

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of Study

SMEs is a productive businesses sectors run by individuals or business entities by micro business criteria. The criteria for a business to be said to be an SME are regulated in government regulation No. 7 of 2021 concerning the ease, protection, and empowerment of cooperatives and micro, small, and medium enterprises (PP UMKM), where it is explained that a business can be referred to as a micro-business if it has a maximum business capital of Rp. 1 billion outside of land and building capital, then for a business it can be said to be a small business if it has business capital estimated at Rp. 1 – 5 Billion is outside of land and building capital, and the last one is a medium-sized business if it has a business capital estimated at Rp. 5 - 10 Billion. Currently, SMEs can be called among the motors that propel the nation's economy as evidenced by how this business sector provides so many jobs for the people of Indonesia. The most significant economic pillars in Indonesia are SME. Based on the information from the Ministry of Cooperatives and SMEs, there are presently 64.2 million SMEs, and their contribution to the GDP is 61.07%, or 8,573.89 trillion rupiahs. SMEs can boost the Indonesian economy in two ways: by employing up to 97% of the labor force and by attracting up to 60.4% of all investments.

Shifting trend that has been digitized as it is today has greatly affected the SME sector, so this sector has made several significant changes to its business development. This digitalization trend requires business actors should act more

adaptive and innovative on maintaining businesses stability because of the current market trends tend to change so fast that the competitiveness created between SME business actors is high. With the high competitiveness between business actors, this SME must continue to innovate to maintain its products' existence and maintain business continuity amid the various strategies used by other SMEs in marketing their products. Organizations are forced to acquire new knowledge in some environments to develop innovative products that attract and retain new customers. Organizations must create innovations in their marketing and business to create a competitive advantage (Davari et al, 2014).

Currently, almost all sectors have been digitized, all take advantage of technological sophistication to carry out their needs. This also happens in the SMEs sector, from promotion to sales, all use digital as an intermediary medium, the most massively used is social media as an intermediary for promoting products from SMEs. The using of social media is believed to be more effective because its reach is wider compared to old marketing methods such as print media such as newspapers and the costs required are also not large or even tend to be free so that they can reduce production costs. However, this digitalized sector seems to be slow to be adapted by SMEs in Pesisir Selatan Regency, especially SMEs that produce regional specialties, the use of digital platforms as a product promotion tool is something that has just been used by business actors in Pesisir Selatan Regency.

Marketing is the process of creating, then communicating, then delivering, and after that just exchanging decent offers for customers. The process of starting this marketing is by fulfilling customer needs which after that become a sustainable

desire for humans. Marketing begins with the fulfillment of human needs which then grows into human wants. According to Tjiptono and Diana (2020: 3), The process of created, distributed, promoted, and priced the products, service, and ideas is known as marketing. Its goals include facilitating satisfying exchange relationships with customers as well as establishing and maintaining strong bonds with stakeholders' interests in a dynamic environment. According to Laksana (2019:1), Meetings between merchants and customers to conduct transactions for goods or services are known as marketing. So the understanding of the market no longer refers to a place but more to activities or activities meeting sellers and buyers in offering a product to consumers.

According to Quinn (2016) cited by Ardiansyah & Sarwoko (2020), Social media currently provides promising opportunities for business actors in expanding the promotional reach of the products sold and also provides excellent opportunities in building better relationships with their customers. Social media gives businesses an advantage in reaching consumers or communities and fostering customer relationships. The using of social media marketing in brand creation, distribution, and consumption has changed how manufacturers and consumers construct a brand image (Tsai & Men, 2013). Social media marketing is system that enables businesses to interact, collaborate, and leverage the participants' intelligence for their own benefit. draw interest and encourage readers to post on social media.

According to a survey from We Are Social, there were 191 million active social media users in Indonesia in January 2022, up from 170 million users in 2021, a 12.35% rise. This increase continues to occur every year in Indonesia with

significant figures even though there are indeed fluctuations from 2014 to 2022. The highest increase in social media users occurred in 2017 as much as 34.2%. With a usage rate of 88.7%, WhatsApp is the most popular social media network in Indonesia. It is followed in popularity by Instagram (84.8%), Facebook (81.3%), TikTok (63.1%), and Telegram (62.8%).

In an era that has been digitized like today, social media is present as a supporting medium for communicating, interacting, and even becoming the main reference for people's way of life which is evident from many sources of trends in society that come from information on social media, this happens because social media allows its users to reach other users in other parts of the world. Social media is currently turning into the main need in terms of socialization, as evidenced the information provided by the Central Statistics Agency (BPS) of West Sumatra regarding how many people there are 5 years old who access the internet and who have never accessed the internet from 2018 - 2020.

