

Marketing Strategies of Finely Chopped Tobacco in Bondowoso Regency

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Abstract. It is suspected that finely chopped tobacco agribusiness in Bondowoso Regency does not have the right marketing strategy, so that the level of competition and marketing efficiency is low. Therefore, research that is able to formulate marketing strategies and priorities for its implementation is very necessary. The purpose of this research is to get an overview of marketing efficiency, formulate marketing strategies, and determine marketing strategy priorities. The method used is the analysis of marketing efficiency, SWOT and AHP. The results showed that the marketing of finely chopped tobacco in Bondowoso Regency was efficient. Marketing development strategies included product development with government assistance, market share expansion through partnerships, increased use of technology, pricing for certain products and agricultural cost efficiency. The main priority of the finely chopped tobacco marketing strategy was the strategy of expanding market share through partnerships with tobacco companies and product development with government assistance.

Keywords: Marketing Strategy, Tobacco, Efficiency Analysis, SWOT, AHP.

1 Introduction

Indonesia is the sixth largest tobacco producer in the world after China, Brazil, India, USA and Malawi, with a total production of 181 thousand tons or about 2.54% of the total world tobacco production. Tobacco business in Indonesia as much as 98% is smallholder plantations and the remaining 2% is large national plantations. According to the type of product, 75% of the planted area (177.366 ha) is people's tobacco (chopped). Based on the planted area, East Java is the highest with an area of 121,969 ha (68.8%), Central Java with an area of 56,743 ha (32%), and others are planted in West Nusa Tenggara, Yogyakarta and Bali. As much as 30% of people's tobacco (chopped) is used as raw material for kretek cigarettes [1] [2] [3]. East Java is a province that has the largest tobacco plant area compared to other provinces, and East Java is a province with the most potential to develop tobacco plants in terms of geographical, climatic and weather conditions. One of the tobacco-producing regencies in East Java is Bondowoso regency with a total production of 6,120.03 tons in 2021 [4].

The amount of finely chopped tobacco production continues to increase from year to year and in 2021 it increased by 6.1% [4], while the marketing carried out so far has only been marketed directly to auction sites and cigarette companies. Increasing the production of finely chopped tobacco requires the support of an efficient marketing system, so that business actors will get better profits. Therefore, it is necessary to analyze marketing efficiency in areas engaged in the finely chopped tobacco industry sector in Bondowoso Regency.

The strengthening of finely chopped tobacco agribusiness requires an improvement in the development strategy to anticipate the increasing number of production. To be able to realize this, a survey of finely chopped tobacco farmers is needed regarding various things, namely strengths, weaknesses, opportunities, and threats, which are the bases for determining the strategy for developing chopped tobacco agribusiness. Furthermore, the process of determining this strategy must be followed by the selection of one or several prioritized strategies through the stages of problem determination, alternative determination, value determination, time preference needs, and risk specifications. Thus, a complex and unstructured problem is solved into its groups and organized into a hierarchical form, so that it is easier to solve ([5] [6]).

Marketing strategy is a very important variable and must be owned by every business person in facing competition, because it includes an overview of what business people will do in the target market and how to determine the right strategy for sales efficiency. The purpose of this study was to determine the marketing efficiency of finely chopped tobacco, determine the appropriate marketing development strategy of finely chopped tobacco through determining the SWOT matrix and determining the priority of the marketing strategy of finely chopped tobacco using the Analytical Hierarchy Process (AHP) method.

2 Method

This research is categorized as qualitative research because the data obtained were qualitative data (descriptive data). According to [7], qualitative methods are methods that obtain data from certain natural (not artificial) places, but researchers carry out treatments in data collection, for example by distributing questionnaires, structured interviews, and so on. In this case, the process of collecting data through interviews with business actors and experts in the sub-districts that produced finely chopped tobacco was aimed at obtaining the desired attributes. Then the weighting was carried out using the AHP method based on the results of interviews and discussions with related parties.

