

Strategies for Developing the Creative Economy in Great Malang as an Effort to Improve Competitive Advantage of Local Economic Enterprises

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Received date: 12 August 2018, **Accepted date:** 15 November 2018, **Online date:** 27 November 2018

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Abstract

This research is aimed (1) to understand the creative economy potentials in Great Malang; (2) to analyze the development of creative economy in Great Malang; (3) to construct the creative economy concept for Great Malang in comprehensive manner, starting from the determination of creative economy in each locality to the strategic plan for implementing development action; (4) to identify factors constraining and supporting the success of local creative economy; and (5) to formulate the effective monitoring and evaluation for the increase of competitive advantage through designing local creative economy model in Great Malang. Research uses three analysis methods, respectively: (1) Location Quotient (LQ) Analysis which uses basis economic model to identify the distribution of leading commodity; (2) Shift Share (SS) Analysis which analyzes post-market and economic growth, proportional shift, industry-mix shift, and competitive advantage shift; and (3) Qualitative and quantitative analysis on SWOT matrix. Result of research indicates several findings. The leading sector in Malang City includes: (a) Sector of Water Supply, Trash & Waste Management, and Recycle; (b) Sector of Construction; (c) Sector of Wholesale & Retail Trading of Car & Motorcycle and Repairation; (d) Sector of Education Service; and (e) Sector of Health and Social Activity Services. The leading sector in Batu City is consisting of: (a) Sector of Water Supply, Trash & Waste Management, and Recycle; (b) Sector of Construction; (c) Sector of Wholesale & Retail Trading of Car & Motorcycle and Repairation; (d) Sector of Accommodation and Food & Beverage Provisioning; and (e) Sector of Other Services. The leading sector in Malang Regency is comprised of: (a) Sector of Agriculture, Forestry and Fishery; (b) Sector of Processing Industry; (c) Sector of Water Supply, Trash & Waste Management, and Recycle; and (d) Sector of Construction. Based on the result of SWOT analysis, it can be said that the strategic position of the creative industry in Great Malang can be described as growing and developing. The alternative of strategy that can be used in the future is market development strategy

Key words: *Creative Economy, Competitive Advantage, Local Economic*

INTRODUCTION

Local autonomy has allowed each locality to develop the economic potentials of their own. Great Malang is populated by 3.5 millions heads and has been becoming one region with a great potential market for creative industry. Of the total count of Gross Regional Domestic Product (GRDP), more than 60% are derived from the consumption sector, including the consumption of products from creative industry (koran-sindo.com).

The governments in Great Malang regions have exerted their efforts focusing on the development of creative economy, and their focuses are given on sixteen (16) industrial sectors considered as the industrial groups that successfully dominate value-creation activity by utilizing the intellects of their own human resources. These sectors are becoming the focus of development implemented by the governments in Great Malang regions until the period 2025, and they include: architecture; interior design; visual communication design; product design; fashion; film, animation and video; photography; handicraft; culinary; music; application and game developer; publishing; advertising; performance art and fine art; and television & radio (President Decree No.72/2015).

The development of creative economy in Great Malang has opened many job vacancies, and these jobs would be meaningful to absorb workforces in the village, and at least in preventing or reducing urbanization rate which always increases in recent years. Moreover, the programs of mapping and developing the creative economy in Great Malang are surely capable of establishing creative community who can create innovative products that indicate Great Malang characteristic. Other benefits from creative economy are that natural resources in Great Malang will be utilized, that local technology could be preserved, and that the income of Great Malang community is improving.

At regional scale, economic growth in Great Malang is relatively higher than East Java Province. It signifies a presumption that Great Malang is a city in East Java Province with significant contribution to the economic activities of the province. High economic growth is associated with low unemployment.

Table 1. The Comparison of Economic Growth Rate between Great Malang and East Java Province for Period 2013-2016

Year	Great Malang	East Java
2013	6.26%	6.08%
2014	6.24%	5.86%
2015	5.86%	5.44%
2016	5.84%	5.55%

Source : Data are processed.

Research considers some objectives, such as: (1) to understand the creative economy potentials in Great Malang; (2) to analyze the development of creative economy in Great Malang; (3) to construct the creative economy concept for Great Malang in comprehensive manner, starting from the determination of creative economy in each locality to the strategic plan for implementing development action; (4) to identify factors constraining and supporting the success of local creative economy; and (5) to formulate the effective monitoring and evaluation for the increase of competitive advantage through designing local creative economy model in Great Malang.

Previous studies have provided some reviews with themes of Micro, Small & Medium Enterprises (MSME) and poverty alleviation. These reviews are conducted by Alfiana et.al. (2007), Siti Asiyah et.al. (2008), and Gunarianto, et.al. (2009). In the other hand, economic crisis of Indonesia has aroused the awareness on the importance of MSME in accelerating economic growth and in recovering the damaged economic pattern.

II. REVIEW OF LITERATURES

2.1. Definition of Creative Economy

Creative Economy is a concept of economy in the age of new economy which intensifies information and creativity by relying on ideas and stock of knowledge derived from Human Resource (HR) as the key production factor in economic activity. Worldwide economic structure has been subjected to a rapid transformation with the increase of economic growth. Economic structure has also shifted from Natural Resource (NR)-based to Human Resource (HR)-based. The age of the world is also shifting from the age of agriculture to the age of industry and information.

