

## Place Branding: An Alternative Model for Empowering Small and Medium Enterprises (SMEs)

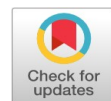
SUDARMIATIN \*

Faculty of Economics, Universitas Negeri Malang, Malang, Indonesia

**Abstract:** This study aims to (1) describe the implementation of place branding on the Tugu tourism market, (2) analyzing the effectiveness of SMEs empowerment through the Tugu tourism market (3) analyzing the process of developing place branding becomes a destination branding. Research design is a qualitative case study. The research subjects were SMEs in the Tugu tourism market, the tourism office and Trade and Industry office. The research instrument uses interview guidelines, observation sheets and documentation. Data analysis is based on stages (1) data condensation, (2) display data, and (3) conclusion drawing. The results showed that (1) the Tugu tourism market in the city of Malang was able to accommodate as many as 459 SMEs, which were all based on local wisdom. (2) The effectiveness of place branding can be seen from the increase in SMEs income to 150%, and its contribution to Regional Original Income reaching IDR 120,000,000 per year (3) The process of the Tugu market from place branding to being a destination branding requires a very long time. Advice for SMEs joining the Tugu market is not to stop innovating in order to increase competitiveness and attracting tourists attention. The implication of this research is the need for clear regulations regarding the location, beauty, comfort and safety of the Tugu tourism market.

**Keywords:** Place branding, Empowerment of SMEs

Received: 15 January 2019/ Accepted: 05 February 2019 / Published: 26 April 2019



### INTRODUCTION

In the era of globalization, the growth of SMEs in Indonesia experienced several obstacles, including the limited human resources in mastering technology. However, this does not mean that SMEs stop growing because there are still other ways to empower SMEs through place branding. Tsai and Wang (2017) stated that place branding could elevate the local culinary street vendors in Tainan City, Taiwan becoming famous as a food tourism destination. Whereas Lee, Wall, and Kovacs (2015) stated that place branding could lift rural culinary tourism in the city of Ontario, Canada. A brand is the giving of names, terms, signs, symbols, designs, or a combination of all of them, which are made with the aim of identifying goods or services or groups of sellers and distinguishing them from competitors' goods or services (Kotler & Keller, 2009). The development of the study of branding from goods or services to the place, can be meaningful. On the one hand, the introduction of a place has an impact on increasing tourism development. On the other hand, the establishment of place branding is one of the efforts to empower local businesses to be known by regional, national and even international communities.

Malang City is one of the cities in East Java, Indonesia which has many SMEs. Data from the Malang City Cooperative and SME Office show that in 2018 the number of SMEs in Malang reached 113,000. One of Malang's efforts to empower SMEs was to create a branding place for Tugu tourism market located in the outer stadium of Gajayana, Semeru street, Malang city. Named the Tugu market because the market is only open on Saturdays and Sundays, which is then abbreviated as TUGU. Although the number of SMEs in the Tugu market is quite large, the location often moves which affects the inconvenience of traders and visitors. Tugu market management, which has been led by the Malang

\*Corresponding author: Sudarmiatin

†Email: sudarmiatin09@gmail.com

City Tourism Office, is often made dizzy because of the act of illegal SMEs that disturb the comfort of residents who live around Tugu market. The increasing number of SMEs is one of the reasons for the insufficient location provided by the Malang city government.

This study aims to (1) describe the implementation of place branding on the Tugu tourism market in Malang city, (2) analyze the effectiveness of place branding for the empowerment of small and medium enterprises and (3) analyze the process of developing of place branding towards destination branding. The benefits of the results of research from theoretical aspects are for scientific development, especially the science of Small Business Management whereas the benefits of the research results in terms of empirical aspects are to provide input to the Malang city government, especially to the tourism office related to placing branding design for empowering local wisdom products SMEs and as one of Malang's tourist destinations.

## **LITERATURE REVIEW**

### **Characteristics of SMEs**

The characteristics of SMEs are the characteristics or traits inherent in small and medium enterprises in carrying out their business (Ripain, Amirul, & Mail, 2017). Following are some of the common characteristics possessed by SMEs in Indonesia, including the quality of human resources is still low, product quality control is still weak, limited use of technology, difficulty accessing capital from formal sources. Based on the condition of SMEs, the Indonesian government through Law No. 20 of 2008 considers it necessary to empower SMEs. The following are some of the goals of SME empowerment, namely (1) realizing a balanced, developing and equitable national economic structure (2) growing and developing the capacity of Micro, Small and Medium Enterprises to be strong and independent businesses (3) increasing the role of Micro, Small and Medium Enterprises and Medium in regional development, job creation, income distribution, economic growth, and alleviation of people from poverty.

