

CHAPTER I. INTRODUCTION

A. Research Background

Agriculture is one of the most important sectors in Indonesia. Based on BPS-Statistics Indonesia data, the agricultural sector is among the top three sectors contributing to Indonesia's GDP in 2022 (2.428.900,50 B), after the processing industry sector (3.591.774,70 B) and the wholesale and retail sector (2.516.591,50 B). According to Dumasari (2020), This sector is also an essential key to the success of food security, economic growth, social and cultural development, environmental sustainability, and maintaining stability and security, mainly because of the high rate of people's dependence on the agricultural sector.

The existence of the agricultural sector is also important as a driving wheel in the development and progress of other sectors, such as the agro-industrial sector. According to Arifin (2016), the Agro-industry is a processing industry that uses agricultural resources as its primary raw material or an industry that produces products that are used as a means or input in farming. The agro-industry belongs to the subsector of processing agricultural products and is also the main driver of the agricultural sector. This sector contributes significantly to the development of the national economy, starting from economic growth in the form of GDP, opening up job opportunities, increasing the country's foreign exchange, and so on (Hanim & Noorman, 2018).

Agro-industrial is one of the activities that absorb many laborers. According to Hanim & Noorman (2018), the government, through the Ministry of Industry (Deprind), will focus on the development of Small and Medium Industries (SMI) in the agro-industrial sector because it has excellent potential to be developed quickly throughout Indonesia. Although it plays an essential role in the Indonesian economy, SMIs often face internal and external obstacles in their development. Some of the internal problems are (1) limited access to capital, (2) low quality of human resources, (3) small businesses still being incorporated as individuals, and (4) better financial administration. Meanwhile, the external constraints are: (1) the business climate is not yet conducive, (2) infrastructure in the form of facilities and technology is still limited

and straightforward, (3) access to raw materials and technology is lacking, and it is not easy to keep up with consumer tastes that are rapidly changing (Hanim & Noorman, 2018).

The bakery industry is one of the small industries in the agro-industry, which is included in the food processing group of agricultural products widely developed in West Sumatra. Bread is processed from wheat flour, and delicious ingredients such as chocolate, raisins, and jams with various flavors are added to the dough. Nowadays, bread is widely consumed for breakfast, accompanied by tea or milk. Nutritional content, good and diverse taste, and a wide selection of unique shapes make bread one of the main choices for daily menus (Arwini, 2021).

Developing a business in the bakery industry, of course, must be connected to marketing activities. Marketing is a managerial process that helps individuals or groups obtain what they need and want by producing, offering, and trading something valuable to others or any action related to the distribution of products or services from producers to consumers (Satriadi et al., 2021)

Arifin (2016) stated that in the era of globalization, companies' competition to obtain a market for their products is getting tighter. Therefore, the right marketing strategy is needed for a business to survive in the market. Kurtz (2008) in Haque-Fawzi et al. (2022) state that marketing strategy is the overall plan of the company to identify the target market and please customers by stringing together the components of the marketing mix, which includes product, distribution, promotion, and price.

According to Kotler and Amstrong, a marketing mix is a set of marketing variables companies use to pursue desired sales targets. A marketing mix is a marketing strategy implemented in an integrated manner or carried out simultaneously. The strategy is used by applying its elements in the marketing mix (Saleh & Said, 2019).

The formulation of a marketing mix strategy is carried out by analyzing the internal and external environment of the company to get a clear picture of the factors affecting the company. Based on these internal and external factors, it will be possible to see the strengths and weaknesses of the company as well as the opportunities and threats that the company will face. Then, a marketing mix strategy is determined to suit

the company's needs. A company's marketing will significantly affect sales volume and the company's profits and losses. So, the marketing mix strategy will determine the company's survival, where the marketing mix strategy can be a tool to help increase the company's ability to dominate the market, compete in the market, and increase sales volume to gain more profit.

B. Research Problems

Small industries have an important role in the national economy. Small industries in developing countries such as Indonesia are essential in job creation, income distribution, and economic growth. Small industries help improve people's welfare and living standards and alleviate poverty.

