



## **EFFECTIVE STRATEGIES IN MANAGING DEMAND AND PRODUCTION CAPACITY OF SERVICES MSMEs IN BEKASI CITY**

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### **Abstract**

The Indonesian economy can benefit from the existence of MSMEs, but there are also shortcomings or problems with them, such as the low income limit owned by businesses, a small number of Human Resources (HR), and low levels of education and digital literacy. This research aims to explore demand patterns and production capacity at Ameera Salon, an MSME in Indonesia. We use qualitative methods by collecting data through observation and documentation. Through this research, we realize that the Indonesian economy can benefit from the existence of MSMEs, but is also faced with a number of problems such as low income, limited human resources, and low levels of education and digital literacy. In this situation, the most strategic approach to overcoming the problem of poverty is through the development of MSMEs. However, in handling requests, each type of business needs to consider and analyze the requests in an appropriate manner. This research provides insight into how MSMEs such as Ameera Salon can manage their demand and production capacity. **Keywords:** Production Capacity, Demand, MSMEs.

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### **INTRODUCTION**

This research focuses on the importance of effective strategies in managing demand and production capacity in Micro, Small and Medium Enterprises (MSMEs) in the service sector in Bekasi City. MSMEs play an important role in the Indonesian economy, including in Bekasi City, as significant contributors to economic growth, job creation and income distribution. However, the MSME sector is also faced with a number of challenges that need to be overcome to increase their competitiveness and contribution to local economic development. One of the main challenges faced by service sector MSMEs in Bekasi City is effective management of demand and production capacity. Fluctuating demand, especially in the service industry which is sensitive to changes in trends and seasonality, often makes it difficult for MSMEs to plan production appropriately. On the other hand, suboptimal production capacity can result in high production costs or supply shortages, which in the end can reduce customer satisfaction and hinder business growth.

In this case, it is important to develop effective strategies in managing demand and production capacity. This strategy involves using data and analytics to understand demand patterns, plan production capacity accordingly, and optimize production processes. Apart from that, the application of technology can also play an important role in increasing the efficiency and productivity of MSMEs in the service sector in Bekasi City.

Although MSMEs in Bekasi City have demonstrated good adaptability to changes in the business environment, further research is still needed to identify the most effective strategies in managing their demand and production capacity. Thus, this research aims to investigate the various strategies used by service sector MSMEs in Bekasi City, as well as to identify the factors that influence the successful

implementation of these strategies. It is hoped that the results of this research can provide a valuable contribution in improving the performance and competitiveness of MSMEs in the service sector in Bekasi City.

Indonesia's economy has not stabilized to this day, which has prompted the government to review and strengthen the Micro, Small and Medium Enterprises (MSME) sector. The Indonesian economy can benefit from the existence of MSMEs, but there are also shortcomings or problems with them, such as low levels of income among businesses, a small number of human resources, and low levels of digital knowledge and literacy (Arianto, 2020). Not only that, but MSMEs are organizations that do not have a clear mission statement or adequate quality assurance. This problem may arise due to various factors such as unmet personal needs and business expenses, gadgets or technology used for private business ventures or limited to personal use, among others.

In such a situation, the most strategic approach to overcoming the problem of poverty in Indonesia is the development of micro, small and medium enterprises (MSMEs). After several years, MSMEs in Indonesia experienced a sharp decline which had a negative impact on the country's economy. The average annual wage growth rate over the last five years of the study increased by an average of 2.15% (2012-2018). In addition, the contribution of MSMEs to GDP (Gross Domestic Product) shows a significant annual growth rate of around 54% (Suwarni, et.al., 2019). Despite their wealth, MSMEs grow and appear slow in progress, meaning they are not good at contributing to the decline in numbers and poor sentiment. MSMEs still have to deal with various issues and challenges that affect daily product function. Increased productivity in the workplace, higher incomes, and longer economic growth can all be attributed to the growth of MSMEs, which also improve the social and economic conditions of their members.