The population in this research was 1,056 finely chopped tobacco farmers in Bondowoso Regency. The sampling process was carried out in several stages or known as multistage cluster sampling with the consideration that the population was large and very heterogeneous. Multistage cluster sampling is a sampling method using a combination of 2 (two) or more different sampling methods. According to [8], multistage cluster sampling is sampling from the population using smaller and smaller groups (units) at each stage. It is often used to collect data from a large group of populations that are geographically spread over a large area. The sampling stage began with collecting data on finely chopped tobacco production, planting area, the number of districts in Bondowoso regency and sorting tobacco-producing districts into high and low categories. Next was the selection of areas as a sample of cluster 1 and a

random selection of districts as a sample of cluster 2. In this case, Wringin and Pakem districts were selected. And finally, the selection of finely chopped tobacco farmers was 10% of the total farmers as respondents.

Marketing efficiency is the ratio between the total cost and the total value of the product being marketed, or it can be formulated ([9]):

$$EPs = (TB/TNP) \times 100\% \quad (1)$$

Notes:

EPs: Marketing efficiency

TB: Total cost

TNP: Total product value

Formula (1) can be understood that any increase in marketing costs will cause marketing to be inefficient. Vice versa, the smaller the value of the products sold, the less efficient the marketing becomes.

Decision making criteria:

- a. If Profit > Cost, then the marketing channel is efficient.
- b. If the EPs value of a marketing channel is smaller than the EPs value of other marketing channels, then the marketing channel is said to have higher marketing efficiency than other marketing channels.

SWOT analysis is a systematic study of the company's internal strengths and weaknesses against the opportunities and threats of the external environment faced by the company. SWOT analysis is a systematic process to identify various factors to determine the right formulation and the best company strategy [10]. Based on the above definition, it can be concluded that SWOT analysis is an analysis that can be carried out by companies by analyzing internal factors and external factors in order to determine the strategy used by the company.

The Analytical Hierarchy Process (AHP) model is a decision support model that describes a complex multi-factor or multi-criteria problem into a hierarchy. Hierarchy is defined for a representation of a complex problem in a multi-level structure where the first level is the goal, followed by the level of factors, criteria, sub-criteria, and so on down, so that the last level is an alternative [11]. The AHP method is used to determine the most appropriate marketing strategy priorities. AHP is an analytical tool that can be used to assess one alternative choice from several available alternative options [12]. The goal was to determine the strategy for developing finely chopped tobacco agribusiness in Bondowoso Regency. Based on the results of the interviews, it was obtained four criteria for the development of finely chopped tobacco agribusiness in Bondowoso Regency, according to the Regulation of the Minister of Agriculture of the Republic of Indonesia No. 06/Permentan/ OT.140/2/2015 Year 2015, namely the development of agribusiness based on aspects of providing production facilities, aspects of production, aspects of marketing and processing, as well as aspects of supporting institutions.

3 Results and Discussion

Marketing efficiency in finely chopped tobacco farming in Bondowoso Regency is presented in **Table 1**.

Table 1. Farming costs, revenues, marketing and profits per ha

Description	Farmer/Producer	Consumer
Sold weight (kg)	1,109	
Total Cost of Farming (Rp)	10,958,029	
Price at farmer level (Rp/kg)	9,881	
Selling price (Rp/kg)		25,755
Marketing Cost (Rp)	396,861	
Revenue (Rp)	28,562,295	
Profit (Rp)	17,604,266	
Distance (km)		8.82
Marketing Margin	61.63%	
Marketing Efficiency	3.62%	
Technical Efficiency Index (Rp/kg/km)	40.57	
Economic Efficiency Index (Rp/kg)	44.36	

The value of marketing efficiency of finely chopped tobacco farming in Bondowoso Regency was 3.62%, which was relatively small, so it could be said to be efficient. Meanwhile, the value of marketing efficiency for rice, especially the value of marketing efficiency for medium/large rice mills is 2.32 [13]. This shows that the marketing efficiency of rice is better than tobacco because the production system for rice is more established.. Another way to determine marketing efficiency is by comparing the Economic Efficiency Index (EEI) with the Technical Efficiency Index (TEI). Marketing is said to be efficient if the Economic Efficiency Index is greater than the Technical Efficiency Index ($EEI > TEI$). The calculation results showed that the value of the Economic Efficiency Index was greater than that of the Technical Efficiency Index ($EEI > TEI$), so that the marketing of finely chopped tobacco farming in Bondowoso Regency was declared efficient.

