

CHAPTER 1

INTRODUCTION

1.1 Overview of Research Objects

1.1.1 Profile of Micro, Small and Medium Enterprises (MSMEs) Food and Beverage (F&B) Bandung City

MSMEs (Micro, Small and Medium Enterprises) Food and Beverages (F&B) is a business sector consisting of small and medium-sized businesses operating in the food and beverage industry. The term refers to a business segment that includes the production, processing, distribution, and sale of food and beverages on a relatively small scale. MSMEs in the food and beverage sector can include various types of businesses, ranging from snack producers, food stalls, coffee shops, bakeries, to local beverage producers. Typically, MSMEs in this sector are managed by small business owners or families, and often use simple production methods and local raw materials. Food and Beverages MSMEs play a significant role in a country's economy as they not only contribute to job creation, but also support the local economy, promote culinary diversity, and maintain environmental sustainability by utilizing local raw materials. In addition, MSMEs in the food and beverages sector are often a platform for new culinary innovations and unique eating habits.

MSMEs in the F&B sector are vital for economic diversity, cultural preservation, and community development. Despite facing numerous challenges, these enterprises have significant opportunities for growth through innovation, sustainability, and strategic support. The future of MSMEs in the F&B sector looks promising with the right blend of technology, market access, and supportive policies. MSMEs in the F&B sector are essential to economic vibrancy and cultural diversity. While they face numerous challenges, they also have significant growth opportunities through innovation, technology adoption, and strategic support. The future for MSMEs in the F&B sector is promising, with potential for substantial contributions to the global economy.

The culinary industry in Bandung faces various challenges. One of the challenges is the intense competition in the halal culinary industry sector, including

in accessing financing and international markets, meeting market needs, obtaining relevant government/policy support, applying technology in marketing, research and development, and setting competitive prices (Yuniastuti & Pratama, 2023). Another challenge is related to the creation of a value chain that is not yet owned or not functioning properly in the creative industry (S. Syahyono, 2021). The creative industry in Bandung City, especially in the culinary subsector, is still difficult to achieve the expected competitive advantage, and creative innovation is in the low category (S. S. S. Syahyono, 2019). In addition, the culinary industry faces sustainability challenges related to environmental, social, and economic aspects that must be evaluated throughout the product life cycle (Daukantienė, 2023). In Bandung, the emergence of new food products is common, but these new food products are not able to survive in the market. This is due to many factors, such as the emergence of new competitors, unfavorable weather and not being able to create a good trend. In addition, the people of Bandung itself tend to get bored easily with a fairly consumptive lifestyle, there needs to be innovation, an impression or a characteristic that makes people or consumers interested in returning or coming to buy the product again (Nawawi et al., 2021).

According to the Central Statistics Agency (BPS) report, Indonesia had 3.9 million Micro and Small Enterprises (UMK) in the food and beverage sector in 2019. West Java is the province that has the largest number of food and beverage MSEs (katadata.co.id). Based on 2022 data, the total number of F&B businesses is 12,141, an increase of 5.2% (opendata.jabarprov.go.id). The average value of the number of businesses per year is 6,492.7 in the last 10 years (opendata.jabarprov.go.id).

1.1.2 F&B Growth in Bandung City

The F&B industry in Bandung continues to grow along with the growth of the city and people's interest in food and drinks. Its growth can be seen from the increase in the number of restaurants, cafes and food shops that appear every year. Referring to the Susenas (National Socio-Economic Survey) data released by the Central Statistics Agency (BPS) in 2018, there were 782 restaurants and eateries. In Bandung, in the 2022 figures issued by the Bandung City Central Statistics

Agency, in 2019 there were 899 recorded. This figure continues to increase in 2020 to 1,339 (bandung.go.id). Restaurants, cafes and food shops in Bandung are spread throughout the city, both in the city center and in the outskirts. Several areas known for their culinary riches in Bandung include Dago, Setiabudi, Cihampelas, Braga and surrounding areas. The F&B industry in Bandung is very diverse, with various market segments. Starting from luxury restaurants with premium prices to roadside food stalls offering food at affordable prices. Apart from that, there are also cafes that target the younger market segment that likes to gather.