Howkins (2001) in the book entitled "The Creative Economy" was admitting the significance of creative economy wave after realizing a fact for the first time in 1996 that the export of United States copyrights has given a big sale for US\$ 60.18 billions outnumbering the combined total export of other sectors involving automotive, agriculture and aeroplane.

"Creative Economy" is a term starting to be known globally after the release of the book entitled "The Creative Economy: How People Make Money from Ideas" (2001) written by John Howkins. He recognized the new economic wave based on creativity as a very promising progress after he witnessed in 1997 that United States has earned 414 billions dollars from selling the products of Intellectual Property Right to abroad, and it makes this Right as the number-one export in United States.

2.2 The Scope of Creative Economy

The scope of creative economy is represented by 16 sectors (industries), namely: architecture; interior design; visual communication design; product design; fashion; film, animation and video; photography; handicraft; culinary; music; application and game developer; publishing; advertising; performance art and fine art; and television & radio (President Decree No.72/2015). The arm length of the government for administering creative industries is Creative Economy Agency. This agency provides facilities needed by the sectors, such as supportive programs, human resource with good quality, and other structures-infrastructures related with creativity.

2.3 Previous Researches

Yudha Prasetyawan et.al. (2013) conducted a research in Malang Regency context entitled with "The Identification of the Lamp-Hood Making as Core Competence and Leading Product of the Creative Industry in Malang Regency". This research used approaches such as: value chain and supply chain management, and determined the needed strategy based on CIMOSA business model. This research gave some results. Based on supply chain network map, the stakeholders are supporting the business of Small-Medium Enterprises (SME). Competitive advantage can be increased by improving the collaboration and coordination system, designing the effective and efficient supply chain network, and applying CIMOSA business model to SME. After analyzing value chain, supply chain network, and business model, then financial analysis is implemented. Creative industry in Malang Regency is considered as financially reliable because it has positive NPV in IDR 42,316,170.61 with IRR of 19.79%. The IRR exceeds the predetermined discount rate of 14%. The Government of Malang Regency shall maximize the business of the creative industry to improve local economy and also to take preparation for welcoming AEC 2015.

Dias & Ayu (2011) carried out a research in the context of Malang City with a title "Problems in the Creative Industry of Clothing Discount Stores in Malang City". Their research used qualitative data analysis involving SWOT analysis on external and internal factors. They found that clothing discount stores in Malang City are not given adequate supports and attentions by the Government of Malang City and other relevant agencies. The development of the creative industry of clothing discount stores is not yet optimum for improving the economic of Malang City. Clothing discount stores and other creative industries shall have important contribution to the increase of creative value produced by creative workers and also help increasing competitive advantage of these workers compared to other workers in Malang City.

Netty (2014) did a research with Batu City context with a title "The Analysis on Creative Economy Contribution from Tourism Sector to the Improvement of Community Welfare in Batu City". Qualitative approach to primary data was used in this research. Data were collected by interview and observation with the enterprises in tourism sector. Result showed that the development of tourism sector in Batu City had brought a great change to community, but it was not maximally used because many community members still did not realize the importance of exploiting the existing tourism potentials. There is no specific strategies which are pro-for-tourism, but central government has set policies relevant with the concept of pro-for-tourism.

Ruth (2014) performed a research in Malang City and it was entitled with "Strategies for Developing Creative Economy-Based Culinary Business in Malang City". This research used descriptive qualitative method with case study. It found that culinary cluster in Malang City has huge potentials to be developed with creative economy development model.

III. METHOD OF RESEARCH

3.1 Research Approach

Type of the current research is descriptive for both quantitative and qualitative aspects. According to Arikunto (1990), descriptive study is not for subjecting the hypothesis to a test, but aimed to describe variables, symptoms, or conditions in a way of "as it is". The main goal of descriptive study is to provide a description about a condition in objective way. As said by Sukmadinata, N.S, (2011), descriptive study is designed to depict the existing phenomena, either natural phenomena or those made by human.

3.2 Research Scope

The scope of research is concerning with the identification of policies relevant with creative economy potentials in Great Malang (including Malang City, Malang Regency and Batu City). The variable of potential includes economy potential, social potential and cultural potential in the immediate community. The variable of policy is regulations about how to develop and to manage Creative Economy.

3.3 Type and Instrument of Data Collection

Data used as the material of analysis are primary data and secondary data. Data collection is a standard and systematic procedure to obtain the needed data. Primary data are those collected directly from research location. Data derived from a certain source to support primary data are called as secondary data. Data collection technique includes observation, interview and questionnaire.

3.4 Method of Data Analysis

Data are analyzed with some methods, involving:

1. Location Quotient (LQ) Analysis
2. Shift Share (SS) Analysis
3. SWOT Analysis

The operation of the current research takes benefit from survey conducted on creative economy enterprises in each observed locality. Both quantitative and qualitative data related with creative economy are compiled from the Department of Industry, Trade and Cooperative in each locality. Primary data are obtained from questionnaire given to each creative economy enterprise.

IV. RESULT OF RESEARCH

4.1. Analysis on Competitive Advantage

The economic development pattern of Malang City in 2016 remains within Quadrant I, meaning that Malang City is fast in progress and growth. Both economic growth and income rates of Malang City are higher than the means of both of East Java Province.