Anyone can get involved in micro, small and medium businesses, and there are several of them, the main one being Services Marketing. Services Marketing is a type of business where products or materials do not need to be sold to complement the services offered. Marketing Services has many aspects, and as time goes by, more and more things are possible, such as Cleaning Services, Maintenance, Repairs, and so on. Services have the potential to meet individual needs that are needed by society, so that this assistance can become a business. Basically, we need to develop a strategy for customer service, or a demand pattern strategy. Demand patterns are all the activities and decisions made by management to determine and put into practice how they will work to reduce the number of requests for each service provided at any time of the day. Several measures were taken to increase demand (Ortikmirzaevich, 2017).

Maximum output or production capacity is the maximum number of goods that can be produced in a daily trading business, divided into working days, weeks and months. Adjustment of production capacity to market demand is carried out in stages. Production capacity is key in business planning, showing the number of products expected to be produced and sold within a certain time period.

Consideration of raw materials, labor costs and other inputs is important so that production capacity is not affected by labor demands. Investments in production capacity and sales volume allow greater product sales, but inefficient use of capacity can lead to financial losses. Awareness of the factors that influence production capacity is important, although many manufacturers are not aware of their precise production capacity. Decisions based on estimates are not as good as those based on accurate data. Production capacity is the maximum output a manufacturing business can produce, and knowledge of production capacity allows for better production planning and scheduling as well as more accurate cash flow forecasts. Although theoretically, capacity is a fixed number, in practice, it can vary depending on the type of product being produced.

In managing demand and production capacity in service sector MSMEs in Bekasi City, the problem formulation includes three main questions: first, how can service sector MSMEs identify and predict future demand for production capacity? Second, what are effective strategies for adapting production capacity to fluctuations in demand in the context of the service sector? And third, what is the role of technology in helping manage demand for production capacity in service sector MSMEs?

In carrying out the operations of a business, determining the planned capacity is a crucial step for every entrepreneur to ensure adequate profits are achieved. Especially in the service sector, capacity planning is an important strategy to overcome potential negative impacts, including increases in human resource capacity that may occur at any time. Capacity is defined as the ability to produce production, so greater efforts are needed to increase the ability of the workforce to produce wider production. According to the Chartered Institute of Management Accountants (CIMA), "Production capacity is a key factor in determining business success. Efficient capacity management is key in facing challenges in the market, especially in service businesses which are highly dependent on human resources."

### **Excess Demand and Excess Capacity**

Excess demand occurs when a company experiences a situation where the quantity demanded exceeds or limits the quantity supplied, so that the market price is below the equilibrium price, and if the mechanism is working, the price will increase towards the new equilibrium, whereas if demand is more small than the achieved capacity, there will be an imbalance in idle services and facilities. Customer requests and needs will create a challenge for companies to be able to optimize their service capacity (Erlini, 2022). For example, at Ameera Salon, if there is demand that exceeds capacity, then Ameera Salon must maintain a balance of capacity in accordance with the existing level of demand.

Excess capacity is a situation where demand is less than the number of services that have the potential to exist in the service company environment (Ulya & Saputro, 2020). So when the company produces a scale that is lower than the results that have been made, excess capacity will occur. In managing capacity, Ameera Salon must also carry out planning to be able to limit the scope of research and solutions to a chase demand strategy, which means the opportunity to adjust its capacity according

to the level of demand and needs of its customers. There are several strategies that can be used to manage this capacity, for example work shift scheduling, part time employees, increasing customers by sharing capacity with other companies because this method can be done and balanced according to the needs and circumstances of the company.

### **Types of Service Demand Fluctuations**

Fluctuations in demand in the service sector are a problem that affects all types of businesses in terms of serving individual and corporate customers (Nambisan, 2017)). There are two solutions to the problem of fluctuating demand, namely being able to adjust the level of capacity to meet the type of demand. This method requires the cooperation of operations management and human resources, and then being able to manage the level of demand by using a peak switching strategy to produce a consistent flow of service requests.

### **Production Capacity Management**

Production capacity is the facilities, workforce, equipment, infrastructure and other assets available within a company to be able to produce output for its customers. In the service sector, production capacity has five potentials, namely physical facilities created to accommodate customers in providing services for humans and animals, such as clinics and hotels. Both facilities were created to be able to store customer goods, such as warehouses and parking lots. Third, equipment to help human needs such as machines, telephones, computers. The four workers are the main elements in this productive capacity with high contact and low contact services such as hospital and restaurant workers. The five organizations are related to private government such as telephone line companies (Shinta, et. al.,2022).