**Table 1. 1 Percentage of People Aged 5 years and over who access the Internet**

Regency / City	Percentage of population aged 5 years and over who access the internet					
	Never Accessed the Internet			Never Access the Internet		
	2018	2019	2020	2018	2019	2020
Kepulauan Mentawai Regency	14.95	16.98	20.88	85.05	83.02	79.12
Pesisir Selatan Regency	27.86	30.80	36.03	72.14	69.20	63.97
Solok Regency	31.12	32.62	37.67	68.88	67.38	62.33
Sijunjung Regency	28.46	33.91	40.46	71.54	66.09	59.54
Tanah Datar Regency	35.54	36.12	43.45	64.46	63.88	56.55

Regency / City	Percentage of population aged 5 years and over who access the internet					
	Never Accessed the Internet			Never Access the Internet		
	2018	2019	2020	2018	2019	2020
Padang Pariaman Regency	30.42	34.35	39.87	69.58	65.65	60.13
Agam Regency	36.16	40.99	48.74	63.84	59.01	51.26
50 Kota Regency	26.70	34.79	36.22	73.30	65.21	63.78
Pasaman Regency	22.39	33.68	35.43	77.61	66.32	64.57
Solok Selatan Regency	30.02	33.06	41.07	69.98	66.94	58.93
Dharmasraya Regency	38.66	44.61	48.50	61.34	55.39	51.50
Pasaman Barat Regency	22.65	26.86	34.24	77.35	73.14	65.76
Padang City	56.18	60.52	63.61	43.82	39.48	36.39
Solok City	52.87	57.63	62.27	47.13	42.37	37.73
Sawahlunto City	40.72	49.38	55.30	59.28	50.62	44.70
Padang Panjang City	56.38	59.42	71.48	43.62	40.58	28.52
Bukittinggi City	59.35	69.27	73.84	40.65	30.73	26.16
Payakumbuh City	51.29	55.76	62.13	48.71	44.24	37.87
Pariaman City	45.58	49.83	62.29	54.42	50.17	37.71
West Sumatera	36.49	41.15	46.35	63.51	58.85	53.65

Source: BPS Sumatera Barat

Based on data from the Central Statistics Agency (BPS) of West Sumatera above, we find that the growth of people accessing the internet over the age of 5 years is increasing every year from 2018 to 2020, in Pesisir Selatan Regency the growth of internet users over the age of 5 years has increased consistently, in 2018 growth at 27.86% then increased to 30.80% in 2019 and 36.03% in 2020, this data shows that social media users are also increasing every year. This is to the results of a survey

issued by the Indonesian Internet Service Providers Association (APJII) in the 2022 Indonesian internet profile survey, which shows that the most accessed by internet users in Indonesia are the WhatsApp platform, which is a social media application that offers verbal communication features, and communication in writing.

The form of successful social media marketing can be seen from the inputs generated, namely the formation of brand awareness from consumers, namely consumers will easily identify this brand based on information they often see on social media. Brand awareness is defined as consumers in certain product sectors considering certain brands, in this study, namely Rendang Lokan, when consumers want to buy Rendang Lokan products, the first thing they remember is a product from the Rendang Lokana brand. Brand awareness in this study is used as a benchmark to measure the success of social media marketing that indirectly influences consumers to make purchases of a product.

This condition certainly requires SME business actors to be more innovative in developing and running their businesses effectively to build an overall healthy and sustainable business that can compete in the market. As the topic of this research, SME business actors must be able to formulate marketing strategies by utilizing social media as a medium for marketing products to enact this strategy to build a sustainable business that continues to be able to survive its existence in the market. This opportunity is taken advantage of by Rendang Lokana who is the object of this research, this brand is able to run a business that produces local specialties, but is made modern with a touch of digitalization such as in the production process and packaging process of this product, then in the marketing process which is generally

carried out by other brands with similar products in a conventional way, This brand provides a change, namely using social media as the main milestone in marketing its products which makes this brand different from other brands that produce similar products. Rendang Lokana makes its audience interested in the content presented by following what trends are happening, especially on Instagram, namely the social media they use as a medium for promoting their products. Making a significant difference in the marketing process certainly makes this brand top of mind for its consumers, because according to data presented by the Central Statistics Agency of West Sumatra which shows that more and more people access the internet from year to year, which means that many people are very familiar with the internet world today, so deciding to market the product on a platform that people are spending a lot of time on now is the right choice.