The determination of alternative strategies in the context of developing finely chopped tobacco agribusiness in Bondowoso Regency was carried out based on the formulation of internal environmental factors (strengths and weaknesses) and external environmental factors (opportunities and threats). The identification of internal and external environmental factors and their evaluation used the IFE (Internal Factor Evaluation) Matrix and the EFE (External Factor Evaluation) Matrix. The Internal Factor Evaluation (IFE) matrix was used to see the internal condition of chopped tobacco farming. Meanwhile, the External Factor Evaluation (EFE) matrix was used to see the external conditions of chopped tobacco farming. The calculation results showed that the total score for internal factors was 2,319 while the total score for external factors was 2,251.

Based on the figures above, it was obtained that the IE matrix in the position of developing finely chopped tobacco farming in Bondowoso Regency was in cell V, namely 'Hold and

Maintain'. This position illustrated that in the development of finely chopped tobacco farming in Bondowoso Regency, it was still necessary to maintain and maintain. Common strategies in such positions were market penetration and product development. The description of the position of finely chopped tobacco farming development in Bondowoso Regency based on the Internal-External Matrix (IE Matrix) is presented in **Figure 1**.

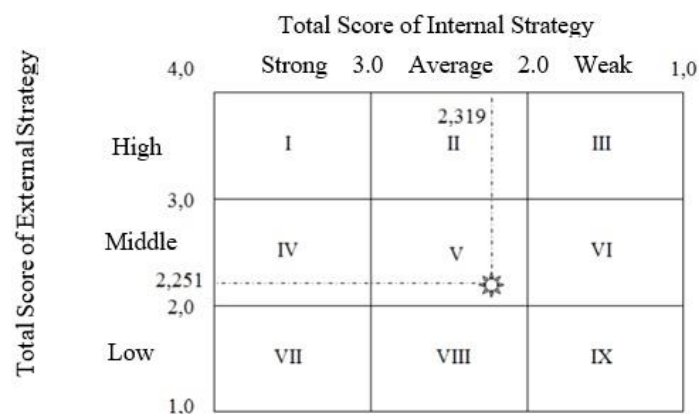


Fig. 1. IE matrix on finely chopped tobacco farming development

Alternative strategies in the SWOT matrix generated according to internal and external factors for the development of finely chopped tobacco farming in Bondowoso Regency are presented in **Table 2**.

Table 2. SWOT matrix

Strengths	Weaknesses	Opportunities	Threats
<ol style="list-style-type: none"> Own land Specific product type Decent profit Fulfillment of family needs 	<ol style="list-style-type: none"> Narrow land area The use of technology is still lacking The long distance between the location of the farm and the place of sale 	<ol style="list-style-type: none"> Government assistance Partnership with cigarette companies 	<ol style="list-style-type: none"> Fluctuating price consistency There is a decrease in the price of tobacco
S-O Strategy <ol style="list-style-type: none"> Product development with government assistance (S2, O1) Expansion of market share through partnerships with tobacco companies (S3, O2) 	W-O Strategy <ol style="list-style-type: none"> Increased use of technology with government assistance (W2, O1) 	S-T Strategy <ol style="list-style-type: none"> Pricing for specific products (S2, T2) 	W-T Strategy <ol style="list-style-type: none"> Farming cost efficiency (W3, T1)

Five alternative strategies were obtained, and these strategies can be implemented to develop finely chopped tobacco farming in Bondowoso Regency. The strategies are as follows.

