CASE STUDY AT DINOYO'S CERAMIC MAKERS COMMUNITY

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ABSTRACT

Using the literature review method, this research details the financial, operational, product and marketing risks faced by micro, small and medium enterprises (MSMEs) in the ceramics company sector in the Dinoyo area. In a financial context, literature analysis includes risks of cash flow management, financing, and exposure to exchange rate fluctuations that can harm the financial stability of MSMEs. The literature review also highlights operational risks, emphasizing supply chain management, production resilience, and disaster risk management strategies as key factors.

Product risks, as an important focus, are analyzed from the perspectives of innovation, quality and regulatory compliance, with reference to literature discussing challenges in the development and marketing of ceramic products. Meanwhile, marketing risks in this literature review are related to changes in market trends, the effectiveness of marketing strategies, and challenges in building a strong brand image.

The results of this literature review provide a comprehensive picture of the risks faced by MSME ceramic companies, providing an in-depth understanding of these factors. The practical implication of these findings is the importance of MSMEs integrating careful and adaptive risk mitigation strategies. It is hoped that this research will provide valuable guidance for ceramic company MSME stakeholders in facing complex challenges in a changing business environment.

Keywords: **ceramic MSMEs, MSME risks**

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) in the ceramics company sector operate in a dynamic business environment, where they are faced with a number of risks that affect their sustainability and growth. Risks related to finance, operations, products and marketing have a significant impact on MSME performance. Therefore, a deep understanding of these risks is crucial in designing effective strategies to manage them.

The literature review method was used in this research to detail and comprehensively analyze the financial, operational, product and marketing risks faced by MSME ceramic companies. By referring to the latest collection of literature, this research aims to identify trends, findings and risk mitigation approaches that have been tested and developed by previous researchers.

In a financial context, the literature provides insight into investment capital levels and bookkeeping systems that do not yet apply the concept of business unity. Meanwhile, operational aspects are analyzed through the micro environment, facilities and infrastructure, and the level of education of human resources. Product and marketing risks are explored from the viewpoints of innovation, selling price, and market competition.

By detailing these risks through a literature review approach, it is hoped that this research can provide in-depth understanding for MSMEs in ceramic companies. In addition, the practical implications of these findings can help MSMEs develop adaptive and competitive risk mitigation strategies, making a positive contribution to the sustainability of MSME businesses in this competitive sector.

THEORETICAL BASIS

Definition of MSMEs

Micro, Small and Medium Enterprises (MSMEs) have different definitions in each literature according to several agencies or institutions and even laws. In accordance with Law number 20 of 2008 concerning Micro, Small and Medium Enterprises, MSMEs are defined as follows:

1. Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Business as regulated in this Law.
2. Small businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet Small Business criteria as intended in this Law.
3. Medium Business is a productive economic business that stands alone, which is carried out by an individual or business entity that is not a subsidiary or branch of a company that is owned, controlled, or is part either directly or indirectly with a Small Business or Large Business with total assets net or annual sales proceeds as regulated in this Law.

MSME Business Criteria:

Based on assets and sales proceeds, according to Law Number 20 of 2008 article 6, the criteria for micro businesses are:

1. have a net worth of a maximum of IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or

2. have annual sales proceeds of a maximum of IDR 300,000,000.00 (three hundred million rupiah).

The criteria for small businesses are as follows:

1. have a net worth of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) excluding land and buildings of business premises; or
2. have annual sales of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah).

Meanwhile, the criteria for medium-sized businesses are as follows:

1. have a net worth of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings of business premises; or
2. have annual sales of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

HYPOTHESES

H1: Operational risks influence the sustainability of the ceramic business in the Dinoyo ceramic community.

H2: Marketing risk influences the sustainability of the ceramic business in the Dinoyo ceramic community.

H3: Product and financial risks influence the sustainability of the ceramic business in the Dinoyo ceramic community.

H4: Operational, marketing, product and financial risks influence the sustainability of the ceramic business in the Dinoyo ceramic community.

METHOD

This research uses a literature review method to investigate financial, operational, product and marketing risks in MSME ceramic companies. Identification of relevant literature sources is carried out through searches in academic databases, scientific journals and other trusted sources. After selecting literature sources, the data collection process is carried out by extracting information from articles, books and related research that covers the risk aspects studied. The data analysis technique used is descriptive, with an emphasis on main findings, pattern analysis, and synthesis of information from various sources to form a comprehensive understanding of the risks. Conclusions and recommendations resulting from a detailed analysis of the literature, provide valuable guidance for MSME ceramic companies in managing risks and increasing competitiveness in a highly competitive market.

RESULTS AND DISCUSSION

We separate the risks into 4 categories of risk.

- Operational Risk.
  1. Insufficient facilities and infrastructure with terrible access to Dinoyo's Ceramic Industry so the customers won't be interested to visit the place. Also, Dinoyo's ceramic industry is located in a densly residental area that makes it hard to find a parking spot for the visitors.
  2. Low HR education level. We can say that the ceramic makers education & knowledge level could affect the output of the product. You will need to understand about designing, painting, and also packing the product.
  3. Micro and macro-environment. There are no separators between the production room and the showroom which makes everything so unorganized. This issue could affect the productivity of the workers and the customers' convenience. Also, there are no supporting facilities like curb for example.
- Marketing Risk.
  1. Market Competition. A growing industry market recently shown a high competition level, especially in the ceramic industry. With this level of competition, the ceramic makers are demanded to be highly innovative to keep up with the others.
  2. The industry is located quite far from the city which made it inconvenient for the customers to be reached.
  3. Highly-priced product and marketing challenges. Ceramics are often priced higher than any other alternative materials. Another challenge is the effectiveness of product marketing.
- Product Risk.
  1. Unavailable product stock. Because usually, they produce the goods only when they get the order so the customers will likely won't get the product right away.
  2. Limited innovation idea. Some producers might face difficulties in innovating their products. Also, the price and the availability of the raw materials could be the issue in the development.
- Financial Risk.

