

CHAPTER I

INTRODUCTION

1.1 Background

Changes in customer demand and needs that continue to evolve are a big challenge for businesses, especially in the food and beverage industry, which has dynamic consumption patterns. Companies that cannot respond to these changes will struggle to compete in an increasingly competitive market. Business innovation has become a key strategy to maintain sustainability and relevance. Business innovation is a business development strategy that includes the adaptation of technology, the creation of new processes and products, the implementation of changes to organizational culture, and advanced training for workers (Solarte-Montufar et al., 2021). Business innovation can have a positive impact on the future sustainability of the food and beverage industry. Therefore, businesses must be able to develop innovation not only in creating new products but also in how they differentiate, present, and communicate their offerings to the market in order to have better competitiveness than competitors.

Product differentiation is one of the most relevant approaches in response to these challenges, and it plays a critical role in shaping business innovation strategies. Product differentiation strategy is a marketing approach that aims to make a company's products appear superior to its competitors in terms of quality, value, and other characteristics. According to Kotler & Keller (2016), product differentiation may come from various elements such as design, ingredients,

packaging, or even added value that makes the product stand out in the market. In the food and beverage industry, where products often fall into the same category, these kinds of differences whether in appearance, health benefits, or function can really shape how people choose what to buy.

The increasing popularity of healthy and plant-based food choices offers an opportunity for product innovation, especially through differentiation strategies. As people adopt new lifestyles and become more informed about what they eat, interest in plant-based food continues to grow (Guiné et al., 2020). Nowadays, consumers are becoming more aware of the impact of food on their health, resulting in a change in habits towards healthier food consumption patterns. As a plant-based food ingredient, processed mushroom products have become a significant trend in recent years. Das et al. (2021) highlight that mushrooms are naturally high in protein and fiber while being low in fat making them an appealing health food option. According to Reis et al. (2017), mushrooms have great potential to support the healthy food trend due to their properties as functional foods and nutraceutical sources that can help prevent certain illnesses. Similarly, Aschemann-Witzel et al. (2020) note that growing consumer interest in plant-based meat substitutes has driven the development of processed mushroom products as an environmentally friendly and highly nutritious alternative.

Jamur Mr. Pj is a small-scale culinary business operating in Padang City, specializing in mushroom-based products. On average, it generates around IDR 540 million in annual revenue. The business primarily targets young people between the age of 18 and 35, including college students and early-career workers. This group

was chosen because they tend to follow health trends, are more open to trying plant-based options, and are active on social media. These traits make them more likely to engage with digital promotions and appreciate food products that balance health benefits, affordability, and sustainability.

After five years of operation, the business start experiencing sales stagnation event though it aligning with the healthy food trend. Internal evaluation conducted by the researcher, who also acts as the business owner, revealed that the primary cause of customer disengagement was a lack of product variety, which led to consumer fatigue. In response, the business introduced several new product variants as part of a product differentiation strategy, such as Rendang Jamur, Jamur Geprek, mushroom nuggets, and mushroom spring rolls. However, consumers response remained limited, indicating that differentiation alone was insufficient to drive meaningful interest without complementary strategies to increase awareness.

Further observations and informal customer interviews suggested that the lukewarm reception was due to mismatched flavor expectations, the unfamiliar texture of mushrooms in specific applications, and the absence of compelling presentation or explanation about the new menus. One of the issues faced by the business was the lack of optimal use of social media. The posting schedule was irregular sometimes only once a month and the content itself wasn't very compelling. Most posts lacked strong visuals or messages that could grab attention, educate, or connect with potential buyers. Without interactive features or clear efforts to engage followers, the business struggled with low visibility and weak interest in its unique mushroom-based products. It highlights the urgency of

integrating product differentiation efforts with a strategic and effective social media marketing approach, as both play an importance role in business innovation and customer acceptance in today's digital marketplace.

