

Implementation of Segmenting, Targeting, and Positioning (STP) in the "Agung Kaos" Confectionery Micro, Small, and Medium Enterprise (MSMEs) in Malang Regency

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ABSTRACT

"Agung Kaos" MSMEs in Malang Regency faces competitive challenges in the increasingly tight fashion industry from large-scale producers and e-commerce platforms. This study examines STP strategy implementation to enhance business competitiveness using a descriptive qualitative approach through observation, in-depth interviews, and documentation studies. Results show Agung Kaos segments its market based on demographics (ages 17- 50), geography (Malang area and digital expansion), psychographics (communities, businesses, event organizers), and behavior (varying needs and repeat purchases). Targeting focuses on three segments: organizations/ communities (minimum 50 pcs packages), local MSMEs/ businesses (premium materials), and event committees (fast service with free design consultation). The business positions itself as a "Creative Partner for Premium Textiles from Malang" differentiated through trusted customization, quality materials, and one-stop service.

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic growth. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, MSMEs contribute 60.5% of the total Gross Domestic Product (GDP) nationally and absorb 96.9% of the total workforce (Lubis & Salsabila, 2024). One segment of this sector is the garment MSMEs, which face significant challenges in maintaining competitiveness amid the rapid growth of the fashion industry and increasingly tight market competition. This is also true for Malang Regency, a center for the creative industry in East Java.

According to data from the Central Statistics Agency, the population of Malang Regency is recorded at 2.73 million people as of 2024, and Malang Regency has developed into one of the centers of the creative industry in East Java that supports the growth of small and medium enterprises (MSMES) in various fields, one of which is garment production. The garment industry in this area is characterized by its predominantly home-based nature and its foundation in a sewing tradition that has been transmitted through generations. One garment company that has survived for more than ten years amid market and regional economic changes is the MSMEs "Agung Kaos." This business initially only produced simple t-shirts but has now evolved into a provider of various fashion products, especially custom clothing and merchandise for educational institutions, communities, and companies in Malang Raya.

Agung Kaos is a notable producer, distinguished by its superior material quality, prompt production, and comprehensive design services. However, like other garment MSMEs in Malang Regency, they encounter challenges from larger-scale producers and e-commerce platforms that offer similar products at competitive prices. In the context of intense competition within the garment industry, the implementation of an effective marketing strategy is imperative for the survival and growth of garment MSMEs (Manggu & Beni, 2021). For Agung Kaos, the implementation of the Segmenting, Targeting, and Positioning (STP) concept is a strategic necessity and crucial for survival in an increasingly fragmented market. Agung Kaos has been shown to allocate its limited resources more efficiently and maintain customer loyalty through effective STP implementation. Moreover, a comprehensive grasp of market segmentation and product positioning is imperative for garment MSMEs to adapt and flourish in the post-pandemic economic landscape, characterized by substantial shifts in consumer behavior.

Since its introduction by Wendell Smith in 1956, the Segmenting, Targeting, and Positioning (STP) concept has become the foundation of marketing strategy (Kasali, 2007). Segmenting is the process of dividing a heterogeneous market into homogeneous groups based on comparable characteristics, needs, and consumer behaviors (Ratnapuri et al., 2021). Targeting is the evaluation and selection of the most potential market segments to serve (Lusinta et al., 2019). Meanwhile, positioning is a strategic effort to create a unique perception of a product in the minds of potential customers (Syahputra et al., 2023).

According to previous research conducted by Kristiningsih et al., (2023) and Siagian & Cahyono (2021), correctly applying STP strategies in MSMEs can help them better understand customers, meet their needs, and compete in a complex market. They can achieve sustainable business growth by understanding the targeted market segments and desired positioning. Despite the fact that the STP concept has been widely discussed in marketing literature, there has been little research on its implementation in the context of garment MSMEs, especially in the Malang Regency area. Most previous studies, such as those conducted by Zafir & Hidayat (2023) and Shoib et al., (2024), focused on the application of STP in MSMEs in the culinary and craft sectors. However, very few studies have examined how STP can be applied to garment MSMEs.