- a) Product development with government assistance; this strategy is to produce quality products through collaboration among government agencies in the context of developing finely chopped tobacco farming in Bondowoso Regency. Facts on the ground show that the implementation of inter-agency cooperation programs was still not well-coordinated, due to differences in perceptions among government agencies.
- b) Expansion of market share through partnerships with tobacco companies; This is realized based on the principles of mutual need, mutual strengthening and mutual benefit. The cigarette company is obliged to provide technical guidance and assistance in production facilities. Farmers sell all their products to their partners, and from the sales they can pay off their production facilities loan.
- c) Increased use of technology through training; In this strategy, farmers are given training to use technology optimally in accordance with the recommendations given by the company. Through this partnership program, the company not only provides production facilities in the form of fertilizers, seeds and drugs, but also provides business capital to farmers who participate in the partnership program.
- d) Pricing for specific products; The position of farmers as tobacco producers is very weak, marked by weak bargaining power and long trading chains. Market imperfections and asymmetric information lead to high transaction costs. Even farmers who have partners cannot determine the selling price of their tobacco, much less farmers who do not have partners, they lose even more because they also have to face collectors
- e) Farming cost efficiency; This strategy is implemented by minimizing farming costs. The high cost of farming is partly due to the high price of tobacco seeds because they are imported tobacco seeds. Cigarette companies are expected to be able to make a breakthrough with research activities to be able to produce their own tobacco seeds that are cheaper.

The criteria for selecting finely chopped tobacco agribusiness development in Bondowoso Regency referred to the Regulation of the Minister of Agriculture of the Republic of Indonesia No. 06/Permentan/OT.140/2/2015 concerning Guidelines for Rural Agribusiness Development, covering aspects of providing production facilities, production aspects, marketing and processing aspects, as well as supporting institutional aspects. The comparison matrix was prepared based on the development aspects of finely chopped tobacco agribusiness in Bondowoso Regency.

The results of the Hierarchical Process Analysis show that the criteria comparison matrix was quite consistent, and there was no need to re-evaluate the comparison matrix that had been made. Thus the priority and ranking of each criterion could be determined as presented in **Table 3**.

Table 3. Priority and ranking of each criterion

Criterion	Relative Priority Value	Rank
Aspects of providing production facilities	0,356	2
Production aspect	0,121	4
Marketing and management aspects	0,388	1
Supporting institutional aspects	0,134	3

The strategy for developing finely chopped tobacco agribusiness in Bondowoso Regency based on alternative strategies, hierarchy of criteria, and priority weights of each aspect of agribusiness development is depicted in **Figure 2**. In this case, it can be seen that the criteria used in the AHP model were the criteria derived from the results of the SWOT analysis. Thus the method used was a combination of the AHP model with SWOT ([14] [15]).

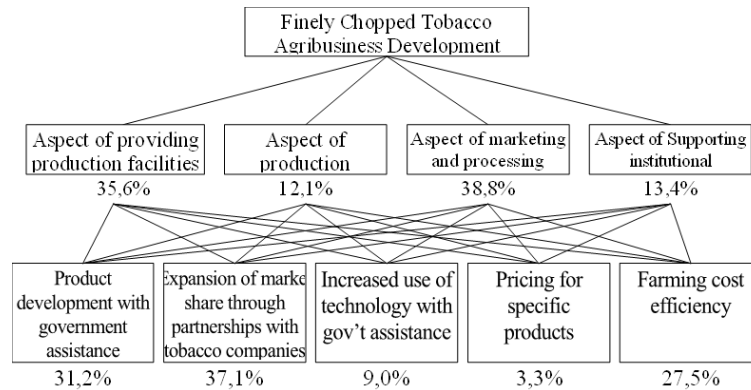


Fig. 2. AHP structure of finely chopped tobacco agribusiness development

AHP is an analytical tool that can be used to solve a problem in an organized framework. Then the results are applied in making effective decisions on the problem. Complex problems can be simplified, and the decision-making process can be accelerated. Giving the weights intuitively, namely by doing pairwise comparisons.

