

Service Quality Redesign and Brand Resonance Activation as Strategies to Develop SME's Market

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Abstract: *This thesis discusses marketing strategies run by trainers in order to find service quality gap and broaden the market to B2C from only B2B with brand resonance activation in Meizi Shoes. Meizi Shoes is one of the MSMEs (Micro, Small, Medium Enterpriss) that provides sales of variety of shoes in Komplek PIK PuloGadung, East Jakarta. To find the constraints experienced by Meizi Shoes, the trainer conducts interviews with the owner and customers, observe directly in the field, and do analysis of the service quality gap and brand resonance activation. After all the data is collected, they will become the base of marketing strategies that will be applied in Meizi Shoes by trainer. **Purpose:** This study aims to identify service quality gap, set the service quality redesign strategy to decrease the service quality gap, and build brand resonance to broaden the market to B2C segment. **Design / Methodology / Approach:** Business Coaching. The study subjects were Meizi Shoes, Primary Data obtained through In-Depth Interview and Observation, while Secondary Data through Meizi Shoes management, internet, and management books. Results from the data above are then analyzed using Qualitative Methods. **Findings:** This study shows that there were a few gaps found in the service quality. Meizi Shoes also have not established their brand because the lack of skill in marketing. As result the customers have issues with their service and Meizi Shoes lose the opportunity they can get from B2C market. **Research Limitations/ Implications:** The results of this study can only be used by Meizi Shoes and other similar Workshop in Komplek PIK PuloGadung, East Jakarta. **Originality / Value:** This study provides a detailed description of Meizi Shoes' Condition and its competitors, as well as an overview of the MSMEs in Indonesia.*

Keywords: business coaching, service quality, brand resonance

1. Introduction

The MSME business (Micro, Small and Medium Enterprises) is managed by the Ministry of Cooperatives and MSMEs (Kemenkop& UKM). In accordance with the NawaCita program, namely the sixth and seventh Cita concerning increasing people's productivity and competitiveness in the international market as well as driving economic independence by empowering strategic sectors of the domestic economy, the government promotes the progress of MSMEs including increasing human resource competencies KUMKM (Cooperative Micro, Small and Medium Enterprises), expanding access to capital, increasing added value and marketing reach of MSMEs, strengthening business institutions and cooperatives, and increasing business facilities, certainty and protection (Wedhaswary in Kompas, 2014). With these programs, the national entrepreneurial ratio rose to 3.1% in 2016 from 1.65% in 2014 as seen from table 1.1 below (Ministry of Cooperatives and MSMEs, 2017).



Figure 1: National Entrepreneurship Ratio in Indonesia
Sumber: Ministry of Cooperatives and MSMEs Magazine(2017)

With the increasing entrepreneurship ratio of the Indonesian people, Ministry of Cooperatives&MSMEs trying to facilitate SME financing in the hope that MSME players can continue to increase. Permission to become a MSME has been regulated through 98th RI Presidential Regulation of 2014 concerning Licensing for Micro and Small Businesses (State Gazette of the Republic of Indonesia of 2014 number

222), such licenses become a sign of legality to a particular person or business owner/activity in the form of one sheet. MSMEs in Indonesia will bring many benefits to the Indonesian economy, especially in the country's domestic income. Based on an online magazine published by Ministry of Cooperatives & MSMEs in October (2017), Secretary of Ministry of Cooperatives & MSMEs, Agus Muharram, in one of the seminars said that Indonesian MSMEs had numbered around 59.2 million. Increasingly from the number in 2013, which was 57.9 million according to Ministry of Cooperatives and MSMEs.

Low service quality according to Lovelock & Witz (2016) can put companies in competitive disadvantage that can cause consumer dissatisfaction. Increasing productivity is important for marketers, namely first to reduce costs so that they can increase profits or provide the ability to stabilize prices. The lowest-cost companies in the industry have the option to position themselves as low-price leaders which is a significant benefit in the price sensitive industry. Second, low-cost companies can also increase margins so that they can be allocated to marketing activities and improve customer service and other services.

Third, the opportunity to secure the company's long-term plans by investing in new technologies and research to create new services, improve the quality of features and innovative delivery systems. Finally, efforts to increase productivity often have an effect on consumers. The positive effects that arise can be used as a new competitive advantage for the business. In conclusion, quality and productivity are two things that create value for consumers and service companies.