The objective of this research is to examine how the garment MSMEs "Agung Kaos" in Malang Regency implements the Segmenting, Targeting, and Positioning (STP) application. The specific objectives of this research are as follows: first, to discover and evaluate the market segmentation strategies used by "Agung Kaos" in the context of resource and market information limitations; second, to analyze the target market determination process and the segment evaluation criteria used by the MSMEs; third, to evaluate the positioning strategies designed to differentiate from local and national competitors; and fourth, this research is expected to make a significant contribution to the development of contextual marketing theory for MSMEs, enrich the literature on the application of the STP concept in micro-small scale enterprises, and provide practical knowledge for garment MSMEs actors on how to optimize their marketing strategies amid increasingly complex market competition.

THEORETICAL REVIEW

Marketing Strategy

A marketing strategy is an idea held by business actors and serves as a guideline in facing business competition. This is important for MSMEs business actors to attract consumer buying interest, increase sales results, add selling value, and grow brand awareness in the minds of consumers (Mahabbah & Mawardi, 2024). According to Ningsih & Marwati (2023), a marketing strategy is essentially a comprehensive, integrated, and cohesive plan in the field of marketing. A marketing strategy is crucial for surviving competition and strengthening sales volume (Elrod & Fortenberry, 2018).

STP as an Integrated Marketing Framework

The STP (Segmenting, Targeting, Positioning) framework is an integrated strategic approach in which the three components are interrelated and reinforce each other to form a comprehensive marketing strategy (Kasali, 2007). Instead of being viewed as stand-alone stages, segmentation, targeting, and positioning work synergistically, where the success of each stage is highly dependent on the correct execution of the previous stage. This interprocess relationship helps businesses manage and allocate limited resources more effectively, while creating meaningful differentiation in an increasingly fragmented market (Saxena, 2021).

Segmenting

Segmenting is the process of dividing the market into smaller parts based on characteristics that have value (Kaniawati, 2021). Market segmentation is essential considering that consumers have different desires and needs. Essentially, market segmentation is a consumer-oriented marketing management strategy (Fadhillah et al., 2023). By applying market segmentation, businesses or micro, small, and medium enterprises (MSMEs) can focus on achieving goals and utilizing resources more efficiently and effectively.

Targeting

Targeting is a method for selecting the right segments and businesses, where it must balance capabilities and resources against the desires of various segments (Kalam, 2020). According to Tridyanthi et al., (2023), target market and potential consumer determination can be done by matching how they react to the market in meeting their basic needs, identifying consumers' ability to purchase products, and identifying the limitations that consumers have. Therefore, targeting is a process of evaluating the results of segmentation that has been carried out and then making selections based on the desired consumer criteria. Thus, targeting is defined as a solution for selecting potential consumers and facilitating companies or MSMEs to have a market.

Positioning

Positioning refers to the process of creating a unique and desired image or perception of a product or brand in the minds of the target market (Correia & Rodrigues, 2023). This process involves developing a unique value proposition and effectively communicating it to the target audience, highlighting the benefits and differentiation of the product from competitors. According to Saxena (2021), through positioning, companies or MSMEs strive to maintain a unique and advantageous place in the minds of customers, which impacts their perceptions and purchasing behavior.

Interrelated Components of STP

The three components of an STP strategy—segmentation, targeting, and positioning—are part of an interrelated, sequential but repeatable process. Segmentation serves as the basis for understanding the market and provides the information needed to determine the most appropriate segments to target. The targeting process then directs the focus on specific consumer groups, which ultimately becomes a reference in developing an appropriate positioning strategy. An effective positioning strategy must reflect the characteristics of the selected segment in order to optimally reach and influence the market (Manggu & Beni, 2021)

Research conducted by Kristiningsih et al., (2023) revealed that MSMEs will get greater benefits if they implement STP as an integrated strategy, compared to if the three elements are run separately. Good coordination between segmentation, targeting, and positioning will create a consistent marketing message, increase appeal to consumers, and help optimize the use of resources. For MSMEs like Agung Kaos that are in a competitive business environment and have limited resources, an integrated STP approach can be a powerful differentiation strategy.