The food industry dominates the small industry in Padang City. Based on BPS-Statistics Padang City data in 2020, there are 2,544 food industries in Padang City, which absorb 16,563 workers. One of the small industries in the food industry is the bakery industry. The bakery industry is a business processing agricultural products from wheat flour-based ingredients with the addition of delicious substances such as jam, chocolate, or raisins in the filling. Bread is widely consumed as a substitute for rice and is much loved by the public. Therefore, this product is easy to find anywhere, from stalls, wholesalers, supermarkets, and others, in various variants of brands, shapes, and flavors.

Husna Bakery is one of the businesses engaged in the bakery industry. Husna Bakery is a business founded by Mr. Hendri in 2018. This business is located on Surau Gadang Street, Koto Panjang Ikua Koto Village, Koto Tengah District, Padang City. Referring to the classification of the scale of industrial enterprises based on the number of workers used, Husna Bakery belongs to the small industry with seven people as its employees (Appendix 1).

Based on the study, Husna Bakery performed production activities 5-6 days a week and production frequency once a day, with an average production of approximately 36,000 packs of bread per month in 2022. It decreased by 32.2% compared to the average production 2019 (Appendix 3). According to the business owner, the decline in production occurs due to decreased product demand.

Husna Bakery sells bread in various flavors, including chocolate rice (*meses*) butter bread, *srikaya* jam bread, chocolate bread, pineapple jam bread, coconut bread, blueberry jam bread, and strawberry jam bread. A pack of bread costs IDR 1,600. Husna Bakery has also experienced several flavor changes due to changes in customer preference.

Husna Bakery's marketing activities are carried out directly to consumers or indirectly by being delivered to distributors and retailers before the final consumer. Husna Bakery markets in several areas such as Padang, Solok, Padang Panjang, Pesisir Selatan, Mandeh, and Lubuak Basuang. Husna Bakery has never promoted its products. The business owner carries out product production, finance, and marketing decisions. He also serves as a business leader and supervisor. Husna Bakery already has a business license, so it is safe and legal to market, especially with a wide distribution of local channels.

Husna Bakery experiences marketing problems in running its business. Based on the business owner's statement, since March 2020, there has been a sharp decline in the sales numbers of Husna Bakery. Husna Bakery's bread sales volume from 2019 to 2022 was recorded to have decreased by approximately 48.3 % (Appendix 2). Husna Bakery had a problem where bakery products were sold less than 100%. Based on data from the business owner, in 2022, the average unsold bread increased compared to previous years (Appendix 4). Bread is not durable, so if it is not sold out or consumed quickly, it will spoil and become moldy. Therefore, the unsold bread will usually be pulled back from the stalls and returned for disposal. This will undoubtedly be detrimental to the company. The bakery industry's competition in Padang City also contributed to the decline in Husna Bakery's sales volume (Appendix 5).

Husna Bakery's business is inseparable from the business cycle and will experience setbacks in running its business. Therefore, to face existing marketing problems, the business owner must design a marketing mix strategy that follows the course of the business. The business owner needs to consider the company's internal and external factors. From there, it will clearly illustrate how the company's strengths and weaknesses and the opportunities and threats can be identified.

According to Kurtz (2008), Marketing mix strategy is the company's overall program for determining the target market and satisfying consumers by building a combination of elements from the marketing mix: product, distribution, promotion, and price. The right marketing mix strategy will help Husna Bakery increase bread sales volume and maximize profits.

Based on the problems above, this study seeks to answer the question of:

1. What is Husna Bakery's business profile?
2. What are the internal strengths and weaknesses factors of the Husna Bakery and the external opportunities and threats factors that affect the Husna Bakery?
3. What marketing mix strategies should the Husna Bakery business owner apply?

Therefore, based on the background and research problems description, the author conducted a study titled "Marketing Mix Strategy of Husna Bakery in Padang City."

C. Research Objectives

1. To describe the Husna Bakery's business profile
2. To identify the internal strengths and weaknesses factors of the Husna Bakery and the external opportunities and threats factors that affect the Husna Bakery.
3. To formulate the proper marketing mix strategy that the Husna Bakery business owner should apply.

D. Research Benefits

This research is expected to be useful for the business owner and provide good information and advice for Husna Bakery businesses. The results of this research can be used to establish an effective and efficient marketing mix strategy to increase sales of Husna Bakery products in the future. For researchers, this research can be a means of applying the knowledge obtained during college. This research is also expected to be helpful as a reference for further research.