A G R I M E T A
"Journal of Agriculture Based on Ecosystem Balance"
http://e-journal.unmas.ac.id/index.php/agrimeta
Vol 15 No 1 (APRIL, 2025) 45-51 e-ISSN : 2721-2556 ; p-ISSN : 2088-2531

OPTIMIZATION OF THE MARKETING CHAIN OF TRADITIONAL PRODUCTS: A CASE STUDY OF SUPUTRA HERBAL INCENSE IN ABIANSEMAL DISTRICT

Frumensius Dakosta Joro[1*], Nyoman Yudiarini[2], Luh Putu Kirana Pratiwi[3]
[1,2,3]Study Program of Agribusiness, Mahasaraswati University Denpasar, Bali
Corresponding Author: ftumenjoro@gmail.com

ABSTRACT

Dupa Herbal Suputra, a micro, small, and medium enterprise (MSME) located in Angantaka Village, Abiansemal District, Badung Regency, has great potential in developing natural and spiritually significant herbal incense products. This study aims to analyze the marketing channels and calculate the marketing margins of the herbal incense products. The research used a combination of qualitative and quantitative methods. The study was conducted at Dupa Herbal Suputra MSME in Angantaka Village, Abiansemal District, Badung Regency, over a period of two months, from November to December. Data collection instruments included interviews and recordkeeping. The results showed that there are three marketing channel patterns: (1) a one-level channel (producer–consumer), (2) a two-level channel (producer–retailer–consumer), and (3) a three-level channel (producer–collector–retailer–consumer). The marketing margin for Dupa Herbal Suputra was zero in the first channel due to direct transactions. The second channel yielded a margin of IDR 3,000, while the third channel provided a margin of IDR 5,000. This study recommends enhancing direct marketing through digital platforms to improve efficiency and producer margins. In addition, training in business management and market access is important to improve the competitiveness of local MSMEs.

Keywords: *Marketing Channel, Marketing Margin, Herbal Incense, MSME,*

INTRODUCTION

In the context of an increasingly digitalized global economy, the development of information technology serves as a key catalyst in accelerating the transformation of business sectors, including micro, small, and medium enterprises (MSMEs). This advancement not only expedites production and distribution activities but also revolutionizes marketing strategies through digital platforms, e-commerce, and integrated logistics systems (Tiwari et al., 2021; Xu et al., 2020). MSMEs are required to adapt to these dynamics by building responsive and efficient supply chain and marketing systems, utilizing technology as a tool for decision-making and market expansion (Gunasekaran et al., 2017; Gadde & Håkansson, 2001). Digitalization provides opportunities to expand market reach through online channels, strengthen customer relationships via social media, and enhance operational efficiency through business process automation (Kotler & Keller, 2016; Chatterjee et al., 2021). However, it also increases competition intensity, as consumers have broader access to compare prices, quality, and services. In this context, MSMEs must optimize distribution efficiency and service quality as a form of competitive advantage (Melovic et al., 2022).

In the agribusiness sector, marketing plays a vital role as a connector between upstream producers and downstream consumers. This role goes beyond merely distributing products; it also involves value creation through packaging, branding, and crafting integrated consumer experiences (Bairagi et al., 2018; Wang et al., 2018). The effectiveness of marketing systems in agribusiness can be measured using indicators such as marketing margins, logistics costs, product damage rates, and farmer's share, the proportion of final prices received by farmers or producers (Acharya & Agarwal, 2010; Trienekens, 2011). Marketing channels, comprising various intermediaries such as agents, retailers, and distributors, determine how value and products flow along the distribution chain. The structure of these channels influences overall system efficiency and plays a role in final market pricing (Yuliardi, 2021; Gereffi & Fernandez-Stark, 2016). When the

channel structure is inefficient, distribution costs rise, producers' profit margins shrink, and value gaps between supply chain actors widen (Hartono, 2020; Kurniawati et al., 2022). One of the key indicators used to evaluate distribution system sustainability is the marketing margin, the difference between the consumer's payment and the producer's receipt.