This allows them to build a sustainable competitive advantage, despite having to compete with large companies that have greater capacity Siagian & Cahyono, (2021).

METHODOLOGY

This research was conducted using a qualitative descriptive approach. Descriptive research aims to provide definitions, descriptions, and validations related to the phenomena being studied (Ramdhan, 2021). The research was carried out over a six-week period from early March to mid-April 2025 at the "Agung Kaos" MSMEs in Malang Regency, East Java. The researcher used observation, interviews, and documentation to collect data in this study. Primary and secondary data are the sources of data used in this research. The primary data of this research is basic information obtained directly from the field without prior information through structured observations and interviews. The owner of MSMEs "Agung Kaos" is the primary data source of this research, and the secondary data sources are several literature journals. An interactive model analysis was used for data analysis, which is described descriptively.

RESULTS AND DISCUSSION

The implementation of effective STP (Segmentation, Targeting, Positioning) marketing strategies is key for MSMEs businesses like Agung Kaos to create a competitive advantage in the market. As a MSMEs business, Agung Kaos has demonstrated the ability to optimally implement STP strategies, which not only supports market penetration but also opens opportunities for developing more comprehensive marketing strategies. Agung Kaos prioritizes product quality through the selection of good materials and excellent service. By providing different variations such as combed 20s, 24s, 30s, and cotton bamboo, it shows a differentiation strategy through appropriate market segmentation and targeting. This allows Agung Kaos to reach a broader market and not be limited to just one consumer segment by offering different prices according to purchasing power and customer preferences.

Segmenting

Through comprehensive observations and interviews, Agung Kaos demonstrates good segmentation implementation by grouping the overall market into several different segments based on demographic, geographic, psychographic, and behavioral factors.

1. Demographic Segmentation

Through the demographic aspects of potential consumers, Agung Kaos determines segments with a broad age range from 17 to 50 years. Within this age range, Agung Kaos identifies them as students, teachers, organization managers, and business owners. This group generally has a need for custom clothing for various purposes, such as community uniforms, promotional attributes, or event merchandise. Economically, Agung Kaos's target market comes from the middle to upper-middle class, who have sufficient purchasing power. Additionally, the educational level of the targeted potential consumers ranges from high school to

college, who tend to understand branding and require specialized services for customization.

2. Geographic Segmentation

The determination of Agung Kaos's geographic segmentation is based on the operational location of its business, prioritizing Malang Regency and City. Furthermore, the secondary reach extends to the East Java Province, where the demand for garment products is still quite high and easily accessible. Not only that, by utilizing digital access, Agung Kaos also receives online orders from outside the province, targeting major cities in Indonesia. This business does not only target small-scale areas but expands its reach to remain competitive amid the evolving competition and provide easy access to potential consumers in Indonesia.

3. Psychographic Segmentation

Through the psychographic aspects of potential consumers, Agung Kaos targets groups that are active in organizations and require a strong group identity, such as communities and educational institutions. This MSMEs also serves businesses or institutions that need garment products for business promotion or as a form of work uniforms that can strengthen branding. Additionally, event organizers are also part of the targeted market, considering their need for merchandise for the events they hold, whether on a small or large scale.

4. Behavioral Segmentation

Agung Kaos also identifies potential consumers based on their habits. This business aims to target those who prioritize products that can be customized according to their needs. It is expected that potential consumers are not only looking for services that offer t-shirt production but also include design to the final process, so they can obtain a one-stop service solution. Moreover, many customers place orders regularly, especially from organizations and businesses that require a continuous supply of products in large quantities.

Targeting

Agung Kaos narrows down its target by focusing on the demographic and behavioral segments of potential consumers. They establish three main groups as target markets based on type and specific needs, namely student organizations and communities, local MSMEs and businesses, as well as event and festival committees. With this, Agung Kaos can focus on products and services that are more aligned with the characteristics of each consumer.

Student organizations and communities become the primary focus in Agung Kaos's marketing strategy. This group tends to need clothing that reflects identity and togetherness. Agung Kaos offers economical packages for bulk orders, with a minimum order of 50 pieces. This garment company emphasizes customized design services according to the desires and requests of consumers.