According to the [The World Bank \(2015\)](#) the types of SMEs can be grouped into three types, namely (1) Micro business (number of employees 10 people); (2) Small Business (number of employees 30 people); and (3) Medium Business (number of employees up to 300 people). In Indonesia, the Law governing SMEs is Law Number 20 of 2008. In the law, it is explained that a company classified as an MSME is a small company owned and managed by someone or owned by a small group of people with total wealth and a certain income. Micro business is a business that has a net worth of at most IDR 50,000,000 excluding land and buildings. Small businesses are businesses that have a net worth of IDR 50,000,000 to IDR 500,000,000. Medium businesses are businesses that have a net worth of IDR 500,000,000 to IDR 10,000,000,000.

### **Place branding**

[Govers and Go \(2009\)](#) states that place branding shows an effort to build a brand in a place, city and even country. Place branding can be useful for building partnerships between government and the private sector both in the fields of tourism, trade and creating investment opportunities. Place branding is a communication process to build the image of a location or place in the eyes of consumers. Place branding is known since the 19th century in the United States with objects in rural areas. Since 2010 place branding has developed in the tourism sector in Europe and has been studied as a science ([Nugraha & Indrawati, 2017](#); [Tarman, Soleh, Ari, & Rahmat, 2019](#); [Vuignier, 2017](#)). Thus in the science of marketing, the concept of place branding is still quite new. In the era of global competition, this competitive strategy through place branding is needed because communication in this era is running very fast. A location that was previously nothing became very popular because of the help of the internet and social media. Place branding is not only about good slogans, logos and promotional campaigns. In an experience economy, an integrative place branding strategy is needed to capture the hearts and attention of visitors. This means that place branding must be supported by policy, innovation, events, structure, investment, and symbolic actions.

[Anholt \(2005\)](#) provides a framework for evaluating the effectiveness of place brands called City Brand Hexagon, as well as a tool that helps brand determination efforts. Some components to evaluate

the effectiveness of the place branding are as follows:

- a. The Presence. This component refers to the international status of a city and how many people know the city.
- b. The place. This component refers to physical aspects, such as how beautiful and pleasant the city is.
- c. The Potential. This component refers to the city's opportunity to offer various activities, such as economic activities or education.
- d. The pulse. This component refers to how much people are interested in the city.
- e. The people. This component tests the local population in terms of openness, friendliness, as well as security issues in the city.
- f. The Prerequisites. This component relates to the basic quality of the city, the standard and cost of accommodation, and public comfort.

### **Results of previous studies**

The following are some of the relevant research results. The results of the study of Lee et al. (2015) stated that place branding could lift rural culinary tourism in Ontario, Canada. Tsai and Wang (2017) in the results of his research stated that place branding could elevate local culinary street vendors in Tainan City, Taiwan, which eventually became famous as a food tourist destination that became a destination for tourists. The results of the Papadopoulos (2004) study show that place branding can boost the tourism sector and improve people's attitudes to love the domestic products. Whereas Pride, Morgan, and Pritchard (2002) suggested that brands that win are those who have high emotional appeal, have high communication values and are able to anticipate the attractiveness of tourists.

Zenker and Braun (2010) stated that place branding measurements could be done with qualitative, quantitative or mixed methods approaches. While the results of the research of Aitken and Campelo (2011) show that when viewed from the perspective of the relationship between people and their place, the place branding construction includes rights, roles, relationships and responsibilities (Rights, Roles, Relationships and Responsibilities). A bottom-up approach must be taken to develop place branding and that brand ownership is determined by the degree to which place representation reflects people's experience.

Hanna and Rowley (2008) propose 7 digital strategies to place branding management channels, clutter, community, chatter, communication, co-creation, and co-branding. Kavartzis (2005) suggested a rethinking of place branding measurements based on two pillars. First, combining more geographical understanding into place branding. Second, describes the process that allows place elements and place-based associations to join and form place branding.