Margins that are disproportionate to the distribution functions performed lead to inequities that disadvantage producers, particularly community-based MSMEs with limited bargaining power (Kohls & Uhl, 2002; Fernandez-Stark et al., 2011). A real illustration of these challenges is the Suputra Herbal Incense MSME in Angantaka Village, Badung Regency, Bali, which demonstrates how high-value products such as herbal incense made from agarwood, masohi, and cinnamon have not yet fully benefited from their market value due to a suboptimal distribution system (Septiani, 2021). Since its establishment in 2015, this business has shown steady growth, yet the owner continues to struggle with understanding distribution channel structures, calculating margins for each marketing path, and optimizing logistics cost efficiency (Daryanto & Nurmalina, 2015).

This lack of knowledge becomes a structural barrier in developing sustainable marketing strategies. Moreover, the use of high-quality natural raw materials increases production costs, which are not matched by profit margins, especially when distribution channels are controlled by intermediaries (Hartono, 2020; Melovic et al., 2022). Therefore, an analytical approach to the structure and efficiency of distribution channels is necessary, one that considers not only technical aspects but also the political economy of value systems and market governance (Trienekens, 2011; Reardon et al., 2012). By evaluating marketing margins, farmer's share, and logistics costs, MSMEs such as Suputra Herbal Incense can design more equitable and efficient distribution models that focus on empowering local producers (Gereffi & Fernandez-Stark, 2016; Wang et al., 2018). This is essential to ensure business sustainability, enhance competitiveness in domestic and international markets, and avoid excessive dependence on external marketing institutions that are often non-transparent in value allocation (Kurniawati et al., 2022).

RESEARCH METHODS

This study was conducted at the Suputra Herbal Incense MSME, located in Angantaka Village, Abiansemal District, Badung Regency, Bali Province. The research took place over a two-month period, from November to December. The location was selected purposively, based on the consideration that this MSME processes natural raw materials such as agarwood, benzoin, and teak wood into herbal incense products used for spiritual activities, health purposes, and as a livelihood source for the local community. Furthermore, there has been no prior research specifically examining the marketing of herbal incense in this area, thereby providing academic opportunities for further scientific exploration.

This study employed two main types of data: qualitative and quantitative. Qualitative data were collected to understand existing distribution patterns and marketing structures, and were analyzed descriptively to build a comprehensive understanding of the empirical realities encountered (Sugiyono, 2018). Meanwhile, quantitative data were used to measure variables such as selling price, production volume, marketing margins, and producers' income. These quantitative data were analyzed using mathematical methods to support the qualitative findings. The sources of data consisted of both primary and secondary data. Primary data were directly obtained from business actors and key respondents through interviews, observations, and direct field visits. The information collected included business profiles, marketing flows, and cost components. Secondary data were obtained through supporting documents, internal business reports, production records, and references from relevant literature or scientific publications (Sugiyono, 2018). The population in this study included all marketing actors in the Suputra herbal incense distribution chain, consisting of producers (the MSME owner), wholesalers, retailers, and consumers. Based on field data, the total population comprised 14 individuals: 5 wholesalers, 4 retailers, and 5 consumers. A census method was used for sampling, in which all members of the population were included as research respondents. Consumer selection focused on regular buyers who made purchases at least three to four times a week.

Several data collection methods were applied in this research. First, in-depth semi-structured interviews were conducted using open-ended questions to gather information from various key respondents. Second, field observations were conducted to obtain real-time insights into the production, transaction, and distribution activities. Third, a literature review was employed to explore relevant documents and references, both from the MSME and online sources. Lastly, documentation

was used to complement visual and narrative data through photos, quotations, or other written materials that supported the validity of the findings. Data analysis was carried out using descriptive and quantitative approaches. First, to analyze the marketing channels, a distribution flow was traced from the producer to the end consumer. Information was gathered through interviews with distribution actors regarding marketing paths, selling prices, and margins at each distribution point. Second, the marketing margin was calculated to determine the price difference between the producer's selling price and the final consumer's purchase price, formulated as follows:

$$\mathbf{Mp = Pf - Pr}$$

Description:
Mp = Marketing margin (Rp/package)
Pf = Price received by the final consumer (Rp/package)
Pr = Selling price from the producer (Rp/package)

Through this approach, the researcher can evaluate the level of marketing efficiency and identify opportunities for improving distribution strategies that are more beneficial for the producer.