Agung Kaos also focuses on micro, small, and medium enterprises (MSMEs) and local businesses, which present a significant opportunity considering that a business requires products that can highlight identity or personal branding. This garment factory offers premium quality with exclusive materials such as 30s combed cotton and bamboo cotton that are comfortable to

wear and durable. In addition, flexible design and production services ensure that every product made meets the branding needs of the business.

The final target of Agung Kaos is event and festival committees that usually require large-scale garment products, quick turnaround times, and ready-to-deliver services. To support the best service, this business offers free design consultation bonuses. Flexibility in ordering and production time efficiency are added values that make Agung Kaos the primary choice for event committees.

Positioning

As a garment micro, small, and medium enterprise (MSMEs), Agung Kaos positions itself as a "Creative Partner for Premium Textiles from Malang." Agung Kaos wants to emphasize that they are not just a garment service business, but also a partner that encourages customer creativity in every activity by creating premium textiles from Malang. The positioning established by Agung Kaos is supported by three unique values as their competitive advantages.

Agung Kaos prioritizes trusted customization with its ability to create designs according to customer desires with precise and consistent results. Furthermore, the offering of premium product quality also serves as a main pillar supporting potential consumers' decisions to use their services. Therefore, Agung Kaos uses high-quality textile materials such as combed cotton and bamboo and conducts the production process very meticulously. As a service-oriented business, Agung Kaos commits to comprehensive services that include design consultation, production, and delivery, all accessible from a single location.

CONCLUSIONS

Based on the research results, it can be concluded that the garment MSMEs "Agung Kaos" has effectively implemented Segmenting, Targeting, and Positioning (STP) strategies to face competition in the garment industry of Malang Regency. Segmentation is conducted comprehensively by dividing the market based on demographics (ages 17-50), geography (Malang Raya area and digital expansion), psychographics (community needs, business, and events), and behavior (customization preferences and customer loyalty). Targeting successfully identifies three main segments: Organizations/Communities (minimum order of 50 pieces at competitive prices), Local MSMEs/Businesses (premium materials such as 30s combed cotton), and Event Committees (fast service and free design consultation). The unique positioning as a "Creative Partner for Premium Textiles from Malang" is supported by trusted customization, high-quality materials, and a One-Stop Service that includes design selection to delivery.

RECOMMENDATIONS

Based on the results of the research on UMKM "Agung Kaos", there are several practical recommendations that can be implemented to increase the effectiveness of the STP strategy that has been implemented. First, Agung Kaos is advised to strengthen its digital presence through the development of a

professional website and optimization of the use of social media, so as to be able to expand market reach beyond the Greater Malang area and compete more effectively with larger e-commerce platforms. Secondly, the development of product lines tailored to the characteristics of the three target segments - namely organizations/communities, local MSMEs, and event committees - needs to be done to meet the specific needs of each group more accurately. Third, to strengthen its positioning as "Creative Partner for Premium Textiles from Malang", Agung Kaos can work with local designers in creating exclusive designs that represent Malang's cultural identity. Finally, building strategic alliances with event organizers, educational institutions, and business associations in Malang will help strengthen distribution channels and increase Agung Kaos' presence in the target market.

FURTHER STUDY

Based on the findings and limitations in this study, further studies can be conducted by expanding the research area to several other convection MSMEs in Malang Regency. This aims to compare the implementation of STP (Segmenting, Targeting, Positioning) strategies and identify best practices in the industry. Future research can also use a mixed methods approach, combining in-depth qualitative analysis and quantitative surveys of consumers to empirically measure the influence of STP strategies on purchasing decisions and customer loyalty. In addition, studies that focus on consumer perceptions of the positioning of garment MSMEs "Agung Kaos" are important to determine the extent to which the expected brand positioning matches customer perceptions. Longitudinal research can also be conducted to trace the development of the STP strategy implemented by Agung Kaos over time, so as to provide an overview of the adaptability of marketing strategies to market changes and consumer preferences. No less important, further studies on the impact of digitalization on the implementation of STP strategies also need to be explored, especially with the rapid growth of e-commerce in the fashion industry.

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