### **METHODS**

The design of this study is a qualitative case study. The research location is in Malang City, East Java, Indonesia. The research subjects were local wisdom products SMEs who trade in Tugu tourism market in Malang City, consumers who shop at Tugu tourism market, Tourism Office, and Malang City Trade and Industry Service. The research instruments are interview guides, observation sheets, and documents. To guarantee the accuracy of the data triangulation is done both triangulation of methods, data sources and triangulation of research results. Data analysis techniques used the format of Miles, Huberman, and Saldaña (2014), which consisted of three lines of activities carried out simultaneously, namely (1) data condensation, (2) data display, and (3) conclusion drawing/verifications.

Data condensation is the process of selecting, simplifying, and/or transforming data in writing, making transcripts of interview results, collecting documents and other empirical material. Data presentation is organizing data, pooling data into meaningful information, including conducting in-depth analysis or taking action based on understanding. The final activity of data analysis in this study is to draw conclusions and verification, propositions, and even bring up new theories in the field of marketing. Here is a map of the city of Malang, East Java, Indonesia.



Figure 1. Maps of Malang City, East Java, Indonesia

## RESULTS

### Description of the implementation of place branding on Tugu tourism market

Tugu tourism market is a place designed like a market to accommodate the aspirations of local wisdom products for SMEs in Malang. The number of SMEs involved as traders in the Tugu tourism market in Malang are 459 people. They all sell local wisdom products in the city of Malang, which include food, drinks, crafts and fashion. Market design is arranged in the form of tourist tents measuring  $3\text{m} \times 3\text{m}$  in striking colors. To simplify the arrangement of both membership administration, design and cleanliness, the Malang Tugu tourism market UKM community was formed called the Tugu Shopping Tourism Trader Association (IPWBT). The organizational structure consists of the chairman, vice-chairman, secretary, treasurer and sections. Although the management had recorded all members of IPWBT, in reality there were still illegal traders who were not members who participated in selling at the Tugu tourism market. As a result, neatness, cleanliness, neatly arranged beauty are falling apart due to the emergence of these wild traders. As stated by the Chairperson of IPWBT that the requirements to become a member of Tugu tourism market include (a) being willing to comply with all applicable rules, (b) paying membership fees, (c) maintaining and paying for cleaning fees, and (d) paying tent rent.

### The effectiveness of place branding for empowering SMEs

A place branding is called effective if it is successful in providing positive benefits both for SMEs, government and community actors. The positive benefit of place branding for SMEs is being able to increase sales turnover. As stated by one of the following fashion traders:

“If I sell in Tugu tourism market, my income in one day can reach IDR 5.000.000 to IDR 10.000.000 Whereas if I sell in traditional markets, I only get an average income of IDR 3.000.000 to IDR 5.000.000 Therefore, every Saturday and Sunday I choose to sell in the Tugu tourism market.”

The positive benefits of place branding for the Malang city government are increasing tax sector revenues, increasing the number of tourists, and empowering SMEs. The contribution of Tugu tourism market on Regional Original Income reaching IDR 120.000.000 per year. Another benefit is the increasing attitude of the community to love domestic products. While the benefits of place branding for the community is to be able to travel cheaply and close to home. The results of interviews with several SMEs showed that there was an increase in sales as long as they were selling in Tugu tourism market compared to selling outside the Tugu market.

SMEs traders who gather in Tugu tourism market come from various traditional markets in Malang and other cities around Malang. Because selling in Tugu tourism market promises greater income, then on Saturday and or Sunday they choose to sell in Tugu tourism market compared to traditional markets.

### The process of developing place branding becomes a destination branding

Destination branding is a place that is a tourist destination for both nature tourism, cultural

tourism and shopping tourism. The process of forming a destination branding can be natural, or deliberately formed by humans. Tugu Market in Malang city is located in a strategic area that is close to the stadium and the location of the car-free day. Every Saturday and Sunday, many people in Malang do sports in the car-free day area. After exercising on average they enjoy breakfast and shopping for souvenirs in the Tugu Market area to take home. These gifts can take the form of food, fruits, traditional cakes, simple fashion needs, and so on. In addition to people who exercise in the car free day area, there are also visitors who intentionally come to Tugu market for just sightseeing and shopping.

The position of Malang as a city of tourism and education also supports the acceleration of the formation of place branding processes as destination branding. Malang City has 3 public universities and 47 private universities. The large number of students in the city of Malang also contributed to a large number of visitors in the Tugu tourism market. The students get cheap tourism opportunities in the Tugu market because they are not charged anything in entering Tugu market area. In other words it can be stated that students are very fond of traveling on Tugu market because besides being free, the distance is also close to the campus so there is no need to use a vehicle. Some students were even inspired to participate in selling at Tugu tourism market because it was very promising income. As stated by one of the students, visitors to Tugu tourism market are as follows.

