

CHAPTER I

INTRODUCTION

1.1 Research Background

In global perspective, Micro, Small and Medium Enterprises (MSME) play an important role in economic growth in developing countries, as well as in developed countries. In developed countries, MSMEs are very important because the business groups absorb the most labor compared to large businesses, as in developing countries also contribute to the formation or growth of Gross Domestic Product (GDP) in the country.

The crisis that hit Indonesia in 1997 began with rupiah exchange rate crisis against the US dollar that had an impact on the Indonesian economy. This is a very important lesson to look again at an economic development that truly has a strong structure and can survive in any situation (Anggraini & Nasution, 2013). When the economic crisis hits the world, it automatically made the economic condition worse in Indonesia. During the crisis, MSME was the only sector that survived. *Badan Pusat Statistik* data released this after the economic crisis. The number of MSMEs did not decrease, it continued to increase rapidly, and even absorbed 85 million to 107 million workers until 2012.

In Indonesia, MSMEs have played a large role in diversifying Indonesia's export products and becoming a mainstay in foreign exchange earnings. In addition, given the fact that many of MSMEs in Indonesia located in rural areas, these business groups are expected to be part of the main motor driving rural development and economic growth, in order to reduce the development gap between urban and rural

areas. The World Bank states that MSMEs sector is key to increasing growth, increasing employment, and alleviating poverty (Corporation, 2016).

Table 1. 1 Number of MSMEs in Indonesia 2016 - 2017

Year	Micro	Small	Medium	Total
2016	60.863.578	731.047	56.551	61.651.177
2017	62.106.900	757.090	58.627	62.922.617

Source: *Kementerian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2017*

Based on the data above, the MSMEs growth from 2016 to 2017 reached 2.06%. It is expected that MSMEs continue to develop. With MSMEs growth, there will be more community involvement in the economic sector and welfare improvement. Involvement and attention from various stakeholders needed by MSMEs to develop continuously. One of the efforts to increase the development of MSMEs is by increasing the capacity of the community to develop their businesses. It requires knowledge through educational institutions and business development. MSMEs are required to be able to compete and create products that can be accepted not only by domestic consumers from Indonesia but also consumers in Southeast Asia.

One of the rapidly growing MSME sectors is the food sector. The food and beverage industry sector contributed 31.20% to the gross domestic product (Jaramaya, 2016). The minister of *Menteri Koperasi dan UMKM Indonesia*, Drs. Anak Agung Gede Ngurah Puspayoga said that the food sector has the potential to become one of the biggest contributors to national income from the creative economy (Tempo, 2015). Data from *Badan Pusat Statistik* also shows growth in industrial production in the first quarter of 2013 that MSMEs experienced an increase in the food industry by

10.76%. This is an indicator that the food industry managed by SMEs has great potential to be developed (Presinderi, 2016).

The same finding also found in Padang, the capital city in West Sumatera. Based on data from *Dinas Koperasi dan UMKM Kota Padang* (2016), the number of culinary sectors MSMEs in Padang increased from 2015 to 4.809 culinary MSMEs to 5.176 culinary MSMEs in 2016 with an increase of 367 culinary MSMEs in one year. Seeing this, the culinary MSME sector has a considerable role in economic growth in Padang. One of the fast-growing culinary MSMEs is in the field of rendang enterprises. For this research, the focus will be on rendang, which is a slow-cooked beef curry that is authentic in this area. To be more specific, rendang enterprises that will be studied are exclusive to those business that packaged their products.

These packaged rendang enterprises have so many potentials with the nature of the business. Rendang is already a very unique delicacies that was voted as the most delicious food in the world (Indonesia C. , 2017) . Packaged rendang has the advantage of flexibility and efficiency that make these products becoming one of the top choices for souvenir to tourist. It is not only widely known as a gift or souvenir but also widely chosen or stocked for traveling food. It is considered as the alternative to save money on food among backpackers and increase interest to purchase rendang. This trend influences local entrepreneur in Padang who want to create rendang enterprises. Most of rendang enterprises in Padang formed as MSME.

Padang is one of cities where the development of MSMEs is quite rapid. As of 2016, there were 21,945 business units spread across 19 regencies and cities (*Dinas Perindustrian dan Perdagangan Kota Padang* 2016). The number shows interest in entrepreneurship and opening new opportunities in Padang. Micro, Small and Medium Enterprises (MSMEs), especially rendang enterprises has potential in

growing the economy in West Sumatra, by hiring local people, thus increase employment rate. rendang enterprises also bringing culture, tradition and tourism. For this reason, the development of MSMEs requires commitment and support from all parties involved.

Marketing is needed in order to face business competition. In conducting marketing activities, marketing strategy is one of the keys or tips to survive in competition. Marketing strategy in small businesses are generally more informal yet implementing unique marketing strategy that fits the target market. To succeed, it is important to know about the marketing knowledge. Marketing is one of significant problem in MSMEs (Franco et al., 2014)

The problem caused by the characteristic of MSMEs such as simple structure with unclear hierarchy in decision making, limited financial and capital resources, knowledge, experience, and skill of human resource (Reijonen 2010). Empowering MSMEs in the midst of globalization and high competition make MSMEs must be able to improve product and service innovations, develop human resources and technology, and expand the marketing area (Sudaryanto, 2011). The ability of MSMEs in facing competition must be further thought to stay able to survive for economic stability. The problem that is often faced by MSMEs in the field of Specialty Food Industry especially rendang in Padang is on promotion. Lack of promotion makes it difficult for consumers to know and get information about the products offered. The solutions to these problems depend on the internal and external support. The internal side is by improving the quality of human resources so that entrepreneurs can improve business management. The most important external side is the need to create a healthy business climate, implementing partnerships in a balanced and mutually beneficial way, sharing information evenly and so on. Marketing

becomes an important thing for MSMEs because it has a good marketing strategy, will make a business that can survive and compete in the tight business world at this time. The marketing strategy also has an important role so that the business is run in any way.