There are 4 potential gaps in service organizations that can lead to a fifth gap that is more serious, namely the difference between what customers expect and what they receive. The five gaps include (Zeithaml, Parasuraman, & Berry in Lovelock & Witz, 2011):

- 1) Knowledge Gap is the difference between what management trusts as consumer expectations and actual consumer expectations and needs.
- 2) The Policy Gap / Standard Gap or gap in policy is management's understanding of consumer expectations with quality standards in the services provided. This gap is named the policy gap because management makes decisions in the form of rules that are deliberately made to not meet consumer expectations due to cost and feasibility considerations.
- 3) The Delivery Gap or gap in service is the difference between a particular service standard and the actual performance performed by the service team and service operations based on that standard.
- 4) The Communications Gap or communication gap is the difference between what is communicated by the company and what is actually given to consumers. This gap is caused by two sub-gaps, namely internal communication that differs between what is advertised by the company and what is considered by sales staff as the level of features, performance, and service quality of the product with what is actually given by the company. Second, promising more than what the company can afford due to advertising and sales staff who are judged to be successful based on the sales transactions they can produce makes them tend to overestimate promises.
- 5) The Perceptions Gap is the difference between the actual services provided to what consumers feel has been given due to a lack of consumers' ability to evaluate service quality properly.
- 6) The Service Quality Gap is the difference between consumer expectations of services provided with their perceptions of services received. This gap is the most important.

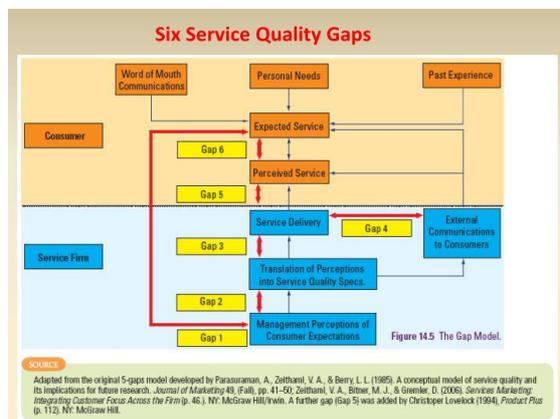


Figure 2: Service Quality Gap Model
Source: Parasuraman et al (1985)

Gap number 6 is the most important gap so the main goal that needs to be achieved is to improve the quality of service to close or reduce the gap as best as possible. To achieve this, service companies need to first close 1-5 gaps.

According to Forbes Asia (2015), with the increase in online shopper, the purchase of apparel and footwear will increase more than electronic purchases thus creating opportunities for B2C footwear business through online platforms."The world is now unlimited, no longer limited by time and space. If not implementing e-commerce marketing, our SMEs will

be crushed.", Ministry of Cooperatives & MSMEs Agus Muharram (2017).

One of the MSMEs that also experienced the challenge of improving service quality and penetrating digital market was Meizi Shoes. Meizi Shoes is a custom shoe production that serves B2B and is owned by Meizi since 2010. Meizi Shoes is now a custom shoe shop for several online brands such as Meyfah, Claymore, and DeVelvet. Most of these brands sell their products online and even markets their products to the well-known e-commerce in Asia, Zalora Indonesia.

The problem is that they currently want to expand to new market, B2C. However, they aren't sure whether they have the capacity to do so. Therefore, it's crucial for Meizi Shoes to identify the service gap in their B2B segment in order to know what to improve. Then, after closing the service quality gaps they can readily serve B2C segment as their new market. These will be the focus of this business coaching research.

2. Framework

a) MSMEs Internal Analysis

- Meizi Shoes Vision
- Meizi Shoes Mission
- Organizational Structure of Meizi Shoes
- Business Process of Meizi Shoes
- Business Model Canvas Analysis
- Business model canvas is used by organizations to create, channel, and capture the values of a business (Osterwalder et al, 2010). The business model canvas has several elements namely customer segmentation, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure.
- Segmentation, Targeting, and Positioning (STP) Analysis
- According to Bonoma & Shapiro (in Kotler & Keller, 2000), segmentation variables for the business market (B2B) are based on demographics, operating variables, purchasing approaches, situational factors, and personal characteristics.
- Marketing Mix Analysis
Also known as 4P: product, price, place, and promotion. According to Perreault & McCarthy (2002), the marketing mix is included in the marketing strategy as a variable that can meet customer satisfaction.

b) MSMEs External Analysis

Porter's Five Forces Analysis

- The Five Forces Porter's Framework states that competitive pressure on companies in the industry comes from five sources. These include (1) competition from rival, (2) competition from prospective new entrants to the industry, (3) competition from substitute product, (4) supplier bargaining power, and (5) customer bargaining power (Thompson et al., 2014).