“I like to take a walk in Tugu tourism market. At first I like to walk while shopping, but over time I also want to sell like them. I like experimenting with unique foods or drinks. I tried making mushroom ice, fruit ice and rainbow ice, then I sold it at Tugu tourist market. The results are pretty good at the same time I can learn entrepreneurship.”

The process of making a place branding as a destination branding is not easy. The place branding concept is more common than destination branding. Destination branding is more directed at the tourism sector, so it requires an attraction that encourages tourists to come to enjoy tourist attractions. Something unique is needed and constantly updated so that visitors do not get bored, such as Tugu market location is easy to reach, attractive layout & design, unique products sold, cleanliness is maintained, promotional media used are in accordance with the characteristics of the targeted market segment, have good corner photos for Instagram and other social media. The following is the process of forming a place branding as a destination branding.

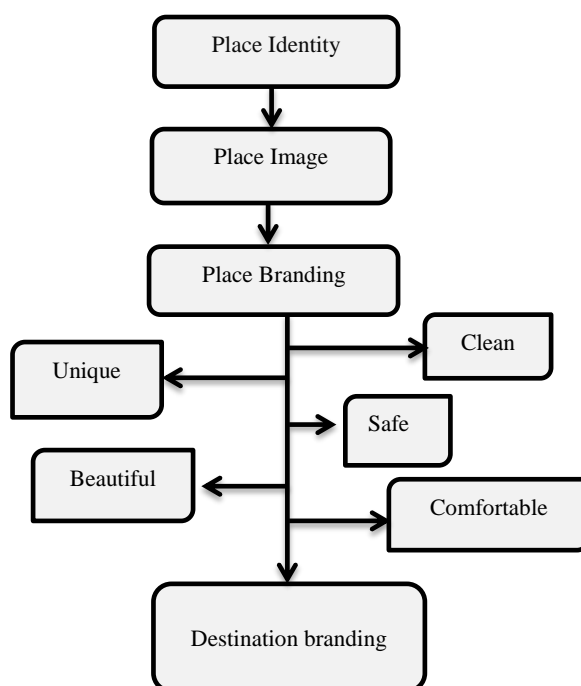


Figure 2. The process of developing place branding becomes a destination branding

## DISCUSSION

Tugu Malang tourist market is a place designed like a market by the local government of Malang, which aims to attract the attention of tourists and to empower local wisdom products SMEs. Named as Tugu tourism market, because the market is only open on Saturdays and Sundays. With the gathering of sellers of local wisdom products on the Tugu market, it is expected to be able to attract the attention of the public both from within and outside the city of Malang. As [Anholt \(2005\)](#) stated that one component of the effectiveness of place branding is determined by the potential of the place to offer various activities, such as economic activity or education. Malang City is known to the wider community as a tourist city and city of education. Referred to as a tourist city because in Malang there are various tourist attractions such as cultural tourism in the form of temples and historical heritage buildings, industrial tourism ranging from handicraft industries (ceramics, puppet masks, pots, convection) to food and beverage industries (fermented soybean chips, fruit chips, vegetable chips and various fruit juice drinks). Whereas it is called City of Education because in Malang City there are many universities, both public and private. There are 3 public universities in Malang, namely Malang State University (UM), Brawijaya University Malang (UB) and Malang State Islamic University (UIN). The number of private universities in Malang City is 47.

As a city of education, the city of Malang annually arrives at least 10,000 students who come from various cities in Indonesia and abroad. Status as an education city has an impact on various aspects of life. On the one hand, the arrival of students every year can generate income, starting from boarding rentals to the crowds of culinary business visitors including Tugu market. On the other hand, the traffic conditions in Malang City are increasingly crowded which has an impact on congestion and inconvenience. The cool condition of Malang City also became the main attraction for prospective students and tourists. This is relevant to the results of the study of [Kavaratzis \(2005\)](#) which suggested that place branding measurements are based on two pillars, namely place and place-based associations. When the two join, it can increase the selling value of a place to become a tourist attraction.