The lack of knowledge from MSME rendang enterprises in Padang about the right marketing strategy makes the business suffer. This also resulted from MSME rendang enterprises lack of understanding towards the importance of marketing strategy and problems that might occurred in their business. The researcher is interested on raising this issue and conducting a research with title “Marketing Practice in MSMEs: Study of Rendang Owners’ Perception in Padang City”

1.2 Problem Statements

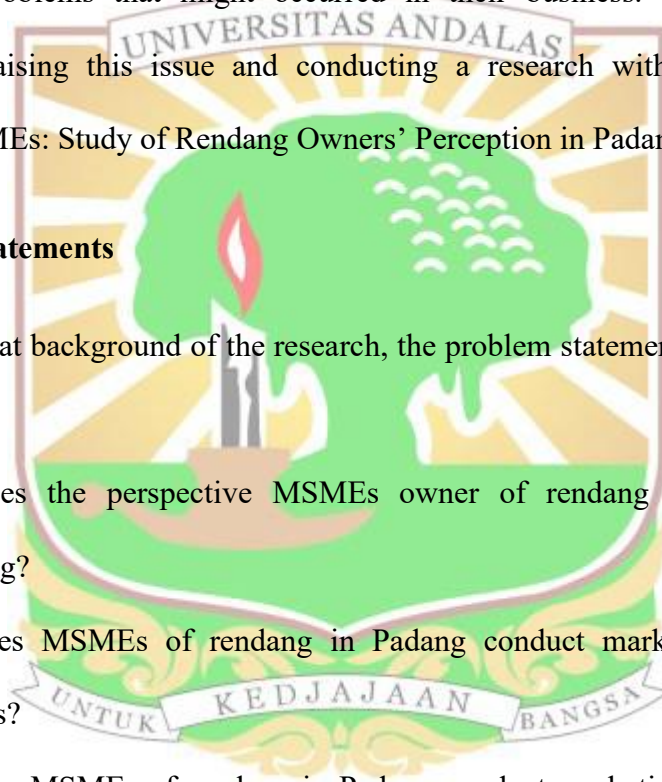
Based on that background of the research, the problem statements of this research are:

- 1.2.1 How does the perspective MSMEs owner of rendang in Padang about marketing?
- 1.2.2 How does MSMEs of rendang in Padang conduct marketing formulation strategies?
- 1.2.3 How does MSMEs of rendang in Padang conduct marketing implementation strategies?
- 1.2.4 What makes MSMEs of rendang in Padang competitive?

1.3 Research Objective

Based on the problem statement, there are several objectives of this research:

- 1.3.1 To discover and analyze the perspective MSMEs owner of rendang in Padang about marketing.



1.3.2 To discover and analyze how MSMEs of rendang in Padang conduct marketing formulation strategies.

1.3.3 To discover and analyze how MSMEs of rendang in Padang conduct marketing implementation strategies.

1.3.4 To discover and analyze what makes MSMEs of rendang in Padang competitive.

1.4 Contribution of Research

Hopefully this research expected to provide benefit and will give a significance contribution to:

1.4.1 Theoretical Advantages

This research is the purpose to provide Micro Small Medium Enterprises (MSMEs) with information about the importance of marketing to their business performance. This could also help government institution and other private institutions in providing information that is relevant to the current condition that are happening in the MSMEs. This study could also be undertaken for future research. Also can be used by researchers as a reference for the next research so that they can conduct a further research about this topic but with a different problem, approach, and analysis.

1.4.2 Practical Advantages

This research expected to be used as information regarding the added value obtained so that it becomes input for business development. And could be evaluation for MSMEs about the implementing marketing strategies in their operational activities by the data support the development of MSMEs. And to be considered for companies

as the guide or recommendation for management practitioners that run the business particularly in relation with typical food industry.

1.5 Research Scope

This research is explaining about analysis the perception of MSME's owner about marketing strategies. The research context focusing to rendang enterprises in Padang.

1.6 Research Outline

In order to make it easier and make moderate the forwarding of content, this research is divided into six chapters, they are:

CHAPTER I: Introduction

The first chapter contains background and formulation of the problem, the objectives to be achieved, the benefit of this research, and outline research is used.

CHAPTER II: Literature Review

This chapter contains description of theoretical variables that include the theories that support and underlie the variables used in the research and framework.

CHAPTER III: Research Methods

In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

CHAPTER IV: Result and Analysis

This chapter contains the characteristic of the respondent, descriptive analysis, data collection and result of the discussion.

CHAPTER V: Conclusion

This chapter contains the conclusion of the research result, research implementation, limitedness of research and recommendation.