Members of the F&B department have the responsibility to create the exact experience that guests want. General structure of F&B is explained:

1. F&B Manager
2. Assistant F&B Manager
3. Manager Service
4. Assistant Manager Service
5. Supervisor
6. Head Waiter/Captain/Sommelier/Hostess
7. Waiter/Waitress
8. Steward

The complete organizational structure of F&B can be seen in the picture below:

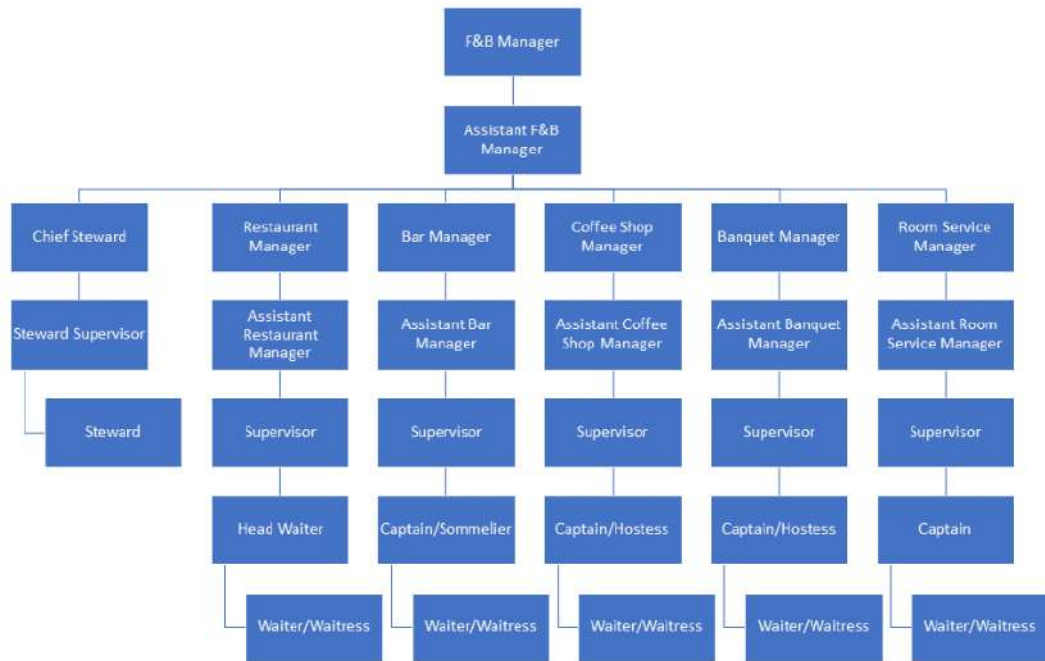


Figure 1. 1 Organizational Structure of F&B

Source: Organizational Structure of F&B (2024)

1.2 Research Background

Strategic entrepreneurship is crucial for technology startups as it synergizes opportunity-seeking and advantage-seeking behaviors to foster superior performance and wealth creation. In the technology sector, where innovation and rapid change are constants, strategic entrepreneurship enables startups to navigate through the challenges of identifying and exploiting new opportunities while simultaneously developing competitive advantages essential for growth and survival (Puguh et al., 2024). Micro, small and medium enterprises (MSMEs) play a very important role in improving the economy at both the national and local levels. Every year, the contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) continues to increase. According to information from the Indonesian Ministry of Cooperatives and Small and Medium Enterprises, in 2018, MSMEs in Indonesia contributed IDR 8,573.9 trillion to the GDP of IDR 14,838.3 trillion, which means that the contribution of MSMEs reached 57.8% of the total GDP. In addition, MSMEs also provide employment for around 116,978,631 people or equivalent to 97% of the total workforce in Indonesia, including MSMEs and large

companies. To date, the number of MSMEs in Indonesia has reached 64,194,057 units or almost 99.99% of the total business units in Indonesia (Jayani, 2020).

In the city of Bandung, there are a number of MSMEs with various types, one of which is Food and Beverages (F&B). F&B is a business engaged in the manufacture and sale of food and beverages. Bandung is known for its flagship commodities, namely tea and coffee (Bappeda Jabar, 2019). MSMEs (Micro, Small and Medium Enterprises) in the food and beverages (F&B) sector in Bandung have a very important role in the Indonesian economy (Kholik & Rahmi, 2023). F&B MSMEs are major contributors to a country's economic growth (Kemenperin, 2022). They create jobs for many people, thereby increasing people's income and purchasing power. Healthy economic growth is often driven by a strong MSME sector. F&B MSMEs are also often the first choice for small entrepreneurs looking to start their own businesses. They create significant employment, especially in rural areas or small towns where formal employment may be limited. The MSME F&B sector is often a major draw for a country's tourism. Unique and authentic local food and beverages can attract tourists from all over the world, which in turn increases tourism revenue. By strengthening the MSME F&B sector, a country can reduce dependence on food and beverage imports from other countries. This can increase economic independence and reduce risks to price fluctuations in the international market. Therefore, understanding and improving the marketing performance of F&B MSMEs in Bandung is crucial to support the growth and sustainability of the sector.