The city of Malang is also known as the City of Meatballs. There are various types of meatballs in Malang, namely Cak Man meatballs, President meatballs, Solo meatballs, Cak Kar meatballs, Gun meatballs, and so on. Tourism to Malang City is not satisfied if you haven't enjoyed meatballs. Brand Malang as a city of meatballs is not only known in the city of Malang but also known in all cities in Indonesia. This is evidenced by the presence of several Malang meatball restaurants in Bandung, Yogyakarta, Solo, Jakarta, Surabaya, Makassar, Kalimantan, Bali, and others. This is in accordance with the results of the study of [Lee et al. \(2015\)](#) and [Tsai and Wang \(2017\)](#) stating that place branding can elevate local culinary street vendors to become famous and become the destination of tourists.

In the era of digital competition, people were given the convenience to access information including information about products needed by families, businesses and government agencies. The efforts of the Malang City government to provide a place for local wisdom products to appear on the surface of which also aims to educate the public to love domestic products. The number of foreign products that are around Indonesian people will affect the interest of the community to love domestic products. Who else loves domestic products if not the Indonesian people themselves? The movement to love domestic products needs to be pursued not only in Malang, but also in other cities throughout Indonesia. This is relevant to the results of the [Papadopoulos \(2004\)](#) study which states that place branding can boost the tourism sector and improve people's attitudes to love domestic products.

The effectiveness of Tugu market management in Malang City can be measured using quantitative and qualitative approaches. As stated by [Zenker and Braun \(2010\)](#) that measurement of place branding can be done through qualitative, quantitative or mixed methods approach. Quantitatively, it can be seen that the increasing income of SMEs joining the Tugu market traders association reached 150% compared to before. In addition, the number of tourists visiting Malang also increases from year to year. While qualitatively it can be stated that the more tourists visiting the Tugu City Malang tourist market, the more it will improve the attitude of the community to love domestic products. In the current era of global competition, the position of domestic products is getting worse due to low competitiveness. If there is no government intervention, it is not impossible that one-day Indonesian people will only become consumers.



Therefore, the presence of various place branding in Malang City can be an example of empowering local wisdom products in various cities in Indonesia. This is relevant to Gertner (2007) statement that place branding must be understood as an effective way to reconcile economic ideology and pragmatism.

The process of making place branding becomes a destination branding requires serious study, especially for Tugu tourism market managers in Malang City. Briciu (2013) stated the place branding concept is more common than destination branding. Destination branding is more directed at the tourism sector, so it requires an attraction that encourages tourists to come to enjoy tourist attractions. The neat, attractive, clean, safe and comfortable structuring factor of SME tents is a factor considered by consumers to visit Tugu tourism market. Through good collaboration between the Malang City government and the Tugu market traders association, it is expected that continuous evaluation and improvement will be carried out so that people will increasingly love Tugu market as a tourist destination. As stated by Hankinson (2001) in the results of his research that the complexity and control of the organization, management of partnerships, product complexity, and measures of success are important key factors to consider in the development of place branding. Likewise, the results of research by Medway and Warnaby (2008) show that tourism development is currently shifting to the uniqueness of a place so that competition in environmental marketing continues to increase.

## CONCLUSION AND RECOMMENDATIONS

Based on the results of the research and discussion above, some conclusions can be drawn as follows:

1. Tugu tourism market is a place designed like a market by the city of Malang in order to empower UKM local wisdom products starting from food, drinks, crafts and fashion. The number of SMEs joined as traders in the Tugu Market in Malang City is 459 people. With the gathering of local wisdom products traders are expected to attract the attention of the public both from within and outside the city of Malang to visit the Tugu tourism market.
2. The effectiveness of the management of the Malang City Tugu market can be seen using a mixture of quantitative and qualitative approaches. With the increasing number of SMEs who sell in the Tugu market, SMEs increasingly prosper. In addition, the increasing number of tourists visiting the Tugu City tourist market in Malang, further enhancing the attitude of the community to love domestic products.
3. The process of developing place branding to being a destination branding requires a very long time. The neat, clean, beautiful, comfortable and safe structuring and design of SMEs tents will affect the level of community visits to Tugu tourism market.

Advice for SMEs joining the Tugu market is not to stop innovating in order to increase competitiveness while attracting tourists' attention. The contribution of the Tugu tourism market to Malang Regional Original Revenue is quite large, which is an average of IDR 120,000,000 per year. Therefore the implication of the results of this research is that there is a need for clear regulations relating to Tugu's market location. The moving market location of Tugu has an impact on discomfort for both SMEs and consumers.