The focus raised in this study is processed Rendang Lokan products, before knowing what Rendang Lokan is, researchers must explain rendang which is commonly found in the market first. Rendang is a traditional food from Indonesia, especially the province of West Sumatra which is famous throughout the world, even when the World Street Food Congress in 2018 in Manila gave an award to rendang as World's Best Street Food. Rendang in general is made from beef, which is cooked in a rich mixture of spices and thick coconut milk until the soup dries and the spices seep into the meat. Rendang has tender meat that has a strong aroma with a rich, savory, and spicy taste. Rendang often has a dry texture because almost all of the soup has dried and seeped into the meat.

This research focuses on small businesses in Pesisir Selatan Regency that produce typical food, namely Rendang Lokan, the business that is the object of this study is Rendang Lokana. Rendang Lokana is a brand owned by individuals under the name of the owner is Okvina Juita, this privately owned brand produces Rendang Lokan specialties, packages them, then markets them with a touch of modernization. Rendang Lokan is a Rendang product in general, but it has differences in raw materials and also the production process, the raw materials used in Rendang Lokan products are clearly different in the main material, which uses the type of Lokan shellfish (*Anadara spp*) a type of marine mollusk that lives in salt waters. This clam belongs to the family Arcidae which is generally often found in coastal waters. Lokan is often consumed by people living around the coast, which is processed by the people of Pesisir Selatan traditional food in the form of Rendang Lokan, so that it becomes a typical food originating from Pesisir Selatan Regency. The process of making Rendang Lokan is broadly the same as making Rendang meat, but the duration of cooking does not require a duration during cooking meat rendang because the texture of meat from Lokan tends to be soft quickly if cooked in the right way.

Currently, Rendang Lokana, which is located in Bayang District, Pesisir Selatan Regency, is the market leader in the packaged Rendang Lokan product segment. Rendang Lokana not only sells its products in their store, but also targets strategic sectors in Pesisir Selatan Regency, such as the Carocok Beach tourist center, then at hotels located close to tourist attractions in Painan City. For sales out of West Sumatra they also serve direct orders which later they will send their



products through local expedition services. The use of social media for Rendang Lokana as a promotional medium for their products has been able to boost their sales and also expand their market so far, because their campaign has also increased the number of tourists who buy these products, whether to eat them directly or to make them as souvenirs for their families.

Rendang Lokana is a brand that carries the concept of modernization in traditional food products that makes this brand different from other businesses that produce similar food, Rendang Lokana makes food with a traditional image able to compete and survive in the era of globalization that is already digital as it is today. This business in addition to making Rendang Lokan products also produces other Rendang foods, but the signature product of this brand is Rendang Lokan. Rendang Lokana in the sector of using social media as a promotional medium is the largest as well as the most effective when compared to other brands that produce similar food products, when viewed from the number of Instagram followers, the Rendang Lokana brand is the highest when compared to its competitors, on Instagram this brand has a total of 3.4k followers, then followed by Rendang Lokan Ega as much as 1.5k followers, then the last Umniah Rendang as many as 150 followers. From this fact, the researcher decided to choose Rendang Lokana as the object of research because this brand is the market leader in modernized rendang lokan products in Pesisir Selatan. Pesisir Selatan Regency is an area located in the coastal area of West Sumatra which is certainly rich in food derived from processed marine life, this condition makes this area offers SMEs who come from this area a lot of potentials that can be used as business land. Especially for the production of

rendang specialties, this area on the Pesisir Selatan has a specific rendang, namely rendang Lokan, with Lokan shells as the main ingredient. The Lokan shells (*Anadara spp*) is a shells species generally consumed by people living in coastal areas. This specific culinary sector can develop very rapidly in Pesisir Selatan Regency because this area is one of the leading tourist destinations in West Sumatra considering its natural beauty which is often referred to as the Raja Ampat of the island of Sumatra, this advantage is used by SME business actors in developing their specific culinary business, especially the production of rendang lokan.