Consumer perception and acceptance is often a real challenge when offering mushroom-based products. Even though plant-based foods are becoming more popular, people still have expectations like how the food tastes, how familiar it feels, and whether the texture is appealing. In some cases, companies don't fail because their ideas are bad, but because they don't match what customers actually want, or they fail to communicate it well. For example, if a mushroom-based product looks too unfamiliar or doesn't resemble something people are used to eating, they might hesitate to try it. That's why it's important to focus not just on the ingredients, but also on how the product is introduced, packaged, and promoted to the right audience in a way that fits their habits and expectations.

When it comes to new food products, customer willingness to try them doesn't just depend on what's inside, but also on how clearly the product's value is communicated. People are more likely to be interested if they understand what the product is, how it tastes, and why it's good for them (Santeramo et al., 2017). It shows that educating customers through appropriate marketing strategies plays a big role especially for products that offer something different or healthier than usual. Detailed information can significantly influence their decision-making process (Guiné et al., 2020). In this sense, social media becomes a useful tool it helps brands talk directly to potential buyers, explain the benefits, and build trust around unique food products like those made from mushrooms. Social media

enables interactive communication and can shape purchasing decisions through consistent, targeted, and persuasive content (Hanaysha, 2022).

Social media has made business communication more interactive and fast-moving, helping information about products spread easily and reach a wider audience (Aji et al., 2020). Among the many tools in digital marketing, platforms like Instagram and TikTok stand out because they are visually engaging and popular with younger consumers. According to data compiled by Pandjaitan (2024) using We Are Social (January 2024), Instagram and TikTok rank among the top 10 most-downloaded social media platforms in Indonesia. Instagram and TikTok have a high penetration rate so that businesses have an excellent opportunity to connect with potential customers and build stronger brand awareness (Alfarizt & Dwiridotjahjono, 2024). Through creative and diverse content formats such as photos, graphics, videos, reels, and storytelling posts, businesses can educate consumers about product features and differentiate their offerings.

In the context of mushroom-based product differentiation, social media marketing plays a critical role in strengthening product visibility, communicating value propositions, and building consumer trust especially when introducing new or revised menu items. With consistent, high-quality content, businesses can increase awareness, encourage trial, retain loyal customers, and attract new audiences. Therefore, optimizing social media strategy is essential to support the success of differentiated product offerings in the modern culinary market.

The researcher designed two mushroom-based product differentiation strategies to respond to this issue. First, improve previously developed but less-accepted menu items, such as Rendang Jamur and Jamur Geprek. The differentiation in Rendang Jamur focuses on its presentation, shifting from a packaged, ready-to-eat side dish to a complete lunch set served with rice, chilli sauce, and fresh vegetables. Similarly, Jamur Geprek, which was initially offered only as a chilli topping for crispy mushrooms, has been redeveloped into a main dish by increasing the portion size to resemble fried chicken and serving it as Geprek rice. The strategy represents a form of presentation-based and value-based differentiation, where the product remains familiar but is enhanced in its packaging and meal experience. The goal is to offer a healthier, plant-based lunch option that works better for students and young professionals something more enjoyable, more practical, and just as satisfying as meat-based meals.

In addition, the researcher created two new mushroom-based menu items: Risoles Jamur and Dimsum Jamur. These were chosen because they're already familiar to many young people and still offer room for creative twists, especially in terms of ingredients. The risoles use sautéed mushrooms as the main filling, giving them a savory and earthy flavor. Meanwhile, the Dimsum combines minced chicken with mushrooms that offering a slightly different taste and chewy texture. This way, the innovation still feels familiar, which helps customers feel more comfortable trying something new and increases the chance they'll accept it. The goal of this differentiation is to expand the product line while aligning with health-conscious food trends, offering a unique selling proposition (USP) in the competitive product

in culinary industry. These efforts are expected to increase customer acceptance and strengthen the business's competitive position in the plant-based culinary market.