## REFERENCES

- Aitken, R., & Campelo, A. (2011). The four Rs of place branding. *Journal of Marketing Management*, 27(9-10), 913-933. doi:<https://doi.org/10.1080/0267257x.2011.560718>
- Anholt, S. (2005). Some important distinctions in place branding. *Place Branding*, 1(2), 116-121. doi:<https://doi.org/10.1057/palgrave.pb.5990011>
- Briciu, V.-A. (2013). Differences between place branding and destination branding for local brand strategy development. *Bulletin of the Transilvania University of Braov, Series VII: Social Sciences and Law*, 1, 9-14.
- Gertner, D. (2007). Place branding: Dilemma or reconciliation between political ideology and economic pragmatism? *Place Branding and Public Diplomacy*, 3(1), 3-7. doi:<https://doi.org/10.1057/palgrave.pb.6000053>
- Govers, R., & Go, F. (2009). *Place branding*. London, UK: Palgrave Macmillan.

- Hankinson, G. (2001). Location branding: A study of the branding practices of 12 English cities. *Journal of Brand Management*, 9(2), 127–142. doi:<https://doi.org/10.1057/palgrave.bm.2540060>
- Hanna, S., & Rowley, J. (2008). An analysis of terminology use in place branding. *Place Branding and Public Diplomacy*, 4(1), 61–75. doi:<https://doi.org/10.1057/palgrave.pb.6000084>
- Kavaratzis, M. (2005). Place branding: A review of trends and conceptual models. *The Marketing Review*, 5(4), 329–342. doi:<https://doi.org/10.1362/146934705775186854>
- Kotler, P., & Keller, K. L. (2009). *Marketing management* (13th ed.). Upper Saddle River, NJ: Prentice Hall.
- Lee, A. H., Wall, G., & Kovacs, J. F. (2015). Creative food clusters and rural development through place branding: Culinary tourism initiatives in Stratford and Muskoka, Ontario, Canada. *Journal of Rural Studies*, 39, 133–144. doi:<https://doi.org/10.1016/j.jrurstud.2015.05.001>
- Medway, D., & Warnaby, G. (2008). Alternative perspectives on marketing and the place brand. *European Journal of Marketing*, 42(5/6), 641–653. doi:<https://doi.org/10.1108/03090560810862552>
- Miles, M. B., Huberman, & Saldaña, A. M. (2014). *Qualitative data analysis: A methods sourcebook* (3rd ed.). Thousand Oaks, CA: Sage.
- Nugraha, P. A., & Indrawati. (2017). The effect of social media experiential marketing towards customers satisfaction (A study in Chingu Korean fan cafe Bandung Indonesia). *International Journal of Business and Administrative Studies*, 3(2), 56-63. doi:<https://doi.org/10.20469/ijbas.3.10002-2>
- Papadopoulos, N. (2004). Place branding: Evolution, meaning and implications. *Place Branding*, 1(1), 36–49. doi:<https://doi.org/10.1057/palgrave.pb.5990003>
- Pride, R., Morgan, N., & Pritchard, A. (2002). *Destination branding: Creating the unique destination proposition*. Oxford, UK: Butterworth-Heinemann.
- Ripain, N., Amirul, S. M., & Mail, R. . (2017). Financial literacy and SMEs potential entrepreneurs: The case of Malaysia. *Journal of Administrative and Business Studies*, 3(2), 60-68. doi:<https://doi.org/10.20474/jabs-3.2.1>
- Tarman, H. A., Soleh, S. M., Ari, A., & Rahmat, T. A. (2019). Leveraging brand equity by applying brand communication and forming city branding based on unique selling proposition (a case of crafts city). *International Journal of Business and Administrative Studies*, 5(2), 146-159. doi:<https://dx.doi.org/10.20469/ijbas.5.10003-2>
- The World Bank. (2015). *Small and Medium Enterprises (SMEs) finance*. Retrieved from <https://bit.ly/2tc9sZm>
- Tsai, C.-T. S., & Wang, Y.-C. (2017). Experiential value in branding food tourism. *Journal of Destination Marketing & Management*, 6(1), 56–65. doi:<https://doi.org/10.1016/j.jdmm.2016.02.003>
- Vuignier, R. (2017). Place branding & place marketing 1976–2016: A multidisciplinary literature review. *International Review on Public and Nonprofit Marketing*, 14(4), 447–473. doi:<https://doi.org/10.1007/s12208-017-0181-3>
- Zenker, S., & Braun, E. (2010). Branding a city: A conceptual approach for place branding and place brand management. In *The 39th EMAC Annual Conference*, Frederiksberg, Denmark.