### **Demand Patterns**

In managing demand for certain services, a manager must be able to manage the factors that influence the demand cycle. This cycle occurs when demand for services increases in a certain period and then decreases according to a planned pattern (Boakye, 2014). Managers need to understand market dynamics and take strategic steps to effectively manage fluctuations in demand, including planning human resources, inventory, and marketing strategies accordingly.

### **Request Management with Reservation System**

This management aims to create steps where consumers can be served in a timely manner. In this way, consumers don't have to queue and wait long. This system is generally implemented in companies such as hotels, salons, and others. In implementing this system, companies must also consider market segments, so that other consumers can be arranged at less busy times or later periods (Bakhri, & Futiah,

2020). Thus, managing this demand not only benefits consumers in terms of convenience, but also helps companies improve operational and service efficiency.

## **METHOD**

Paper writing activities in article format that focus on managing demand and production capacity in service sector MSMEs in Bekasi City at Ameera Salon using qualitative research methods. Qualitative research methods were chosen to complete this article because they tend to explain analytically, supporting the use of qualitative research methods. Research is carried out descriptively where data are facts from a population. The research data was obtained from our direct experience who have been regular customers at Ameera Salon and understand the salon's working system, making it easier for the author to analyze.

## **Research Results and Discussion**

In managing requests, each type of business will consider and analyze how requests can help smooth operations. For companies operating in the service sector such as Ameera Salon, maintaining a balance between demand and production capacity is a challenge because services cannot be stored for sale, so challenges also occur when there are fluctuations in demand, such as an increase in the number of customers. Nowadays, the quality of services offered cannot be compromised, and salons sometimes face difficulties in serving a larger number of customers than usual at certain times. Companies also face obstacles in reducing production capacity when demand decreases.

At Ameera Salon, labor is an important form of production capacity. This salon involves high interaction between workers and customers, so the balance of demand and production capacity in a service business is often difficult to determine. However, managing demand and production capacity must still be carried out to create an effective and stable work environment. At Ameera Salon, the following situations may occur at any time:

### **1. Excessive request**

This situation often occurs at Ameera Salon, especially before celebrations such as holidays. Many people want to do their hair to celebrate this occasion, so demand exceeds salon production capacity. This can lead to a loss of customers as the salon is unable to handle the surge in demand. To overcome this, effective management strategies need to be implemented, such as more regular scheduling or temporary hiring of additional workforce during busy periods. In this way, Ameera Salon can continue to meet customer needs and maintain their loyalty.

### **2. Demand Exceeds Optimal Capacity**

In this situation, the salon is very busy but no customers are turned away. This can raise concerns about decreasing service quality due to crowded rooms and limited time for each customer. Salon staff may feel rushed and lack focus, resulting in less than optimal service. This can reduce customer satisfaction and damage the salon's reputation. To overcome this, management strategies such as

more efficient scheduling or hiring additional temporary staff can be implemented. In this way, the salon can maintain service quality standards and maintain customer satisfaction.

### 3. Optimal Capacity

This situation occurs when demand and production capacity are balanced. Customers receive quality service without delays or excessive crowding. Staff and facilities are kept busy performing tasks without undue stress. In this condition, customers feel satisfied because they are served quickly and efficiently, while employees can work well without excessive workload. Therefore, maintaining a balance between demand and production capacity is important to ensure a satisfactory customer experience and optimal staff well-being.

### 4. Excessive Capacity

This situation occurs when demand decreases but production capacity is not used (idle). The low number of customers in the salon meant that staff and facilities were not fully utilized. To address the problem of demand fluctuations, there are two approaches that can be taken: adjusting capacity levels to meet demand variations and managing demand levels. In managing company capacity, there are strategies that service companies such as Ameera Salon can use to adjust their capacity to the level of demand. One way is by carrying out promotions or special offers to attract more customers during slow periods, or by providing additional services or product diversification to increase use of facilities and workforce when demand is low.