RESEARCH RESULTS AND DISCUSSION

Marketing Channels

Marketing channels refer to the sequence of institutions or individuals involved in delivering products from producers to consumers, either directly or through various intermediaries (Kotler & Keller, 2016). The findings from the study conducted at the Suputra Herbal Incense MSME in Angantaka Village, Abiansemal District, reveal that the producer employs three primary distribution patterns to market their herbal incense products. These patterns illustrate how the product flows through different pathways before reaching the end user. The marketing channel structure adopted by the herbal incense business is presented in Table 1, which outlines the specific routes and actors involved in the product's distribution.

Table 1. The Marketing Channel Structure Adopted By The Herbal Incense Business

Marketing Channel	Number (people)	Percentage (%))
Channel I: Producer Consumer		
Channel II: Producer Retailer Consumer	5	36%
Channel III: Producer Collector Retailer Consumer		
Total		
Channel I: Producer Consumer		
Channel II: Producer Retailer Consumer	4	28%
Channel III: Producer Collector Retailer Consumer		

Total		
Channel I:		
Producer		
Consumer		
Channel II:		
Producer		
Retailer		
Consumer		
Channel III:	5	36%
Producer		
Collector		
Retailer		
Consumer		
Total		
Channel I:	14	100%
Producer		
Consumer		

Source: Processed Primary Data, 2024

Based on the research findings, Channel I is a single-level (direct) channel, where the producer sells directly to the end consumer without intermediaries. The results show that 5 respondents, or approximately 36%, use this model. This channel is typically used situationally, especially when the producer needs quick income or is fulfilling specific demands such as for religious offerings or yoga needs. This type of channel is considered the most efficient as it incurs no additional distribution costs and allows producers to obtain the maximum profit (Kohls & Uhl, 2002; Gereffi & Fernandez-Stark, 2016). Channel II is a two-level channel, involving retailers as the sole intermediary between producers and consumers. This pattern was used by 4 respondents (28%) in the study. Retailers purchase the products directly from producers and then resell them to consumers with a certain margin. This distribution model is still considered efficient, as it helps producers reach a broader market without significantly extending the distribution chain (Coughlan et al., 2006). Channel III is a three-level channel involving both wholesalers and retailers before the product reaches the final consumer. A total of 5 respondents, or 36%, reported using this distribution path. In this scheme, producers sell their herbal incense to wholesalers, who then sell them to retailers before finally reaching the end consumers. Although this channel broadens market coverage, it increases marketing costs and reduces producers' profit margins (Hartono, 2020). These results indicate that the variation in marketing channels used by the Suputra Herbal Incense MSME is influenced by factors such as production volume, the availability of distribution networks, and the producer's need to adapt to local market dynamics. Therefore, selecting an efficient marketing channel is a crucial aspect in improving the competitiveness and sustainability of MSMEs (Kotler & Keller, 2016; Barbieri & Mshenga, 2008).

3.2. Marketing Margin, Farmer's Share, and Marketing Efficiency

The marketing margin is the difference between the product's selling price received by the consumer and the price received by the producer at the initial level (Kohls & Uhl, 2002). This price gap reflects the accumulation of various costs incurred by marketing institutions during the distribution process, including transportation, storage, and the profit margins of each intermediary (Hartono, 2020). The longer the distribution chain, the larger the marketing margin tends to be, as more actors are involved in claiming a share of the product's selling value (Acharya & Agarwal, 2010). In the case of herbal incense produced by the Suputra Herbal Incense MSME, the marketing margin, farmer's share, and marketing efficiency are presented in Table 2.