**Table 1. 2 Number of Restaurants by Regency/City in West Sumatra Province**

No.	Regency/City	Number of Restaurants/Restaurants by Regency/City in West Sumatra Province				
		2017	2018	2019	2020	2021
1.	Kepulauan Mentawai Regency	27	27	27	28	34
2.	Pesisir Selatan Regency	115	146	146	137	146
3.	Solok Regency	50	47	67	89	89
4.	Sijunjung Regency	117	68	119	48	133
5.	Tanah Datar Regency	158	40	40	41	41
6.	Padang Pariaman Regency	32	54	58	54	59
7.	Agam Regency	53	53	113	54	56
8.	50 Kota Regency	71	40	40	57	42
9.	Pasaman Regency	47	47	47	47	47
10.	Solok Selatan Regency	59	32	57	48	64
11.	Dharmasraya Regency	32	60	60	62	23
12.	Pasaman Barat Regency	118	80	93	80	86
13.	Padang City	267	313	336	318	203
14.	Solok City	34	44	44	38	46
15.	Sawahlunto City	46	47	57	46	68
16.	Padang Panjang City	41	81	81	76	81
17.	Bukittinggi City	57	123	63	61	50
18.	Payakumbuh City	170	196	81	30	188
19.	Pariaman City	89	103	65	65	90
20.	West Sumatera	1583	1601	1594	1379	1546

Source: BPS Sumatera Barat

Based on data from the Central Statistics Agency (BPS) of West Sumatra Province, it can be seen that business growth that focuses on the food sector developed quite rapidly in the range of 2017 - 2021, but there was a shrinkage in 2020 that occurred in all regencies/cities in West Sumatra province due to the pandemic that caused paralysis in the restaurant sector. Apart from that, judging from the data of the central statistics agency, this has enormous potential for the food business sector to take advantage of it, especially for businesses located in the Pesisir Selatan regency. This potential can be maximized by giving a touch of modernization to its implementation such as utilizing social media platforms as a promotional event related to the products offered by this food business.

The presentation of data in table 1.2 which shows data on the number of restaurants from 2017 – 2021 in West Sumatra Province shows great potential for the development of the Rendang Lokana Brand, because in addition to producing ready-to-eat rendang products with modern packaging, they also provide facilities for consumers who want to enjoy directly products from them in dine-in.

To respond to the high potential possessed by SMEs that produce specialties in Pesisir Selatan Regency, researchers are interested in researching whether social media marketing affects consumer purchase decisions with brand awareness as a mediating impact among them. As information developed from previous research, several theories were found that social media marketing and brand awareness have an impact on purchasing decisions from customers of SME businesses. Because based on the literature it is found that social media marketing directly influences consumer purchase decisions, such as the findings in the study according to

Moslehpour et al. (2021) who found that social media marketing is able to stimulate purchase intention. Then research by Hasan & Sohail (2020) also found that social media marketing influences consumer purchase decisions for consumers in Saudi Arabia.

The using of social media marketing as a tool for product promotion can benefit Rendang production SMEs in Pesisir Selatan Regency by boosting brand awareness and consumer purchase decisions so that SME business actors in Pesisir Selatan Regency can maximize the use of technology and also run their businesses successfully to create a successful and sustainable business. Then also this effort is expected to be able to make SMEs increase in quality and also be able to provide the best service to customers. Social media marketing is proven to be able to provide a simultaneous effect on the formation of brand awareness for consumers, referring to Bilgin (2018) which found that there is a positive and significant relationship in social media marketing affecting consumer brand awareness. This can be a reference for the Rendang Lokana brand to maximize the available potential in building brand awareness for its consumers. Because then this brand awareness is also able to increase sales, according to research by Khuong & Tram (2015) which found that there is a positive relationship between brand awareness and consumer purchase decisions.

Currently, in Pesisir Selatan Regency, SME business actors, especially those who produce specialties such as Rendang Lokana, have switched to become more digital, especially to their marketing strategies, such as they use social media as a medium for conveying information related to the products they market, and so far

the efforts of brands utilizing social media as a medium for delivering information and promoting their products are going well as evidenced by consumers of this brand who already cover a larger market, especially from tourists visiting Pesisir Selatan Regency. Currently, Rendang Lokana uses Instagram as a promotional medium for their products, the decision to use Instagram is in line with a survey issued by the Indonesian Internet Service Providers Association (APJII) in the 2022 Indonesia internet profile survey which states that the most popular social media accessed by Indonesian internet users is Instagram. At this point, product marketing using social media as an intermediary for product information will be measured whether it significantly affects customer purchase decisions with brand awareness as a mediation between them or not. Then, the type of problem faced by the average SME business actor in Pesisir Selatan Regency today is the lack of utilizing digital sophistication as a product promotion medium and additionally, it can be challenging to promote goods in a way that takes advantage of all available market opportunities.