Table 2. Klassen Typology for Malang City on Period 2013-2016

Year	Economic Growth Rate (R)			GRDP per Capita (Y)			Conclusion		
	Malang City (R _{ij})	East Province (R _j)	Java	Remark	Malang City (Y _{ij})	East Province (Y _j)		Java	Remark
2013	6.20%	6.08%		R _{ij} > R _j	50,927,351	36,037,184		Y _{ij} > Y _j	Quadrant I
2014	5.80%	5.86%		R _{ij} < R _j	55,041,016	39,832,674		Y _{ij} > Y _j	Quadrant II
2015	5.61%	5.44%		R _{ij} > R _j	60,876,912	43,578,103		Y _{ij} > Y _j	Quadrant I
2016	5.61%	5.55%		R _{ij} > R _j	66,757,279	47,450,160		Y _{ij} > Y _j	Quadrant I

Economic development pattern of Malang Regency in 2016 stands within Quadrant IV. It signifies a presumption that Malang Regency is relatively laggard because its economic growth and income rates are lower than the means of both of East Java Province.

Table 3. Klassen Typology for Malang Regency on Period 2013-2016

Year	Economic Growth Rate (R)			GRDP per Capita (Y)			Conclusion		
	Malang City (R _{ij})	East Province (R _j)	Java	Remark	Malang City (Y _{ij})	East Province (Y _j)		Java	Remark
2013	5.30%	6.08%		R _{ij} < R _j	23,388,523	36,037,184		Y _{ij} < Y _j	Quadrant IV
2014	6.01%	5.86%		R _{ij} > R _j	26,089,680	39,832,674		Y _{ij} < Y _j	Quadrant III
2015	5.27%	5.44%		R _{ij} < R _j	29,022,322	43,578,103		Y _{ij} < Y _j	Quadrant IV
2016	5.30%	5.55%		R _{ij} < R _j	31,943,823	47,450,160		Y _{ij} < Y _j	Quadrant IV

The economic development pattern of Batu City in 2016 exists at Quadrant I, which indicates that Batu City is fast in its progress and growth. Both rates of economic growth and income of Batu City are higher than the means of both of East Java Province.

Table 4. Klassen Typology for Batu City on Period 2013-2016

Year	Economic Growth Rate (R)			GRDP per Capita (Y)			Conclusion		
	Malang City (R _{ij})	East Province (R _j)	Java	Remark	Malang City (Y _{ij})	East Province (Y _j)		Java	Remark
2013	7.29%	6.08%		R _{ij} > R _j	46,274,853	36,037,184		Y _{ij} > Y _j	Quadrant I
2014	6.90%	5.86%		R _{ij} > R _j	51,658,086	39,832,674		Y _{ij} > Y _j	Quadrant I
2015	6.69%	5.44%		R _{ij} > R _j	57,412,660	43,578,103		Y _{ij} > Y _j	Quadrant I
2016	6.61%	5.55%		R _{ij} > R _j	63,770,465	47,450,160		Y _{ij} > Y _j	Quadrant I

1. LQ Analysis

The leading sector in Malang City is consisting of:

- (a) Sector of Water Supply, Trash & Waste Management, and Recycle
- (b) Sector of Construction
- (c) Sector of Wholesale & Retail Trading of Car & Motorcycle and Reparation
- (d) Sector of Education Service
- (e) Sector of Health and Social Activity Services

Table 5. SLQ and DLQ of Malang City on Period 2012-2016

Category	Sector	SLQ Means	Remark	DLQ Means	Remark	Conclusion
A	Agriculture, Forestry and Fishery	0.0216	< 1	0.9808	< 1	Laggard
B	Mining and Excavation	0.0199	< 1	0.9046	< 1	Laggard
C	Processing Industry	0.8630	< 1	0.9660	< 1	Laggard
D	Electric and Gas Supplies	0.1143	< 1	1.0133	> 1	Reliable
E	Water Supply, Trash & Waste Management, and Recycle	2.1057	> 1	1.0125	> 1	Excellent

F	Construction	1.3570	> 1	1.0173	> 1	Excellent
G	Wholesale & Retail Trading of Car & Motorcycle and Repairation	1.6883	> 1	1.0068	> 1	Excellent
H	Transportation and Warehousing	0.8547	< 1	1.0033	> 1	Reliable
I	Accommodation and Food & Beverage Provisioning	0.8574	< 1	1.0088	> 1	Reliable
J	Information and Communication	0.8472	< 1	1.0126	> 1	Reliable
K	Finance and Insurance Services	1.0257	> 1	0.9995	< 1	Prospective
L	Real Estate	0.8550	< 1	1.0116	> 1	Reliable
M,N	Company Service	0.9401	< 1	1.0120	> 1	Reliable
O	Government Administration, Defense and Mandatory Social Service	0.6612	< 1	0.9869	< 1	Laggard
P	Education Service	2.8376	> 1	1.0144	> 1	Excellent
Q	Health and Social Activity Services	3.7897	> 1	1.0192	> 1	Excellent
R,S,T,U	Other Services	2.1918	> 1	0.9918	< 1	Prospective

The leading sector in Batu City is comprised of:

- Sector of Water Supply, Trash & Waste Management, and Recycle
- Sector of Construction
- Sector of Wholesale & Retail Trading of Car & Motorcycle and Repairation
- Sector of Accommodation and Food & Beverage Provisioning
- Sector of Other Services