Table 2. Marketing Margin, Farmer's Share, and Marketing Efficiency of Suputra Herbal Incense MSME

Uraian	Saluran I	Saluran II	Saluran III
Produsen			
Harga Jual	25.000	22.000	20.000
Pedagang Pengempul			
Harga Beli			20.000
Biaya Transpotasi			645.72
Harga Jual			25.000
Margin Pemasaran			5.000
Margin Keuntungan			4.354.28
Pegagan Pengecer			
Harga Beli		23.000	25.000
Biaya Transportasi		450.89	500
Harga Jual		25.000	27.000
Margin Pemasaran		3.000	2.000
Margin Keuntungan		2.549.11	1.500
Konsumen			
Harga Beli	25.000	25.000	27.000

Source: Processed Primary Data, 2024

The study conducted on Suputra Herbal Incense MSME revealed significant differences in marketing margins across different distribution channels. In Marketing Channel I, producers sell directly to consumers without involving any intermediaries, meaning no marketing margin is formed. This model is categorized as a direct channel, which, according to Kotler & Keller (2016), provides the highest efficiency as the entire selling price is received directly by the producer. This offers optimal profit opportunities, particularly for small-scale producers who have direct access to consumers. In Channel II, producers sell their products to retailers, who then distribute them to consumers. Based on the data, a marketing margin of Rp3,000 is generated at the retailer level, with operational costs amounting to Rp450.89 and a net profit of Rp2,549.11. Although one intermediary is involved, this channel is still considered relatively efficient due to the low distribution costs compared to the product's selling value (Coughlan et al., 2006). This strategy also allows for a wider market reach than the direct channel.

Channel III involves two intermediaries: wholesalers and retailers. Producers sell the herbal incense at Rp20,000 to wholesalers, who then resell it to retailers for Rp25,000. Wholesalers earn a margin of Rp5,000, minus transportation costs of Rp645.72, resulting in a net margin of Rp4,354.28. Retailers then sell the product to consumers for Rp27,000, earning a net margin of Rp1,500. This distribution structure illustrates how the addition of more marketing institutions can reduce the share of profits received by the producer (Bairagi et al., 2018). In addition to marketing margin, distribution efficiency can also be assessed through the Farmer's Share, which is the proportion of the final selling price received by the producer. In Channel I, the farmer's share reaches 100%; in Channel II, it drops to 88%; and in Channel III, it further decreases to 74%. These figures indicate that the more intermediaries involved in the supply chain, the smaller the share of the final product value received by producers (Acharya & Agarwal, 2010). This imbalance could threaten the sustainability of small enterprises by reducing production incentives and weakening producers' bargaining positions in the market. Therefore, choosing the appropriate marketing channel structure should consider the balance between market reach and margin

efficiency. Short channels are more suitable for preserving producers' profit margins, while longer channels can be used to expand market reach, provided they are accompanied by cost-efficiency strategies to avoid disadvantaging producers (Kotler & Keller, 2016; Gereffi & Fernandez-Stark, 2016).

CONCLUSION AND RECOMMENDATIONS

Based on the research findings, several conclusions can be drawn as follows. The marketing system of herbal incense products at Suputra Herbal Incense MSME is divided into three distribution channel patterns. The first channel is a single-level distribution that connects the producer directly to the consumer without involving intermediaries, thus incurring no additional margins. The second channel involves one intermediary, namely the retailer, resulting in a marketing margin of Rp3,000 per package. The third channel involves two intermediaries—wholesalers and retailers—and generates the highest marketing margin of Rp5,000 per package. Therefore, it can be concluded that the longer the distribution channel used, the greater the marketing margin formed, which in turn reduces the proportion of income directly received by the producer. Based on these findings, it is recommended that Suputra Herbal Incense MSME optimize the use of direct distribution channels (single-level channels) to maximize income and reduce distribution costs. Marketing actors such as wholesalers and retailers are also encouraged to choose more efficient distribution channels, both in terms of cost and delivery time to end consumers, in order to optimize profits. To support overall marketing efficiency, it is important for all parties within the distribution chain to prioritize price transparency and strategic collaboration in designing a marketing model focused on sustainability. Furthermore, to enrich academic discourse, future research is highly recommended to not only focus on marketing aspects but also include studies on production, raw material supply chains, and innovation and development of herbal incense products moving forward.

REFERENCES

Acharya, S. S., & Agarwal, N. L. (2010). *Agricultural Marketing in India*. Oxford and IBH Publishing.

Bairagi, S. K., Roy, D., & Nasrin, M. (2018). Marketing Efficiency and Value Chain Analysis of Agricultural Commodities in Bangladesh. *Journal of Agribusiness in Developing and Emerging Economies*, 8(4), 766–782.