SWOT Analysis

- SWOT analysis consists of strengths, weaknesses, opportunities, and threats that can provide a basis for developing strategies to harness the strength of the company, overcome weaknesses, aim to capture the best

opportunities for the company, and survive the threat of competition and the macro environment (Thompson et al, 2014).

GAP Analysis

- Gap Analysis is the difference between actual and ideal conditions that occur in a business through identification of STP, BMC, and SWOT analysis.

Pareto Analysis

- After identifying the existing problems, the score is based on the level of urgency and readiness of MSMEs to solve the problem. After that, the order of solved problems are ordered from highest to lowest score.

3. Methodology

The subject of this research is a MSME in PuloGadung, Jakarta called Meizi Shoes. They're a manufacture focusing on shoe production. Meizi Shoes started from 2010 and until now had served hundreds of clients mostly from Jakarta. The main source for this research is the owner Meizi and his eight staffs.

Business coaching is done with qualitative research. With this method, we can explore and understand information comprehensively from the overall problem situation (Malhotra, 2010). In qualitative research, the data is divided into two parts which are Primary Data and Secondary Data. In this study the author used both types of data. Author collected primary data through depth interviews, observations and the company's documents. While the secondary data are collected from various sources.

The author interviewed the owners and employees of Meizi Shoes in a semi-structured manner. Through observation, the author got information that Meizi Shoes made a shoe-making workshop as well as a small shop.

1) In-Depth Interview

The author conducted a few meetings with the owner and staffs of Meizi Shoes to do in-depth interviews. From the interviews, the whole team from Meizi Shoes implied that there are obstacles in meeting customer's expectations especially regarding on-time delivery and communications. The interviews with the workers also implied that there is lack of control and standard in making the shoes, so the quality is not standardized. The owner explained that he also acts as account executive, sales and operation head. He never did a marketing strategy other than making catalog of shoes that is no longer updated. Mostly his clients are connected to Meizi Shoes through word of mouth. The owner said that they want to expand and make their own brand segmented to B2C market to stabilize the productivity and income.

2) Observation

From the observation, author found out that the workers aren't always available in the workshop because they can work from home, which also causing the lack of control in the quality of the shoes produced. The author also noticed that the workshop also serves as a warehouse for the shoes before they're delivered to customers.

3) Internal Data

The data from Meizi Shoes used in this research includes organization data such as organization structure, customer data such as their business profile and orders, and financial data such as orders and costs report.

4) External Data

The external data used in this business coaching is several managements, marketing, business books, and regulations from government regarding to MSMEs. The books are used as a theoretical foundation and analyze the findings to solve the identified problems.

This qualitative research serve the purpose such as describing, discussing, and explaining the meaning of a pattern that arises from interviews or data gathered (Malhotra, 2010). There are three steps to analyze data:

- 1) Data Reduction
- 2) Data Presentation
- 3) Taking Conclusions and Data Analysis

4. Findings

1) Business Model Canvas (BMC) Analysis

Based on the results of the Business Model Canvas analysis, it can be seen that the value proposition is still not optimal due to the inadequate efforts of customer relationships and channels. Then, revenue stream only relies on the B2B business that is being undertaken. After discussions with the owner of Meizi Shoes, they agreed to explore the B2C market to increase profit. To increase the value proposition offered to B2C consumers, a branding strategy is needed with a brand resonance model to build a reputation and target the right market. Therefore, author identify the expectations of Meizi Shoes' customer with the service quality gap framework so that Meizi Shoes could improve their service and value proposition.

