

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

As time and technology progress from day to day and time to time, which cannot be denied, contribute to the growth of the economy, which is characterized by the increasing of business activity. Nowadays business activity is not only limited to goods trading activities or sales services, business activities are now starting to be done through online media.

As people are living in modern era, they cannot deny the fact that almost every aspect of their life has something to do with technology, especially in doing business. Technology in business is a growing necessity. As the years go by, the business world is leaning more and more toward it, making it is almost impossible to separate the two from each other. Even though business began with the simplistic barter system, business would not be the same as it is today without the advancements of technology.

Doing business nowadays is totally different compare to the former day. Where in the past, people have to drive so far just to get their favorite lunch, now they only have to simply click on their smartphone and the food will be delivered right into their doorstep. Different from the usual business, start-up is a young company which designs to grow fast.

With the growth of business through online media powered by a rapid internet penetration, many new companies with website platforms (web-based) emerged, these companies are called startup. Fontinelle (2017) believes that startup is a young company which starts to develop, startup is normally small and initially financed and operated by a bunch

of helpful founders or one person. These organizations offer a product or service that is not being offered at the moment somewhere else in the market, or that the founder believes is being offered in a second rate way. The development of startup companies also occurs in Indonesia, some of the famous startup companies in Indonesia are Tokobagus.com, olx.co.id, bukalapak.com and Detik.com.

The above definition may be more terminological or linguistic in terms, but it would be easier if the term Startup is defined as a new company being developed. This means the company is still in the stage of its establishment. Startup began to develop in the late 90s until the year 2000s, but in fact the term startup is a company which has connection with technology, web, and internet (Felicia, 2017).

Looking back to it that it has turned out to be the case because the term startup itself became popular internationally during the bubble dot-com period, the bubble dotcom phenomenon was when in that period (1998-2000) many dot-com companies were established simultaneously (Przem, 2017).

At that time there were many companies opening their personal websites. More and more people are getting to know the internet as a new field to start their business. And it started at that time too, startup was born and developed. As reported in an article in The Jakarta Globe (2014) titled "Indonesia Seen Leading SE Asian Online Shopping Boom" Indonesia has been prepared to lead the online shopping trend in Southeast Asia due to increasing internet access and investors investing in startup companies that are growing rapidly in the country. New ideas created by startup companies will control the business of electronic transactions at world level. Startup is an organization designed to find the right business model in order to generate maximum profit. Departing from the definition, business people are expected to understand how to

make the company reduce the failure rate. The success of the startup can be cultivated through the right process that can be learned and taught.

Wilson (2017) stated that technology helps a business to grow seamlessly, and it is a proven fact. Startup companies that accept technological improvements for business process management are found to be more successful, growing as well as long sustaining.

For the business world, people nowadays have been utilizing the progress of information technology that has been growing rapidly. Information revolution causes the process of globalization to accelerate, and has various impacts on human life. With the world of information technology increasing, it knows no borders between countries with other countries (borderless). These information technologies have blurred the boundaries of organizations, markets, society, and shorten the boundaries of space and time, and simplify the complexity.

The development of information technology has been widely applied to companies of national and private scale. This application leads to changes in new habits in the business field, such as the influence of technology in the business world that utilizes E-Commerce as a medium of trade that uses internet media that is easily reach by all circles. Advances in technology, computers and telecommunications support the development of Internet technology. Through the internet, business people no longer have difficulty in obtaining any information to support business activities, even now in obtaining various kinds of information.

The development of an unplanned systematic technology system will result in the organization not having the priority scale of the IT development project. This will have an impact on the productivity of the organization itself. We all know that startup is a base organization of today's emerging technologies. Technology strategic planning is a systematic approach to determine which way is the most effective and efficient with regard to satisfy the fulfillment of human needs for startup

creation. Such planning is needed to adjust the organizational steps in startup with the technology to match the startup development to meet human needs in the future.

The alignment of startup growth and technology is also required in every startup company. The alignment between startup growth and technology will lead the startup organization to realize the benefits of technology investments in order to create a sustainable business startup competitive advantage. Therefore it is necessary for a contribution from the right technology to be implemented in the startup business. This study aims to determine the utilization of technology in startup business development.

One of the most popular startups in Medan is Otten Coffee. This startup was founded by Robin Boe and his friend Jhoni Kusno. Startup engaged in selling coffee and its equipment has been sold to the world. Since 2014 Otten Coffee opened an online sales channel ([www.ottencoffee.co.id](http://www.ottencoffee.co.id)) to enhance their sales to be more optimal. This is when Otten Coffee began to use technology to the fullest, by building online stores and the application of search engine optimization and IT departments to run the data collection system. This is a very good impact for the startup.

Based on the description above, the writer wants to conduct a research with title *“The Contribution of Technology towards the Growth of Start-up in Medan (Case Study: Otten Coffee Medan)”*.

## **1.2 PROBLEM FORMULATION**

Based on the description and backgrounds of study mentioned above, it answers several problems faced in, which are:

1. How does the application of technology support Otten Coffee to grow its business?

2. How significant is the contribution of technology towards Otten Coffee growth?

### **1.3 RESEARCH FOCUS**

The focus of this research is on the startup company named “Otten Coffee”. Otten Coffee is a coffee shop which is located at Jl Kruing No.3E-F Medan. Otten coffee started to incorporate technology into their operation since 2014. Therefore, this research will only take into an account, the number of sales generated from 2014 to 2018.

### **1.4 RESEARCH OBJECTIVE**

The objectives of this research will focus on achieving the following objectives. :

1. To find out the application of technology to support Otten Coffee to grow its business.
2. To identify how significant the contribution of technology towards Otten Coffee growth is.

### **1.5 BENEFIT OF THE RESEARCH**

#### **1.5.1 THEORETICAL BENEFIT**

In regards with an academic context, the completion of this research will result in the following benefits.

1. For the writer, this research serves as the means to develop his analytical skills and further improve his theoretical knowledge in relation to technology, and startup.
2. For future researchers, the research is expected to enrich knowledge and experience in learn about technology, and how it affect the growth of start-up.

### **1.5.2 PRACTICAL BENEFIT**

In regards with practical context, the completion of this research will result in the following benefits:

1. For Otten Coffee, this research is expected to be a reference consideration and an input for company to grow their company with the contribution of technology.
2. For other coffee shop , the contents of this research are expected to encourage the utilization of technology into their business, especially to those who have not used technology into their business.

### **1.6 SYSTEM OF WRITING**

In accordance with thesis writing manual from Pelita Harapan University, the writing systematics are divided into five chapters. Each chapter consists of sub-chapters according to the discussion and the material used under study. The details are as follows:

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

This chapter focuses on introducing the background of technology and states the scope of the research. The problems on this topic are identified along with the objectives that the writer intends to achieve. Additionally, the benefit of the research, both theoretical and practical, will also be included in this section.

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

This chapter comprises of relevant theories and academic literatures related to technology and start-up. In addition, the writer also mentions prior research done in this area as well as framework of thinking for this research.

### CHAPTER III : RESEARCH METHODOLOGY

This chapter entails information in regards with the research design and research project as well as data collection method. The last section will focus on the method used to analyze the data.

### CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter comprises mainly of General views of “Research Object”. In addition, this chapter will cover a comprehensive discussion on data analysis and also discussion.

### CHAPTER V : CONCLUSION

The last chapter consists of conclusion and the implication of the research. Moreover, this chapter also provides recommendations related to the research problems.