Table 6. SLQ and DLQ of Batu City on Period 2012-2016

Category	Sector	SLQ Means	Remark	DLQ Means	Remark	Conclusion
A	Agriculture, Forestry and Fishery	1.2639	> 1	0.9959	< 1	Prospective
B	Mining and Excavation	0.0363	< 1	0.9577	< 1	Laggard
C	Processing Industry	0.1512	< 1	0.9978	< 1	Laggard
D	Electric and Gas Supplies	0.1524	< 1	1.0305	> 1	Reliable
E	Water Supply, Trash & Waste Management, and Recycle	1.9984	> 1	1.0040	> 1	Excellent
F	Construction	1.1224	> 1	1.0360	> 1	Excellent
G	Wholesale & Retail Trading of Car & Motorcycle and Repairation	1.0489	> 1	1.0071	> 1	Excellent
H	Transportation and Warehousing	0.4643	< 1	1.0023	> 1	Reliable
I	Accommodation and Food & Beverage Provisioning	2.0130	> 1	1.0005	> 1	Excellent
J	Information and Communication	1.3783	> 1	0.9899	< 1	Prospective
K	Finance and Insurance Services	1.4677	> 1	0.9771	< 1	Prospective
L	Real Estate	1.7133	> 1	0.9968	< 1	Prospective
M,N	Company Service	0.6409	< 1	0.9918	< 1	Laggard
O	Government Administration, Defense and Mandatory Social Service	1.1301	> 1	0.9910	< 1	Prospective
P	Education Service	1.4866	> 1	0.9898	< 1	Prospective
Q	Health and Social Activity Services	1.2779	> 1	0.9872	< 1	Prospective
R,S,T,U	Other Services	11.3537	> 1	1.0065	> 1	Excellent

The leading sector in Malang Regency includes:

- Sector of Agriculture, Forestry and Fishery
- Sector of Processing Industry
- Sector of Water Supply, Trash & Waste Management, and Recycle
- Sector of Construction

Table 7. SLQ and DLQ of Malang Regency City on Period 2012-2016

Category	Sector	SLQ Means	Remark	DLQ Means	Remark	Conclusion
A	Agriculture, Forestry and Fishery	1.4294	> 1	1.0018	> 1	Excellent
B	Mining and Excavation	0.4179	< 1	0.9566	< 1	Laggard
C	Processing Industry	1.0073	> 1	1.0015	> 1	Excellent
D	Electric and Gas Supplies	0.2837	< 1	1.0173	> 1	Reliable
E	Water Supply, Trash & Waste Management, and Recycle	1.0186	> 1	1.0078	> 1	Excellent
F	Construction	1.2996	> 1	1.0026	> 1	Excellent
G	Wholesale & Retail Trading of Car & Motorcycle and Repairation	1.0525	> 1	0.9949	< 1	Prospective
H	Transportation and Warehousing	0.3758	< 1	1.0050	> 1	Reliable
I	Accommodation and Food & Beverage Provisioning	0.6432	< 1	0.9850	< 1	Laggard
J	Information and Communication	0.8731	< 1	0.9983	< 1	Laggard
K	Finance and Insurance Services	0.6293	< 1	0.9885	< 1	Laggard
L	Real Estate	0.8359	< 1	0.9963	< 1	Laggard
M,N	Company Service	0.4737	< 1	1.0072	> 1	Reliable
O	Government Administration, Defense and Mandatory Social Service	0.8144	< 1	0.9969	< 1	Laggard
P	Education Service	0.9117	< 1	0.9996	< 1	Laggard
Q	Health and Social Activity Services	0.8940	< 1	0.9978	< 1	Laggard
R,S,T,U	Other Services	1.5141	> 1	0.9967	< 1	Prospective

2. SS ANALYSIS

2.1. SS Analysis for Malang City

LQ Analysis does not explain the causal factor behind the change of Gross Regional Domestic Product (GRDP), while SS Analysis provides the detail of the change of certain variable by isolating various factors that cause the change of GRDP at certain sector in certain region from one period to another. How SS Analysis works can be explained in the following elaboration.

Share Calculation

Net Shift (NS) is the product of summation between *industrial mix share* (IMS) and *local share* (LS) for a certain economic sector. If $NS > 0$, then the growth of the economic sectors in Malang City is set into progressive group (advanced). If $NS < 0$, it signifies a presumption that the economic sectors of Malang City are growing slowly.

In aggregate, the net shift calculation of Malang City has produced positive value, and it contributes to the growth of Malang City GRDP for period 2012-2016 for as much as IDR 119.8 billions. It also indicates a fact that in general, Malang City is included within progressive region.

Table 8. Result of Net Shift Calculation for Malang City

Category	Sector	Net Shift (NS)	
		IDR Billion	Percentage
A	Agriculture, Forestry and Fishery	-22.6	-21.73
B	Mining and Excavation	-16.6	-39.24
C	Processing Industry	-1,475.8	-15.45
D	Electric and Gas Supplies	-2.1	-14.09
E	Water Supply, Trash & Waste Management, and Recycle	-2.7	-3.54
F	Construction	331.5	7.84
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	323.5	2.99
H	Transportation and Warehousing	60.3	7.09
I	Accommodation and Food & Beverage Provisioning	203.9	14.21
J	Information and Communication	271.6	17.84
K	Finance and Insurance Services	121.9	14.06
L	Real Estate	39.6	7.79
M,N	Company Service	26.0	10.59
O	Government Administration, Defense and Mandatory Social Service	-110.6	-18.50
P	Education Service	319.4	12.72
Q	Health and Social Activity Services	136.5	16.79
R,S,T,U	Other Services	-83.9	-7.16
Total		119.8	0.34

Quadrant Analysis

By taking into account the rates of both IMS and LS, then certain region/sector can be described into four groups/quadrants. Using *Shift Share* as the analysis tool, the utilization of IMS and LS is described as following.