Barbieri, C., & Mshenga, P. M. (2008). The Role of the Firm and Owner Characteristics on the Performance of Agritourism Farms. *Sociologia Ruralis*, 48(2), 166–183.

Chatterjee, S., Rana, N. P., Dwivedi, Y. K., & Baabdullah, A. M. (2021). Understanding AI Adoption in Retail Using TAM and TOE Frameworks. *International Journal of Information Management*, 57, 102304.

Coughlan, A. T., Anderson, E., Stern, L. W., & El-Ansary, A. I. (2006). *Marketing Channels* (7th ed.). Pearson Education.

Daengs, S., & Aripin, R. (2018). Manajemen Pemasaran dan Pengaruh Teknologi dalam Bisnis Modern. *Jurnal Ilmu Ekonomi dan Bisnis*, 4(2), 112–125.

Daryanto, A., & Nurmalina, R. (2015). *Manajemen Rantai Pasok Agribisnis*. IPB Press.

Fernandez-Stark, K., Bamber, P., & Gereffi, G. (2011). *The Fruit and Vegetable Global Value Chain*. Center on Globalization, Governance & Competitiveness, Duke University.

Gadde, L.-E., & Håkansson, H. (2001). *Supply Network Strategies*. Wiley.

Gereffi, G., & Fernandez-Stark, K. (2016). *Global Value Chain Analysis: A Primer* (2nd ed.). Center on Globalization, Governance & Competitiveness, Duke University.

Gunasekaran, A., Subramanian, N., & Papadopoulos, T. (2017). Information Technology for Competitive Advantage Within Logistics and Supply Chains: A Review. *Transportation Research Part E: Logistics and Transportation Review*, 99, 14–33.

Hartono, A. (2020). Analisis Margin dan Efisiensi Saluran Pemasaran Produk Hortikultura. *Jurnal Agribisnis Indonesia*, 8(1), 45–53.

Khaswarina, L., Rahayu, D., & Saputra, A. (2018). Efisiensi Pemasaran Produk Pertanian di Era Modernisasi. *Jurnal Sosial Ekonomi Pertanian*, 7(3), 133–140.

Kohls, R. L., & Uhl, J. N. (2002). *Marketing of Agricultural Products* (9th ed.). Prentice Hall.

Kotler, P., & Keller, K. L. (2016). *Marketing Management* (15th ed.). Pearson Education.

Kurniawati, D., Saptana, & Suryani, E. (2022). Farmer's Share Analysis in Horticulture Supply Chain. *Jurnal Agro Ekonomi*, 40(1), 33–44.

Melovic, B., Dudic, B., Vatin, N., & Jovovic, A. (2022). Marketing Strategy for Products of Organic Origin: Evidence from a Developing Market. *Foods*, 11(2), 321.

Reardon, T., Barrett, C. B., Berdegué, J. A., & Swinnen, J. F. M. (2012). Agrifood Industry Transformation and Small Farmers in

Developing Countries. *World Development*, 37(11), 1717–1727.

Septiani, N. K. A. (2021). Wawancara Pemilik Usaha Dupa Herbal Suputra. *Dokumentasi Lapangan*, Abiansemal, Badung.

Septiani, R. (2021). Potensi Pemasaran Dupa Herbal di Bali. *Jurnal Agrimandiri*, 6(2), 80–89.

Sugiyono. (2018). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Alfabeta.

Tiwari, R., Shaikh, A. A., & Sanyal, S. (2021). Digital Transformation of Marketing in MSMEs: Opportunities and Challenges. *Small Enterprise Research*, 28(2), 103–122.

Trienekens, J. H. (2011). Agricultural Value Chains in Developing Countries. *International Food and Agribusiness Management Review*, 14(2), 51–82.

Xu, H., Lu, Y., Li, Z., & Liu, X. (2020). Digital Technologies and Supply Chain Performance: Evidence from Chinese Manufacturing Firms. *International Journal of Production Economics*, 228, 107693.

Yuliardi, R. (2021). Struktur Saluran Distribusi Produk UMKM dan Dampaknya Terhadap Margin Pemasaran. *Jurnal Ekonomi dan Bisnis Terapan*, 7(1), 55–64.