However, COVID-19 has become a global problem, including in Indonesia. As of January 2, 2021, patients infected with COVID-19 in Indonesia reached more than 750 thousand with a death rate of more than 22 thousand people. The economic impact of the COVID-19 pandemic is also felt by the entire population, one of which affects traders, namely MSMEs, in general, the MSME economy occupies a strategic position, where MSMEs can contribute a lot to a country, but MSMEs are also among those who have been hardest hit by the Covid-19 crisis, a lot of people have temporarily closed their businesses, and some have gone bankrupt (Nawawi et al., 2021). The results of Chaniago, (2021) research in the city of Bandung, prove

that during the Covid-19 pandemic consumers buy not only pay attention to price but also the safety factor of being exposed to the plague, consumers tend to shop at traders who implement health protocols. The COVID-19 pandemic has put MSMEs on the brink of an economic crisis, even worse than the financial crisis in 2008. The crisis caused by the COVID-19 pandemic will greatly affect MSMEs with a very serious risk that more than 50% of MSMEs will not survive in the next few months. The widespread decline of MSMEs will have a strong impact on national economies and the world's growth prospects (Nawawi et al., 2021).

MSME entrepreneurs in the food (boga) sector, in this case food MSME entrepreneurs who are members of the Bandung City Culinary Expert Association as partners in community service, during the pandemic really felt the problem of how changes in production, distribution and consumption patterns. During the pandemic, there was a change in the pattern of consumption of goods and services from offline to online. MSME players have difficulty achieving the targets that must be achieved when the economy is disrupted so that their business can continue to run. This change in pattern must be responded to by Micro, Small and Medium Enterprises (MSMEs) actors by digitizing so that they can survive and be able to develop. The utilization of content in a digital media is very influential in marketing activities during a pandemic. But unfortunately, not all food MSME entrepreneurs master the competencies to create good quality content, and do not master the ability to carry out effective and efficient digital marketing in accordance with professional digital marketing rules. The process of creating quality content and comprehensive digital marketing has not been carried out (Evert et al., 2023). A number of micro and small-scale food entrepreneurs have complained about a downward trend in their income over the past few months. This is despite the fact that the level of public consumption is still increasing. Complaints about the decline in turnover were widely discussed by traders on the social media platform, X. This started with a tweet from a bakery entrepreneur from Bandung, Djaka Farezki. Through the djfarezki account, Djaka said that food and beverage businesses in Bandung were experiencing financial difficulties. MSME F&B business friends in Bandung are panicking, turnover is dropping (Kompas.com, 2023). Marketing performance is

used as a tool to measure the level of success of the overall performance carried out including the success of the strategies implemented, sales growth, and company profits (Zainul et al., 2023).

Currently, most MSME entrepreneurs have low creativity in the products they produce (Wisnumurti, 2023). This finding is in line with the results of the 2018 PLUT KUMKM Surakarta research which stated that MSMEs have problems with a lack of creativity and innovation, difficulty in managing how they work (Anugrah, 2023). Research by PLUT KUMKM Surakarta highlights that MSME entrepreneurs experience difficulties in generating creative ideas and innovating. They also face challenges in organizing effective ways of working. The impact of this lack of creativity and innovation is very pronounced. Products and services produced by MSMEs tend not to attract consumer interest due to the lack of attractiveness or added value offered. This has implications for the overall business performance of MSMEs, which may experience a decline in sales and income. The lack of creativity shown by MSME entrepreneurs causes a lack of innovation in the products they sell. The limited creativity of MSME actors results in the products and services produced being less popular and less popular with consumers. The involvement of entrepreneurs in developing innovation is considered very crucial for the continuity of MSME businesses (Dewicka, 2021). The involvement of MSME entrepreneurs in developing innovation is considered very important for the continuity of their business. Innovation allows MSMEs to adapt to market changes, create products or services that are more attractive to consumers, and increase their competitiveness in an increasingly competitive market. Therefore, encouragement and support to increase creativity and innovation among MSME entrepreneurs is very important in supporting the overall growth and success of MSMEs.