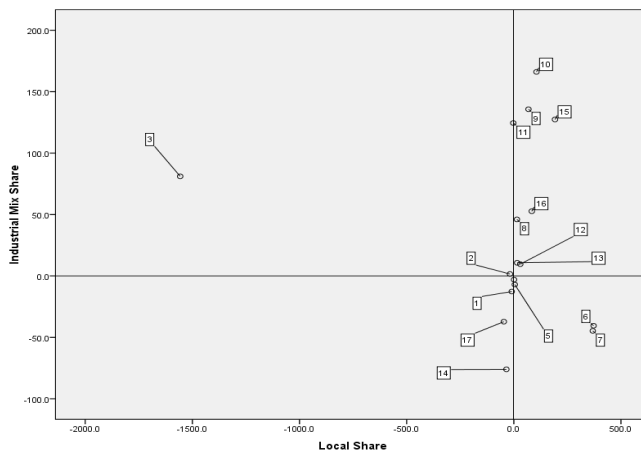


Figure 1. Quadrant Analysis for Economic Sectors in Malang City

Quadrant I (positive IMS and positive LS) is occupied by the following sectors:

- Transportation and Warehousing
- Accommodation and Food & Beverage Provisioning
- Information and Communication
- Health and Social Activity Services
- Company Service
- Education Service
- Real Estate

These sectors are growing fast and also capable of competing other economic sectors on another region in East Java Province.

Quadrant II (negative IMS and positive LS) is comprised of the following sectors:

- Processing Industry
- Electric and Gas Supplies
- Water Supply, Trash & Waste Management, and Recycle
- Construction

- Wholesale & Retail Trading of Car & Motorcycle and Reparation

The above sectors are in the position of suppressed but still *developing*. These sectors are categorized as economic sectors with fast growth rate, but incapable of competing with economic sectors on other region in East Java Province (probably due to their low competitive advantage).

Quadrant III (positive IMS and negative LS) is consisting of the following sectors:

- Mining and Excavation
- Finance and Insurance Services
- Processing Industry

Three sectors above are suppressed but still *highly potential*. These sectors have high competitive advantage but their growth rate is slow.

Quadrant IV (negative IMS and negative LS) is contained with the following sectors:

- Agriculture, Forestry and Fishery
- Other Services
- Government Administration, Defense and Mandatory Social Service

The above three sectors are considered as the laggard sector with low competitive advantage. Therefore, these sectors are categorized as *depressed*.

The comprehensive summary of LQ and SS analyses for Malang City is indicated as follows.

Table 9. The Comprehensive Summary of LQ and SS Analyses for Malang City

Category	Sector	Summary	
		LQ Analysis	SS Analysis
A	Agriculture, Forestry and Fishery	Laggard	Growing Slow with Low Competitive Advantage
B	Mining and Excavation	Laggard	Growing Slow with High Competitive Advantage
C	Processing Industry	Laggard	Growing Slow with High Competitive Advantage
D	Electric and Gas Supplies	Reliable	Growing Fast with Low Competitive Advantage
E	Water Supply, Trash & Waste Management, and Recycle	Excellent	Growing Fast with Low Competitive Advantage
F	Construction	Excellent	Growing Fast with Low Competitive Advantage
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	Excellent	Growing Fast with Low Competitive Advantage
H	Transportation and Warehousing	Reliable	Growing Fast with High Competitive Advantage
I	Accommodation and Food & Beverage Provisioning	Reliable	Growing Fast with High Competitive Advantage
J	Information and Communication	Reliable	Growing Fast with High Competitive Advantage
K	Finance and Insurance Services	Prospective	Growing Slow with High Competitive Advantage
L	Real Estate	Reliable	Growing Fast with High Competitive Advantage
M,N	Company Service	Reliable	Growing Fast with High Competitive Advantage
O	Government Administration, Defense and Mandatory Social Service	Laggard	Growing Slow with Low Competitive Advantage
P	Education Service	Excellent	Growing Fast with High Competitive Advantage
Q	Health and Social Activity Services	Excellent	Growing Fast with High Competitive Advantage
R,S,T,U	Other Services	Prospective	Growing Slow with Low Competitive Advantage

2.2. SS Analysis for Malang Regency

LQ Analysis is not explaining the factor causing the change in Gross Regional Domestic Product (GRDP). SS Analysis gives the reader the details of the change in certain variable by describing factors causing GRDP at certain region from one period to another. The operation of SS Analysis can be described as following.

Shift Share Calculation

Net Shift (NS) is the result of summing operation between *industrial mix share* (IMS) and *local share* (LS) for a certain economic sector. The condition of $NS > 0$ signifies a fact that the economic sectors in Malang Regency have grown into the progressive group (or advancing). The condition of $NS < 0$ corresponds with a presumption that the economic sectors of Malang Regency are growing slowly.

In aggregate, net shift calculation of Malang Regency has given a negative value, precisely for -583.5 billions rupiahs, which delivers bad impact on the growth of Malang Regency GRDP for period 2012-2016. In general, Malang Regency is experiencing slow growth.