1. Outdated accounting system that hasn't implemented economic entity principles. The owner of the industry will face difficulties to calculate the profit/loss of the business because they didn't separate their personal and business wealth.
2. High capital investment level. The ceramic industry needs a high investment level to start or develop the business.

Risk Response.

- Operational Risk

1. Insufficient facilities and infrastructure

By having a branch store in a more spacious area so the customers could shop comfortably without having any difficulties accessing the store.

2. Low HR education level.

We could hold a training session for the ceramic makers so they can gain more knowledge about everything within the ceramic industry.

3. Micro and macro-environment.

The easier option is to organize the store and design the store layout as neatly as possible so the ceramic makers can work peacefully and the customers can shop comfortably. We could also build a new facility like a designated curb for the pedestrians to walk to solve the facility issue.

- Marketing Risk

1. Market Competition

The ceramic makers should stay up-to-date with the current trends to understand the demand of the customers. They could also experiment by consistently launching a new product once every sometime so the customers didn't get bored by the existing products.

2. The industry is located quite far from the city

We could also use the first operational risk response to deal with this issue. By having a branch store in a much better-located area so the customers could easily reach us.

3. Highly-priced product and marketing challenges.

We could give a discount for big orders so the customers will be attracted to buy the ceramic from the ceramic makers. About the product marketing, we could use social media or any other digital platform so they could reach a much wider market.

- Product Risk

1. Unavailable product stock.

They need to analyze what product has a big demand and what product has a low demand. After, they can determine their stock supply based on the product's demand. They can also let the customers contact them to make the order before going to the store.

2. Limited innovation idea.

As we said earlier in the first Marketing Risk response, they need to stay up-to-date with the current trend and don't be afraid to experiment with new product. For the raw materials, they should find a good and reliable supplier for their material.

- Financial Risk
  1. Outdated accounting system that hasn't implemented economic entity principles.

     We can give them counseling about the importance of the economic entity principle. They need to start implementing the economic entity principle because it is important to separate personal and business finance to avoid any trouble in managing the finances of the business.
  2. High capital investment level.

     They can use any financial services that are available from commercial loans to any fintech lending service.

CONCLUSION

In dealing with the risks faced by the Dinoyo Ceramic Industry, conclusions can be drawn as follows:

- Operational Risk:
  1. The response to inadequate facilities and infrastructure is to open branches in wider areas to provide convenience to customers and ensure easy access.
  2. For the risk of low human resource education, intensive training for ceramic makers can increase their knowledge in the design, coloring and product packaging processes.
  3. In overcoming micro and macro environmental problems, neatly arranging shops and providing facilities such as sidewalks can increase worker productivity and customer comfort.
- Marketing Risk:
  1. To overcome market competition, product innovation and understanding market trends can help the Dinoyo Ceramic Industry remain relevant. Regularly launching new products can also overcome customer fatigue.
  2. Locations that are far from the city can be overcome by opening branches in more strategic locations.

3. Addressing high pricing and marketing challenges can involve discount strategies for large orders and leveraging digital platforms to expand market share.

- Product Risk:
  1. To avoid the risk of product stock not being available, market demand analysis can help determine appropriate inventory. Customers may also be allowed to place orders before visiting the store.
  2. Limitations of innovative ideas can be overcome by staying abreast of the latest trends and trying new products. Selection of reliable raw material suppliers can also support product development.
- Financial Risk:
  1. Outdated accounting systems can be updated by providing education on the principles of economic entities. Implementation of this principle is important to separate personal and business finances.
  2. High levels of capital investment can be overcome by using available financial services, such as commercial loans or financial technology (fintech) loan services.

By taking appropriate response actions to each risk category, the Dinoyo Ceramic Industry can improve its performance and resilience in the market.

SUGGESTION

Here are some suggestions to improve performance and reduce risks in the Dinoyo Ceramic Industry:

1. Facilities and Infrastructure:
   - Open branches in more strategic and wider areas to increase customer comfort and accessibility.
   - Develop plans to improve infrastructure, including adequate parking facilities.
2. Human Resources Education:
   - Conduct regular training to increase the level of education and knowledge of workers regarding product design, coloring and packaging.
   - Motivate workers to engage in additional educational activities, such as design and art courses.
3. Operational Environment:
   - Redesign the store layout and build facilities that separate the production space and exhibition space.
   - Providing additional facilities, such as sidewalks, to increase the comfort of workers and customers.
4. Product and Marketing Innovation:

- Establish a product innovation team to continuously develop new designs and understand the latest market trends.
- Increase marketing efforts through social media and digital platforms to reach a wider audience.

5. Location and Accessibility:
    - Add branches or shops in more strategic locations and are easily accessible to customers.
    - Promoting delivery services to overcome location constraints that are far from cities.
6. Pricing and Marketing Policy:
    - Establish a competitive pricing policy and consider discounts for large orders or customer loyalty programs.
    - Invest in effective marketing strategies, such as online advertising campaigns and collaborations with influencers.
7. Product Stock Management:
    - Conduct regular market analysis to understand customer demand and adjust product stock wisely.
    - Open pre-order options to ensure the availability of products desired by customers.
8. Financial Management:
    - Update the accounting system to comply with the economic entity principle and separate personal and business finances.
    - Looking for appropriate financial solutions, such as professional financial consultation or looking for more affordable funding sources.

By implementing these suggestions, the Dinoyo Ceramics Industry can increase its competitiveness, reduce risks and achieve sustainable growth.

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