In the ever-evolving digital era, marketing challenges are increasingly complex and diverse. Therefore, understanding the factors that affect MSMEs' marketing performance, as well as how to address them, is crucial to maintaining their competitiveness and business growth. Marketing performance problems that occur in a business are usually related to a lack of focus on customer service, lack of communication, and lack of understanding of customer needs and expectations.

Unfriendly and uncommunicative service can make customers feel unappreciated and dissatisfied. This can have a negative impact on the reputation of the business, as customer experience is one of the key factors in the influencing brand image. Lack of communication can also lead to customer dissatisfaction and confusion (Omniecsr, 2023). Comments from customers that they should have been notified if there was a delay in the presentation of the order indicate a lack of understanding of customer needs and expectations.

Product innovation and digital marketing are important to research regarding marketing performance in order to make a significant contribution to increasing competitiveness, business growth, and customer satisfaction. This is in line with research by Ahmad et al. (2020) which shows that product innovation can increase the competitiveness of a business in the food and beverage industry. This is also in line with research by Srinivasan et al. (2019) which shows that companies that adopt digital marketing strategies tend to experience faster business growth. By utilizing digital platforms such as social media, websites, and mobile applications, can reach more potential customers, increase brand awareness, and increase their sales. It is also in line with research by Kim and Han (2014) who found that product innovation and effective marketing can increase customer satisfaction. By presenting exciting new menus and using digital marketing to communicate with customers effectively, it can create a more positive customer experience in order to increase customer loyalty.

In the context of globalization and technological development, the use of digital marketing and product innovation has become crucial for MSMEs to remain relevant and competitive. By utilizing digital technology and continuously developing innovative products, F&B MSMEs in Bandung can increase their visibility, attractiveness, and competitive advantage in an increasingly tight market (Pangarso et al, 2023). Therefore, this research needs to be conducted to understand how the implementation of digital marketing strategies and product innovation can improve the marketing performance of F&B MSMEs in the digital era, so that they can survive and thrive in the intensive competition.

Based on the explanation above, the author will further discuss the marketing strategy and product innovation that is appropriate for small and medium enterprises in the digital era. The marketing strategy and product innovation in question is marketing MSME Food and Beverage products in the city of Bandung. This research is expected to provide benefits for business actors in increasing their income through the goods and services offered to their customers.

1.3 Problem Formulation

Based on the explanation above, the problem formulations raised in this study are:

- 1) Does marketing strategy have a positive influence on marketing performance at UMKM F&B?
- 2) Does product innovation have a positive influence on marketing performance at UMKM F&B?

1.4 Research Objectives

A research conducted certainly has several objectives. The objectives of this research, namely:

- 1) To find out whether marketing strategy has a positive influence on marketing performance at UMKM F&B.
- 2) To find out whether product innovation has a positive influence on marketing performance at UMKM F&B.

1.5 Benefits of Writing

A research must have benefits that are useful for many people. The benefits of doing this research are:

- 1) Enriching study materials and literature for business actors regarding marketing strategies in F&B MSMEs in the digital era.
- 2) As input for business actors in implementing marketing strategies in F&B MSMEs in the digital era.

1.6 Systematics of Final Project Writing

The writing of this research consists of five sequential chapters. The outline of the systematics in this research is as follows:

CHAPTER I INTRODUCTION

This chapter describes the general description of the research object, the background related to the phenomenon that is happening which is interesting to study, the formulation of problems related to the research background, research objectives, benefits that can be taken from research, and the systematics of research writing.

CHAPTER II LITERATURE REVIEW

This chapter describes the theories related to research, previous research, and the research framework.

CHAPTER III RESEARCH METHOD

This chapter describes the design of the types and characteristics of research, operationalization of variables, research stages, population and samples, data collection methods and data sources, validity and reliability tests, and data analysis techniques.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter discusses the results of research that has been carried out based on the procedures and steps that have been determined in the previous chapters. The discussion is based on the research data that has been collected and analyzed.

CONCLUSIONS AND SUGGESTIONS

This section contains writing conclusions from all research conducted, and suggestions for research problems based on the results obtained from research and discussion.