Table 10. Result of Net Shift Calculation for Malang Regency

Category	Sector	Net Shift (NS)	
		IDR Billion	Percentage
A	Agriculture, Forestry and Fishery	-1,022.0	-11.76
B	Mining and Excavation	-174.7	-16.51
C	Processing Industry	368.8	2.68
D	Electric and Gas Supplies	-5.4	-11.21
E	Water Supply, Trash & Waste Management, and Recycle	-2.2	-4.56
F	Construction	83.3	1.53
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	-165.3	-1.82
H	Transportation and Warehousing	45.0	9.25
I	Accommodation and Food & Beverage Provisioning	40.5	2.70
J	Information and Communication	238.0	11.27
K	Finance and Insurance Services	66.2	9.29
L	Real Estate	7.4	1.10
M,N	Company Service	15.2	9.27
O	Government Administration, Defense and Mandatory Social Service	-124.5	-13.06
P	Education Service	66.1	6.06
Q	Health and Social Activity Services	16.9	6.52
R,S,T,U	Other Services	-36.8	-3.70
Total		-583.5	-1.24

Quadrant Analysis

Based on both rates of IMS and LS, certain region/sector can be illustrated into four groups/quadrants. *Shift Share* is used as the analysis instrument to describe the utilization of IMS and LS shown as following.

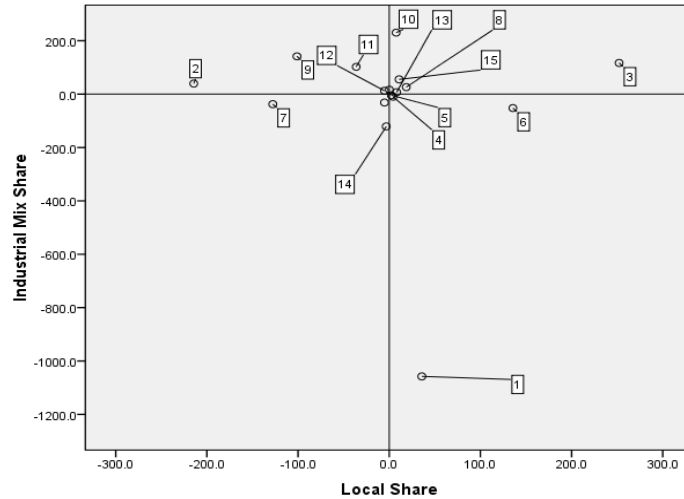


Figure 2. Quadrant Analysis for Economic Sectors in Malang Regency

Quadrant I (positive IMS and positive LS) is comprised of the following sectors:

- Processing Industry
- Transportation and Warehousing
- Information and Communication
- Company Service
- Education Service
- Health and Social Activity Services

These sectors have fast growth rate and has a capability to compete with other economic sectors on another region in East Java Province.

Quadrant II (negative IMS and positive LS) contains of the following sectors:

- Agriculture, Forestry and Fishery
- Electric and Gas Supplies
- Water Supply, Trash & Waste Management, and Recycle
- Construction

Four sectors above are actually under suppression but still have power for *developing*. These sectors can be categorized as economic sectors with fast growth rate, but lacking of capability to compete the economic sectors on other region in East Java Province (probably due to their low competitive advantage).

Quadrant III (positive IMS and negative LS) consists of the following sectors:

- Mining and Excavation
- Accommodation and Food & Beverage Provisioning
- Finance and Insurance Services
- Real Estate

The sectors above remain under suppression but still *highly potential*. Their competitive advantage is still high but their growth rate is slow.

Quadrant IV (negative IMS and negative LS) is occupied by the following sectors:

- Wholesale & Retail Trading of Car & Motorcycle and Reparation
- Government Administration, Defense and Mandatory Social Service
- Other Services

Three sectors above are considered as laggard with low competitive advantage, and thus, assigned into *depressed* category.

The comprehensive summary of LQ and SS analyses for Malang Regency is shown in the following table.

Table 11. The Comprehensive Summary of LQ and SS Analyses for Malang Regency

Category	Sector	Summary	
		LQ Analysis	SS Analysis
A	Agriculture, Forestry and Fishery	Excellent	Growing Fast with Low Competitive Advantage
B	Mining and Excavation	Laggard	Growing Slow with High Competitive Advantage
C	Processing Industry	Excellent	Growing Fast with High Competitive Advantage
D	Electric and Gas Supplies	Reliable	Growing Fast with Low Competitive Advantage
E	Water Supply, Trash & Waste Management, and Recycle	Excellent	Growing Fast with Low Competitive Advantage
F	Construction	Excellent	Growing Fast with Low Competitive Advantage
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	Prospective	Growing Slow with Low Competitive Advantage
H	Transportation and Warehousing	Reliable	Growing Fast with High Competitive Advantage
I	Acomodation and Food & Beverage Provisioning	Laggard	Growing Slow with High Competitive Advantage
J	Information and Communication	Laggard	Growing Fast with High Competitive Advantage
K	Finance and Insurance Services	Laggard	Growing Slow with High Competitive Advantage
L	Real Estate	Laggard	Growing Slow with High Competitive Advantage
M,N	Company Service	Reliable	Growing Fast with High Competitive Advantage
O	Government Administration, Defense and Mandatory Social Service	Laggard	Growing Slow with Low Competitive Advantage
P	Education Service	Laggard	Growing Fast with High Competitive Advantage
Q	Health and Social Activity Services	Laggard	Growing Fast with High Competitive Advantage
R,S,T,U	Other Services	Prospective	Growing Slow with Low Competitive Advantage

2.3. SS Analysis for Batu City

Factor evoking the change in Gross Regional Domestic Product (GRDP) is not identified by LQ Analysis. The detail of the change of certain variable is provided by SS Analysis, and it is done by identifying factors inducing GRDP change at certain sector in certain region over times. The elaboration of SS Analysis is given as follows.