## **1.2 Problem Statement**

1. How does Social Media Marketing influence Consumer Purchase Decisions?
2. How does Social Media Marketing influence Brand Awareness?
3. How does Brand Awareness influence Consumer Purchase Decisions?
4. How Social Media Marketing influence Consumer Purchase Decisions mediated by Brand Awareness?

### **1.3 Research Objective**

The objective of this research is the Rendang Lokana brand located in Pesisir Selatan Regency which produces Rendang Lokan in a modern way in all aspects. Which aims to determine and examine the influence of social media marketing on consumer purchase decisions. by placing brand awareness as a benchmark and the influence of the relationship between social media marketing on customer purchase decisions.

### **1.4 Contribution of Research**

#### **1. For Research**

This research aims to add insight and knowledge of researchers about what aspects of marketing will affect customer purchase decisions and then find out whether marketing strategies using social media as a tool for conveying product information have a certain impact on customer purchase decisions.

#### **2. For SMEs**

This research will help SMEs in Pesisir Selatan Regency, especially SMEs that produce specialties, namely Rendak Lokan, to find and then use the right marketing strategy solutions for their business development. Hopefully, after this research, SMEs in Pesisir Selatan Regency will be facilitated with references in making their business more innovative and also maximizing every business opportunity available. Then it is hoped that the risk management of SME actors in Pesisir Selatan Regency will also increase with the increase in their references to problems that may arise, and

it is also expected that these SME business actors will optimize the using of social media as a medium for conveying information in the aim of promoting their products so that the business they run becomes more effective and reaches a wider market.

### **3. For Academics**

This research can be used as an application of the theoretical science that has been studied in the lecture process in assessing problems that occur directly in the field and will be used directly in increasing knowledge, especially in terms of consumer purchase decision, social media marketing, and brand awareness.

### **4. For Other Parties**

This research can be used to apply knowledge in assessing several related problems that occur directly in the field and will be used as a reference in increasing knowledge, focusing on social media marketing, brand awareness, and consumer purchasing decisions.

This research provides several benefits to the development of SMEs in Pesisir Selatan Regency in general. The first benefit is to improve the quality of marketing strategies from SMEs that are the object of this research, for example maximizing the using of social media as an intermediary for conveying information about products from SMEs so that the SMEs in question can maximize their market potential and expand the reach of their product, then SMEs can also become more creative and innovative in utilizing the sophistication of technology as intended for their business needs so that it is hoped that the enactment of this method will make

the business of SMEs sustainable. Then this social media marketing can also help SMEs gain a wider market coverage, build a strong brand to create consumers who recognize their products, and attract more buyers in the future, and these SMEs can be more competitive in the market.

### **1.5 Scope of Discussion**

In this research, will explain about how social media marketing affects consumers' purchasing decisions, and how this social media marketing helps SMEs especially for Rendang Lokana in running an efficient business, especially in the marketing aspect, then it will also be discussed how social media marketing can build the strength of a brand so that the brand is better recognized by potential consumers so that it can increase consumers' purchasing decisions.

### **1.6 Outline of Research**

Structure of this research is broken down into the following sections to give a systematic discussion and make it easier for researchers to understand:

#### **CHAPTER I: INTRODUCTION**

The context of the topic and its formulation are discussed in this introduction section. This reduces the challenge of figuring out what elements affect social media marketing and how it affects consumer purchase decisions.

#### **CHAPTER II: LITERATURE REVIEW**

This chapter is an in-depth explanation of conceptual variables, then also describes hypothesis that supports and highlights the variables that researchers use in analysis and theoretical frameworks. The literature review is discussed systematically and explains how the research question progressed.



### **CHAPTER III: RESEARCH METHODOLOGY**

Researchers are utilized as a venue to communicate the specifics of research objects, population data, data sources, data collection methods, operational definitions of variables, data presentation methods, and data analysis methods in this research methodology chapter.

### **CHAPTER IV: RESULT AND DISCUSSION**

In this chapter, is the presentation of data from the results of the quantitative stage. Which is a discussion that includes the characteristics of the respondent, the description of the respondent's answer, as well as the findings from the data analysis and discussion.

### **CHAPTER V: CONCLUSION AND RECOMMENDATION**

These findings and suggestions are presented in the research's concluding chapter. The conclusions of the research findings are presented in this chapter. Reviews in the implementation of theoretical and practical research, then for suggestion sessions, the limitations of this research and its recommendations are all brought up in the context of future studies in the pertinent field.