2) Segmentation, Targeting, and Positioning (STP) Analysis

Based on the results of interviews with the owners, Meizi Shoes segmentation is demographically serving MSMEs that sell women's shoes in the Jabodetabek area. Meizi Shoes sets a minimum order of 10 pairs and targets clients who want competitive prices, good sewing quality, and do not focus on excellent service quality. The situation is not urgent, and the amount is large. There are several types of target markets for B2B, including single segment concentration, which focuses on one market and one product, selective specialization, which is to sell products that are specialized for each appropriate consumer group, product specialization which is producing one product for a different market, market specialization namely selling various products in one market, and full market coverage, namely selling various products for various markets (Kotler & Keller, 2000). In accordance with these types, Meizi Shoes itself is included in product specialization, because of its concentration on the production of shoes for different markets such as daily shoes, dance shoes and wedding shoes.

Meizi Shoes positions its products as quality shoes in terms of stitching as well as materials, but keeps prices affordable. Meizi Shoes' commitment to maintaining consumer trust is demonstrated by not producing the same items for two different brands in order to maintain integrity. However, the positioning of Meizi Shoes has not yet been communicated through logos, slogans and other elements to enhance the branding of Meizi Shoes. The development of positioning statement or value proposition plays an important role in product design, where positioning will determine how the product is distinguished from its competitors (Kotler & Keller, 2000).

3) Marketing Mix Analysis

The aspects of 4Ps Meizi Shoes support the target market that will be targeted, among others, Meizi Shoes products that are of quality in terms of stitches and materials, Meizi Shoes location is strategically located in the front block, and the price is competitive. But there are shortcomings in promotions that only rely on word of mouth. This will especially hinder Meizi Shoes's efforts to target the B2C market.

There are several strategies that can be done to optimize 4Ps. Determining the right strategy for B2B clients can be done by knowing the gaps that exist in service quality. To sell products on the B2C market, a branding strategy is needed with brand resonance that also includes aspects of features, benefits, and brand quality.

Figure 2: Marketing Mix Analysis of Segmentation and Target Market

Marketing Mix Elements	Supportive	Obstructive
Product	V	
Place	V	
Promotion		V
Price	V	

Source: Author's Analysis (2018)

Strengths, Weaknesses, Opportunities, and Threats (SWOT) and TOWS Analysis

Meizi Shoes should focus on its weaknesses. The weaknesses are low service quality especially in delivery time and not on time, they do not have a branding strategy in offline or online channels.

5. Conclusion

Based on the results of the analysis on UKM Meizi Shoes and the business coaching activities that have been conducted, it can be concluded that the existing and assisted problems are improved, among others 1) Identifying the gap in business to business service quality according to the service quality gap framework 2) Service Quality Redesign Strategy to reduce Service Quality Gap 3) Brand Resonance Activation Strategy to develop the B2C market.

- 1) Identify the gap in business to business service quality according to the service quality gap framework
The occurring gaps are policy gap, delivery gap, external communication, perception gap, and service quality gap.

- 2) Service Quality Redesign strategy to reduce service quality gap

- Closing the policy gap is done by changing the business process in Meizi Shoes. Before, when accepting order the owner does not check the capacity of the production. He doesn't calculate the operation flow so the order can be late to be produced. Now the process is adjusted and the owner must first make sure that the production can be done on time.

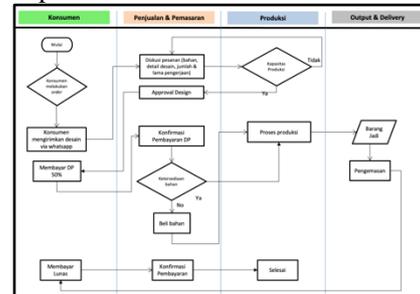


Figure 3: Business Process of Meizi Shoes
Source: Author's Analysis (2018)

- Closing the delivery gap by standardizing the quality of production. In order to achieve the standard, they no longer can work from home. The owner also train the workers regularly.
- Closing communication gap by ensuring smooth internal and external communication. Since the workers must work in the workshop now, the communication is smoother and faster and can prevent miss communication.
- Closing the perception gap by explaining the realization of services after the service is completed (tangibilize service).

- 3) Build Brand Resonance for market development into the B2C segment

Form a brand resonance to build the B2C Meizi Shoes brand by creating logos, Instagram and Tokopedia to follow the brand resonance steps from brand salience, imagery, performance, feelings, and judgments. The target market of Meizi Shoes is millennials with cheerful and FOMO characteristic so the brand that is built is adjusted to that target.



Figure 4 Meizi Shoes Logo
Source: Processed by author (2018)

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