Several steps can be taken to manage capacity at Ameera Salon, especially during busy times such as before the holidays. First, salons can hire part-time employees to help handle customer surges when needed. Additionally, they can also rent additional facilities or equipment during busy periods rather than incurring huge costs on purchasing new equipment. During periods of low demand, salons can use downtime to make renovations or repairs, or provide additional training to employees to improve their skills. Apart from that, salons can also ask for cooperation from customers, such as asking them to share seats when the salon is full, so that all customers can be served well and comfortably. With this strategy, Ameera Salon can be more efficient in managing its capacity and providing optimal service to customers.

In identifying factors that influence demand, Ameera Salon can manage its demand using demand management methods to meet the needs of its salon. One way is to increase demand when capacity is available. By having adequate capacity, salons can increase demand while maintaining service quality. This will make customers feel comfortable because the services available are complete and provide satisfactory results.

Before increasing demand significantly, Ameera Salon needs to conduct a market analysis to understand market conditions, consumer behavior and the salon's target market. When calculating the costs associated with the services to be provided, salons must consider current market conditions and

behavior. For example, during the pandemic, salons may offer more affordable promotional packages to attract consumers who are more interested in lower prices but still want quality service. Thus, salons can adapt their marketing strategies to accommodate changes in consumer behavior and current market conditions.

The emergence of demand can also be caused by the level of arrivals to a facility that exceeds the capacity of the existing system. Therefore, this request must be managed well so that it does not have a negative impact on business operations. For example, at Ameera Salon, if the salon space is limited and only has 3 chairs, but there are 5 customers who come at the same time for a haircut service, then the other 2 customers have to wait in line. This can lead to boredom and waste of time, which can ultimately create a bad and uncomfortable experience for customers because service does not meet expectations.

Therefore, Ameera Salon must be proactive in planning to provide a good experience to customers by implementing a reservation system in advance to adjust the queue duration which customers can consider to increase efficiency and not waste time when making transactions.

By implementing a reservation system, not only customers get top service priority, but salons can also schedule their activities by preparing facilities before they are used by consumers to be more efficient in managing existing requests. This will also be more responsive to customer needs, thereby minimizing customers from having to queue which wastes time and provides an unsatisfactory experience. However, the existence of a reservation system can also have an impact on the salon if a customer suddenly cancels their reservation, which will affect the salon having to rearrange the schedule that has been prepared and reduce the income received.

Therefore, it is necessary to incur a deposit fee in allocating more capacity to one segment. If that segment cancels, the deposit will also be forfeited because when the salon prioritizes customers who use the reservation system and does not accept guests who suddenly come at the time of the reservation and If a customer who makes a reservation suddenly cancels and doesn't come, it will result in the salon experiencing losses and not getting regular income, so realistic estimates are also needed that not only provide good results for customers, but on the other hand, the salon is also not harmed at the same time. . Therefore, the importance of good demand management is to be able to anticipate customer demand which can optimize capacity and productivity for better production requests by providing good quality and reviews to all customers so that they want to visit again to use these services.

Due to increasingly rapid business competition, having its own advantages will not be fulfilled if a business does not continue to innovate, therefore Ameera Salon must continue to balance its business by having the ability to maintain customer loyalty by providing services in accordance with quality standards and the salon's own brand. by being able to balance management between demand patterns and available product capacity so that this salon business can achieve financial success with limited capacity so that the productive capacity available in response to increasing demand can run efficiently and profitably as much as possible by maximizing the production capacity of the desired services so that

Ameera Salon can adapt to existing quality demands by balancing being a salon that is bigger than before and not less competitive than other competitors.

## CONCLUSION

From this research, it can be concluded that Ameera Salon in Bekasi City is a representation of MSMEs that are successful in managing demand and production capacity in the service sector. This salon is a concern because it offers unique and varied services compared to other salons, and implements effective strategies to adjust capacity to market demand. The use of part-time employees, rental of additional facilities, and employee training are some of the strategies that Ameera Salon has proven successful in implementing. The advantage of this salon also lies in the presence of three hair stylists who are skilled in various hair cutting techniques, ensuring that each customer's needs can be met properly. The results of this research provide important insights for MSME business owners and related stakeholders regarding the importance of developing effective management strategies in facing intense market competition. Apart from that, the success of Ameera Salon also shows that with innovation, creativity and good management, MSMEs can remain competitive and develop amidst dynamic market competition. This research also provides a basis for other MSME business owners to adopt similar strategies to improve the performance and sustainability of their businesses.

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