AHP begins with setting goals, then first-level criteria, sub-criteria and finally alternatives. There are various forms of decision hierarchies that are adapted to the substance and problems that can be solved with AHP. AHP allows users to assign a relative weight value of a criterion or multiple alternatives to the value of a criterion. The alternative strategies for developing finely chopped tobacco agribusiness in Bondowoso Regency were prioritized on:

The first priority was to expand market share through partnerships with cigarette companies related to marketing and processing. Partnerships were designed to provide benefits to both parties. The partnership that existed between farmers and cigarette manufacturers was based on mutual need and efforts to develop each other. The application of the concept of partnership between farmers and tobacco companies needed to be done as an effort so that tobacco farmers' businesses could run well and profitably. Companies were given the ease of licensing as long as they were still in partnership with farmers. The government was obliged to supervise and ensure a good partnership, if there were a dispute between the two parties, the government should be present as a mediator in resolving the problem. The government also acted to provide a positive business climate to encourage business growth.

The second priority was product development with government assistance related to marketing and processing. The product development strategy was aimed at producing higher quality and varied products. This could be carried out with cooperation between government agencies in the development of finely chopped tobacco farming in Bondowoso Regency. Government had

an important role in the development and success of partnerships. The government provided facilities and infrastructure needed by both companies and farmers. In particular, farmers were given technical guidance and counseling regarding the insight into the development of tobacco derivative products (soap, detergent, cosmetics, vapor, and others). Study tours to tobacco marketing places outside the region were also an alternative marketing strategy to expand business networks. The government, in this case, the Department of Agriculture, also provided counseling and technical guidance in the tobacco center district with the aim of providing information to farmers about the development of tobacco farming.

The third priority of the alternative strategy for developing finely chopped tobacco agribusiness in Bondowoso Regency was the efficiency of farming costs related to marketing and processing. Farming cost efficiency could be implemented by minimizing farming costs. These included the provision of quality and certified free tobacco seeds, assistance with agricultural tools and machinery, construction of farm roads and assistance of three-wheeled vehicles to minimize marketing costs as well as cooperation with banks regarding loan facilities for tobacco farming.

The fourth priority of the alternative strategy for developing finely chopped tobacco agribusiness in Bondowoso Regency was increasing the use of technology with training related to marketing and processing. Utilization of technology provided by companies and the government was optimally used to get the quality desired by companies that were in partnership with farmers. The provision of technical guidance by the Department of Agriculture was aimed at developing human resources. This included providing technical guidance through the provision of theory as an opener and followed with the application in the field (practice). The provision of technical guidance aimed at improving the mastery of technology for farmers.

The fifth priority of the alternative strategy for developing finely chopped tobacco agribusiness in Bondowoso Regency was pricing for specific products related to marketing and processing. Tobacco prices were largely determined by quality. The bargaining position of farmers as tobacco producers was very weak. The absence of strong bargaining power and the length of the trade chain were a reflection of the weak position of farmers as tobacco producers. Farmers who had partners could not determine the selling price of their tobacco, much less farmers who did not have partners. Farmers who did not have any partner were more at a loss because they could still be manipulated by collectors. The survey to obtain the Cost of Production was one of the real steps that were implemented. This activity was in response to the wishes of farmers conveyed through APTI, so that the government through the Ministry of Agriculture, Director General of Plantations, involved several state universities conducting a survey of the cost of production as a basic consideration for determining strategies to obtain a minimum production price with maximum profit. The role of local governments, especially the Department of Agriculture, is also needed to monitor price fluctuations that can harm farmers.

4 Conclusion

The marketing of finely chopped tobacco in Bondowoso Regency was efficient with a marketing efficiency value of 3.62% and the value of the Economic Efficiency Index was

greater than that of the Technical Efficiency Index ($EIE > TEI$). The marketing development strategy of finely chopped tobacco in Bondowoso Regency was product development with government assistance, market share expansion through partnerships with tobacco companies, increased use of technology with training, pricing for specific products and farm cost efficiency. The priority of the finely chopped tobacco marketing strategy in Bondowoso Regency was the expansion of market share through partnerships with cigarette companies related to marketing and processing.

Farmers, especially tobacco farmers, are expected to be able to realize their farming development strategy by developing their strengths and opportunities and minimizing the weaknesses and threats they face in order to be able to develop farming in the following growing seasons. Partnership programs also need to be developed in order to further increase market share, especially finely chopped tobacco, of course with mutually beneficial patterns for both parties.

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