2016, books, and other supporting literatures.

4. Research Findings

Nowadays Minahasa Cultural House can compete either in the country or outside the country. The businessmen in this industry truly prioritizes the quality and the satisfaction of the consumers in order to be marketed more modernly. The selling development of Minahasa Cultural House sometimes experiences up and down trends and evolution. Sometimes there are many people who buy it and sometimes there are few people who buy it. However, in these recent years, the demands on this production are high and this causes the emergence of other competitors who want to access this market. There are some main factors which become the drivers of competitiveness excellence of Minahasa Cultural House, elaborated as follows.

First, the cost factor, which represents all expenses needed by a company to produce the products. The cost and the production price of Minahasa Cultural House nowadays are adjusted to the provided quality. The price of Minahasa Cultural House production is sold per square meter depends on the demanded type and the per design demanded, with prices that range from IDR 2,000,000 to IDR 3,000,000, and calculation of one house production unit can be priced between IDR 150,000,000 up to IDR 400,000,000. If exported, the cost can achieve double because of the additional expense for delivery depends on the destination country. The competitiveness in determining the price of the cultural house itself is said to be reasonable and this makes the consumers interested in buying it. Moreover the price competitiveness in creating a business, it requires a reasonable price and the guarantee of the product if it has problem or failure after the construction process. This gives consumers satisfaction and trust, attracting them to buy again or provide positive referrals.

Second, the quality of the product which is the quality that has fulfilled or exceeded the customers' expectations. The quality of the product can also be defined as the characteristics that depend on its ability to satisfy the needs of the customers. The quality of the product is the ability of a product or service to fulfill or exceed the customers' expectations. The quality of the product can also be defined as the characteristics of its ability to satisfy the needs of the customers. The quality of Minahasa Cultural House has good materials which are even acknowledged by the buyers. The raw materials in producing the cultural house are based on iron woods anti-termite, which can survive for decades with certificate from SVLK (The Verification Letter of Woods Legality).

Third, the time of production is another factor that explores the dimension of the competitiveness which covers the punctuality or the process of production and the punctuality in delivering the product. The production process is the activity in creating or adding the utility of the product or service. It related to the availability indicators such as the production time, the reduction of production waiting time, and the punctuality in finishing the product. Punctuality is highly necessary in an intense competition with other competitors. Making the house requires more or less than three to four months, however constructing the house by using a reworking system only requires one month to two months, in the working process. The industry of Minahasa Cultural House has to focus on the punctuality for its consumers.

The fourth factor is innovation, which means the renewal and the change of the product. Innovation of a product or service can be defined as the breakthrough which is related to the new products, new thoughts, and new processes. This cultural house gives uniqueness and creativity in the final developed product. If in previous decades only this type of houses were available, now there are some innovations of various types started from cottage, resort, villa, to gazebos. The determining competitiveness comes from innovation which explains the way of success in maintaining the leadership over other business competitors. It requires innovation supported by the consumers' needs which are never satisfied and want a difference in the performance until it increases the competitiveness with other competitors in the same industry.

The last factor is the demand. The demand in this context is related to the product and service by the consumers in one country, where the demand is influenced by the composition of willingness and consumers' needs, market reach, and market growth rate, the mechanism of needs distribution, and the needs of domestic

consumers to overseas markets. From the findings of the data obtained in November 2016, there was demand from the businessmen in Dubai which required Minahasa Cultural House to be produced and sent directly to Dubai in the amount of 500 units in a year. However, the lack of materials becomes the inhibitions of the production of Minahasa Cultural House. It can be concluded that demand factor is also another important key of the housing industry's competitiveness.

Next, Minahasa Cultural House in facing the same competitors does various effort in order to be able to compete either in local markets or in international markets by using marketing in a strategic manner. The increased demand is not apart from the marketing strategy of the marketing company. Marketing is also a whole system of the business activities conducted to plan the product, determine the price, promotion, and distribution from the producer to the consumers, in a precisely and quick manner. Minahasa Cultural House has three types of marketing tactics in maintaining the excellence in the market for a long term perspective.

First, the effectivity of the marketing of the cultural house, should be focused on personal selling marketing or direct marketing to customers. The purpose is to give the input about the willingness, type, and design in accordance with the consumers' taste either done via telephone or direct meeting. The second is through word of mouth marketing. The strategies achieved by Minahasa Cultural House show that by the existence of the communication, namely the communication process in the form of giving recommendations either individually or in group towards a product or service which aims to give information. From the results obtained, the selling done through word of mouth truly can achieve a doubling of profits and can add new networks in product marketing. And the last tactic that is used as part of the marketing strategy, involves the use of social media such as facebook, instagram, youtube, and website of Minahasa Cultural House that can be accessed via the link: <http://rumahkayuminahasa.com/>. The marketing activities on social media, like posting pictures of Minahasa Cultural House, also give people the opportunity to respond to it by providing comments on the pictures posted to ask and if they are not satisfied, they will come directly to the site of the business. It is also proven by the existence of the respondents of this research that people who obtain information from social media, will then contact the firms directly.

By the existence of Minahasa Cultural House, it is not apart from the competitors who are involved in the competition to be the most prominent ones in this wood house industry. There are some weaknesses in this cultural house industry such as the limited types of wood that must be taken from other regions and this gives opportunity to other competitors. This is proven by Enggelina Supit (2016) in her findings which state that Minahasa Cultural House gives a positive impact on decreasing the numbers of jobless people and also as it provides the source of country's foreign exchange from the export tax of Minahasa Cultural House as the prominent commodity of the government of North Sulawesi.

5. Conclusion

Based on the results of this research, the competitiveness of Minahasa Cultural House can be seen from the cost, the quality, the time, and the number of demands which are in line with some theories and indicators by Porter that it is able to compete with the other prominent industrial products in the same field. To maintain the prominent products of Minahasa Cultural House in North Sulawesi, some efforts to develop it further are required by doing personal selling marketing, word of mouth marketing, and through social media marketing.

For the companies, it is essential for them to improve and develop the marketing promotion via online mediums, either through website or social media. The development of online marketing should go beyond facebook, and focus more on other social media platforms, such as instagram which can directly introduce the photos of the product produced.

To sum up, this research provides insights how entrepreneur can pursue and competitive strategy in this industry. In this research, the marketing strategy of this type of cultural house was briefly mentioned in the interviews conducted and interpreted, so following studies should provide more discussion and focus on this topic.

The educational institution is one of the institutions which has big contribution for the country's advance which is measured from the number of people doing business. It is expected that through this educational institution, young entrepreneurs will have the willingness to do business until there are many generations that do not only work at certain institutions, but also entrepreneurs that will create jobs for the next generation.

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