Shift Share Calculation

Net Shift (NS) equals to the product of summation between *industrial mix share (IMS)* and *local share (LS)* for a certain economic sector. If $NS > 0$, then the growth of the economic sectors in Batu City is presumed as progressive (advancing), but if $NS < 0$, the growth is considered as slow.

In aggregate, the net shift of Batu City has resulted in a certain value with positive sign. This sign refers to the contribution of this net shift value to Batu City GRDP in period 2012-2016 for as much as IDR 411.1 billions. By this result, it can be said that Batu City is a progressive region.

Table 12. Result of Net Shift Calculation for Batu City

Category	Sector	Net Shift (NS)	
		IDR Billion	Percentage
A	Agriculture, Forestry and Fishery	-140.1	-11.10
B	Mining and Excavation	-1.9	-12.93
C	Processing Industry	14.8	4.46
D	Electric and Gas Supplies	-0.1	-1.80
E	Water Supply, Trash & Waste Management, and Recycle	-0.5	-3.04
F	Construction	166.5	23.33
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	114.2	8.07
H	Transportation and Warehousing	11.3	11.65
I	Accommodation and Food & Beverage Provisioning	108.6	14.87
J	Information and Communication	57.4	10.49
K	Finance and Insurance Services	18.9	6.91
L	Real Estate	11.1	5.08
M,N	Company Service	1.8	4.96
O	Government Administration, Defense and Mandatory Social Service	-27.0	-12.62
P	Education Service	13.4	4.61
Q	Health and Social Activity Services	2.8	4.62
R,S,T,U	Other Services	59.9	4.80
Total		411.1	5.50

Quadrant Analysis

Pursuant to both IMS and LS rates, four groups/quadrants are arranged for certain region/sector. *Shift Share* is utilized as the analysis instrument to describe how to take benefit from IMS and LS, and it is explained as following.

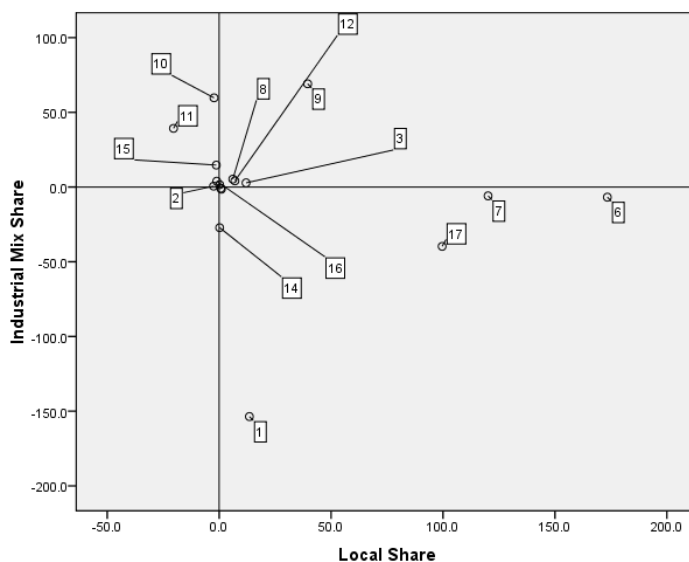


Figure 3. Quadrant Analysis for Economic Sectors in Batu City

Quadrant I (positive IMS and positive LS) is contained with the following sectors:

- Real Estate
- Transportation and Warehousing
- Accommodation and Food & Beverage Provisioning
- Company Service
- Processing Industry

The growth rate of the above sectors is described as fast, thus allowing these sectors to compete with other economic sectors on another region in East Java Province.

Quadrant II (negative IMS and positive LS) is comprised of the following sectors:

- Agriculture, Forestry and Fishery
- Electric and Gas Supplies
- Water Supply, Trash & Waste Management, and Recycle

- Construction
- Other Services
- Government Administration, Defense and Mandatory Social Service
- Wholesale & Retail Trading of Car & Motorcycle and Reparation

The position of above sectors are actually under suppression but these sectors still manage for *developing*. Their growth rate is slow, thus preventing them from competing with other economic sectors on other region in East Java Province (probably due to their low competitive advantage).

Quadrant III (positive IMS and negative LS) is occupied by the following sectors:

- Mining and Excavation
- Information and Communication
- Education Service
- Health and Social Activity Services

Four sectors above may not escape from suppression but their growth is still *highly potential*. High competitive advantage of these sectors is not compatible with their growth rate which is slow.

Quadrant IV (negative IMS and negative LS) is without any sectors at all. If any sectors enter this quadrant, it can be said that those sectors are laggard with low competitive advantage, and thus, assigned into *depressed* category.

The comprehensive summary of LQ and SS analyses for Batu City is described as follows.