To ensure successful market acceptance, these differentiated products are supported by an optimized social media marketing strategy through regular, informative, and visually engaging content on platforms such as Instagram and TikTok. Through this integrated approach, the business seeks to enhance brand awareness, educate consumers, and foster stronger engagement with existing and potential customers. Based on these considerations, the researcher initiated the final project titled “Business Innovation through Mushroom-based Product Differentiation and Social Media Marketing Optimization: A Project for Jamur Mr. Pj”

1.2 Problem Formulation

Based on the background presented, this project addresses the following main question: How can product differentiation strategies through the refinement of existing menu items and the development of new mushroom-based products as well as optimized social media marketing strategies via Instagram and TikTok, be designed, implemented, and evaluated to enhance product appeal, consumer engagement, and market response at Jamur Mr. Pj?

1.3 Project Objective

In response to the problem formulation, this project aims to design, implement, and evaluate two integrated strategies at Jamur Mr. Pj to strengthen its

business performance. The first strategy focuses on product differentiation through the refinement of existing mushroom-based menu items and the development of new variants tailored to consumer preferences. The second strategy involves the optimization of social media marketing, particularly on Instagram and TikTok by enhancing the quality, frequency, and relevance of digital content. With these efforts combined, the product is expected to be more appealing, encourage better interaction with consumers, and spark a stronger response in the market.

1.4 Benefits of the Project

This project is designed to offer both theoretical and practical benefits, as follows:

1.4.1 Theoretical Benefits

On the academic side, it provides insights into how business innovation particularly through product differentiation and the use of social media marketing can help improve competitiveness in the food and beverage industry. It may also be useful as a reference for future studies focused on adaptive strategies within plant-based culinary businesses, especially those trying to align with changing consumer habits and preferences.

1.4.2 Practical Benefits

Practically, this project is intended to help Jamur Mr. Pj improve its business performance and competitiveness by developing differentiated mushroom-based products and executing optimized social media marketing strategies. These

strategies are expected to strengthen the brand's positioning and increase its competitiveness in the market. Beyond that, the project may also be useful for other small businesses in similar sectors. It can offer insights on how to apply practical, flexible innovations both in product development and marketing that better match today's shifting consumer preferences.

1.5 Project Scope

This project focuses on strengthening the business performance of Jamur Mr. Pj through two main strategies: product differentiation and social media marketing optimization. For the first approach, the business works on making its mushroom-based menu more attractive and varied by improving current products and introducing new ones based on what customers prefer. The second strategy involves using Instagram and TikTok more effectively not just to build brand awareness, but also to educate consumers and build stronger connections with both loyal and potential customers.

The scope of this project covers the entire implementation process, including consumer preference research, product prototype development, internal testing, product launching, and the execution of a structured digital marketing campaign. However, this project does not include a comprehensive competitor analysis or regional and international market expansion. Product differentiation decisions are based on general market trends and consumer expectations, rather than in-depth benchmarking with other businesses.

The initial product testing and preparation were conducted at the Kuranji outlet, which serves as the business's first and only permanent branch, offering a more stable operational environment. Nevertheless, recognizing that this location has limited access to the primary target audience, namely university students and young professionals, the project later expanded its product distribution to the Pasar Baru branch, which operates as a booth in a more strategic student-dense area. This adjustment and strategic flexibility reflect the project's adaptive approach based on real-time field observations, in line with the principles of action research.

The expected outcomes of this project include the successful launch of differentiated mushroom-based products that align with customer needs, increased brand visibility and engagement through social media platforms, and improved product sales. The project's effectiveness will be evaluated based on key performance indicators such as views, likes, comments, shares, follower growth, and the sales performance of the newly introduced menus over a six-week observation period.

1.6 Systematization of Report Writing

This project consists of a five-chapter writing system that can be described as follows:

CHAPTER I Introduction

Explains the background, problem formulation, objectives, benefits, scope, and systematics of project writing.

CHAPTER II Literature Review

This chapter discusses the concepts and theories used as a basis for designing the project.

CHAPTER III Project Implementation Method

This chapter describes the methods used in preparing the project, including project design, project business model, The object of project, The target of project, type of data, data collection method, data analysis method, and operational definition of the project.

CHAPTER IV Project Implementation

This chapter describes the implementation of the project based on the modeling that has been prepared and the analysis of the output obtained.

CHAPTER V Closing

Contains conclusions and suggestions based on product differentiation and social media marketing studies.