Table 13. The Comprehensive Summary of LQ and SS Analyses for Batu City

Category	Sector	Conclusion	
		LQ Analysis	SS Analysis
A	Agriculture, Forestry and Fishery	Prospective	Growing Fast with Low Competitive Advantage
B	Mining and Excavation	Laggard	Growing Slow with High Competitive Advantage
C	Processing Industry	Laggard	Growing Fast with High Competitive Advantage
D	Electric and Gas Supplies	Reliable	Growing Fast with Low Competitive Advantage
E	Water Supply, Trash & Waste Management, and Recycle	Excellent	Growing Fast with Low Competitive Advantage
F	Construction	Excellent	Growing Fast with Low Competitive Advantage
G	Wholesale & Retail Trading of Car & Motorcycle and Reparation	Excellent	Growing Slow with Low Competitive Advantage
H	Transportation and Warehousing	Reliable	Growing Fast with High Competitive Advantage
I	Accommodation and Food & Beverage Provisioning	Excellent	Growing Fast with High Competitive Advantage
J	Information and Communication	Prospective	Growing Slow with High Competitive Advantage
K	Finance and Insurance Services	Prospective	Growing Slow with High Competitive Advantage
L	Real Estate	Prospective	Growing Fast with High Competitive Advantage
M,N	Company Service	Laggard	Growing Fast with High Competitive Advantage
O	Government Administration, Defense and Mandatory Social Service	Prospective	Growing Fast with Low Competitive Advantage
P	Education Service	Prospective	Growing Slow with High Competitive Advantage
Q	Health and Social Activity Services	Prospective	Growing Slow with High Competitive Advantage
R,S,T,U	Other Services	Excellent	Growing Fast with Low Competitive Advantage

3. SWOT Analysis

Result of SWOT analysis indicates that the strategic position of creative industry in Great Malang is growing and developing. The alternative of strategy that may be useful in the future is market development strategy.

This model of this market development strategy for the interest of creative economic in Great Malang can be described as follows.

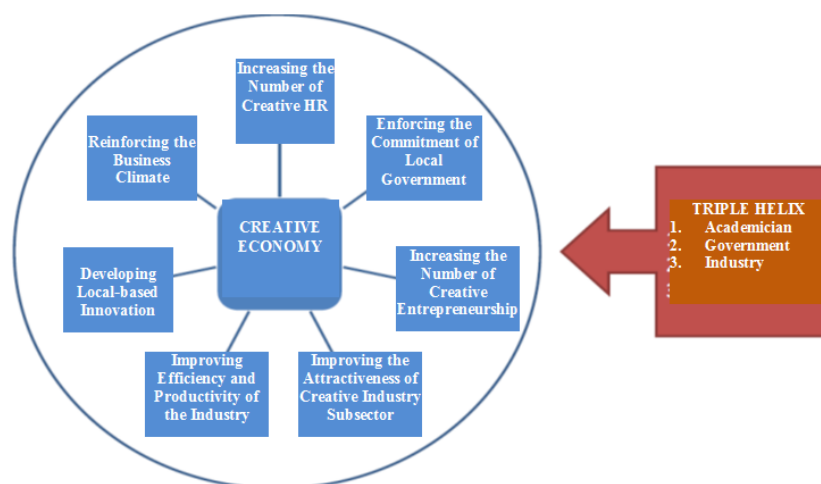


Figure 4. The Model of Market Development Strategy for Creative Economy in Malang Raya

V. CONCLUSION AND SUGGESTION

5.1. Conclusion

The economic development pattern of Malang City in 2016 remains within Quadrant I, meaning that Malang City is fast in progress and growth. Both economic growth and income rates of Malang City are higher than the means of both of East Java Province. Economic development pattern of Malang Regency in 2016 stands within Quadrant IV. It signifies a presumption that Malang Regency is relatively laggard because its economic growth and income rates are lower than the means of both of East Java Province. The economic development pattern of Batu City in 2016 exists at Quadrant I, which indicates that Batu City is fast in its progress and growth. Both rates of economic growth and income of Batu City are higher than the means of both of East Java Province. The leading sector in

Malang City consists of: (a) Sector of Water Supply, Trash & Waste Management, and Recycle; (b) Sector of Construction; (c) Sector of Wholesale & Retail Trading of Car & Motorcycle and Reparation; (d) Sector of Education Service; and (e) Sector of Health and Social Activity Services. The leading sector in Batu City is comprised of: (a) Sector of Water Supply, Trash & Waste Management, and Recycle; (b) Sector of Construction; (c) Sector of Wholesale & Retail Trading of Car & Motorcycle and Reparation; (d) Sector of Accommodation and Food & Beverage Provisioning; and (e) Sector of Other Services. The leading sector in Malang Regency includes: (a) Sector of Agriculture, Forestry and Fishery; (b) Sector of Processing Industry; (c) Sector of Water Supply, Trash & Waste Management, and Recycle; and (d) Sector of Construction. Result of SWOT analysis shows that the strategic position for the creative industry in Great Malang is described as growing and developing. The alternative of strategy that can be possibly used in the future is market development strategy.

5.2. Implication of Result of Research

Result of current research has brought important implication, respectively that the governments of City/Regency in Great Malang may have a significant role to play to facilitate the development of creative economy and it is done by giving proper discretions to the revelant agencies. The governments in Great Malang regions can take into account any leading sectors in the regions and also put them as the priority during the conduct of any measures related with the development of creative economy.

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