

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

In this day, tourism is one of the leading sectors that makes a significant contribution to Indonesia's national income. Therefore, the development of tourism would develop businesses involved in it so that the potential for tourism development can impact economic growth and the needs of people all over Indonesia.

The tourism and hospitality sectors and enterprises impact local people and communities, such as job vacancies, profits, income, and foreign exchange and taxes for the nations and the people. These advantages have been discussed in many literature and the tourism and hospitality study (Beckman & Morse, 2020).

As one of the strategic areas on the border of Malaysia and the Melaka Straits and the entrance to western Indonesia, Medan is a city to visit in Indonesia. As the no three most significant and its metropolis in Indonesia, Medan has the economic and social potential to develop its economic and social activities. On the other hand, Medan cannot be separated from its tourism sector. This is all due to Medan city having access to tourist visits, mostly foreign tourists from Malaysia and Singapore. Many foreign tourists visit to see historical sites, enjoy the beautiful and calming nature, and try Indonesian Signatures food scattered at every point in Medan.

As one of the famous visited cities in Indonesia, Medan is ready with various kinds of tourism support such as its souvenir's business. One of the well-known souvenirs from Medan is its Food Souvenir of SMEs, namely souvenir cakes. As one of the potential businesses in souvenir choices, the cake souvenir industry is promising and in great demand. This opportunity can be seen from the large selection of product variations and brands currently appearing in Medan.

The Food Souvenir business is one of the increasingly developing businesses, engaged in large and medium scale businesses and small-scale businesses. This is because everyone wants a product that can be used as a gift or a memory of the place they visited. With the competition between Food Souvenir Entrepreneurs in Medan, consumers will be genuinely selective in purchasing decisions. Many people decide to buy a product because they are faced with needs, wants, tastes and popularity. Nowadays, many people prefer food that is more natural, delicious, and popular, adjusted according to their preferences. Besides that, people prefer any product that is easy to buy and reach because of the busyness.

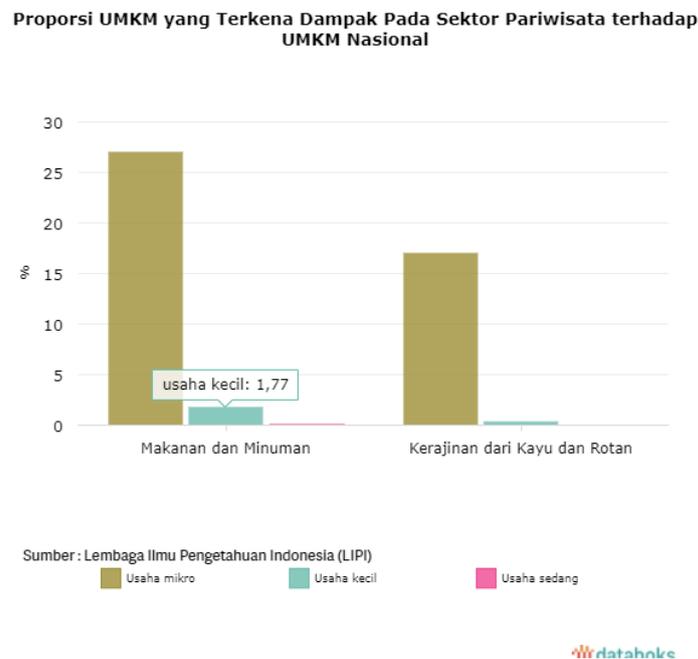
People tend to be rational and selective in purchasing the goods they want, product quality and price. Consumers in making purchase plans are faced with various choices such as products. One of the product elements that consumers often pay attention to is the brand. Therefore, consumers often face confusion in choosing products based on the brand to buy. The many choices of flavours, products, and shops circulated in Medan should indicate that the development and demand for this product are pretty significant. It is up-and-coming prospects for profits for people involved in this business.

However, current global economic development has experienced a very drastic decline due to the Corona Virus Disease 2019 (COVID-19) worldwide. According to the World Health Organization (2020), Corona Virus Disease 2019 (COVID-19) is a contagious illness caused by a new type of coronavirus that originates first in Wuhan, China. In the latest month of 2019, this virus had infected more than 118 countries. The World Health Organization (WHO) officially decided that the COVID-19 outbreak was a worldwide epidemic that affected the foundation of a global wellbeing crisis status on March 11, 2020. The COVID-19 Pandemic set by the World Health Organization (WHO) has made all countries carry out regional quarantine, including Indonesia.

In responding to COVID-19 as a world's epidemic, The Indonesian government implemented recommendations such as physical distancing in Republic of Indonesia Government Regulation Number 21 of 2020 concerning Large-Scale Social Restrictions (PSBB) signed by President Joko Widodo on March 31, 2020 (President of the Republic of Indonesia, 2020). The application of these regulations will significantly affect the Indonesian economic sector, one of which is the industrial sector in Small Medium Enterprises (SME).

SMEs are considered the driving factor of the business market and would add income to the economy's growth. In contrast, during the COVID-19, the SMEs are the business that would push the hardest. This is due to the vulnerability of doing business, in general, such as financial and human resources, which are lower in response to the consequences compared to multinational companies (Larsson & Gustavsson, 2020).

According to the Indonesian Institute of Sciences (LIPI), the one influenced by the Covid-19 outbreak after the tourism sector is MSMEs, especially in the food and beverage business unit.



**Figure 1. 1 The number of Micro Small Medium Enterprises**  
Source: Indonesian Institute of Sciences (LIPI), 2020.

The micro-business scope is the most considerable affected in the two business units. Results show 27% of micro and 1.77% of small businesses in the food and beverage business unit. Meanwhile, the total losses from the tourism sector reached the US \$ 2 billion with a decrease in aircraft growth by 0.013%, accommodation provision by 0.008%, and food and beverage by 0.006%.

This phenomenon has a significant effect on domestic Small Medium Enterprises (SME) entrepreneurs, including the SME of the Food Souvenir Industry in the Tourism Sector. As happened in several regions of Indonesia, the SME of the Food Souvenir Industry in Medan has also felt the impact of the

enactment of government regulations, one of which is the Medan Food Souvenir Shop, Affinois.

Affinois is a Cake Souvenir Shop brand in Medan that is engaged in the food souvenir business by carrying out the current and trendy cake concept to meet the needs of the cake as food souvenirs of Medan city. Affinois is also the first pioneer of cold roll cake (Bolu) in Medan and has been equipped with a Halal certificate from the MUI so that the Affinois product is safe for consumption by everyone, not only in Medan but throughout Indonesia. Affinois is located at Jalan Mojopahit No.12E, Petisah Tengah, Kec. Medan Petisah, Medan City. The products sold at Affinois consist of various kinds of cakes such as Lapis Legit, Roll Bolu, Milk Pie, Jadoel Cake, Petite Menu, Lapis Surabaya, and other unique and exciting cakes.

Affinois is a Medan's local Cake Souvenir Shop which is quite successful because it already has a branch in Jakarta. However, behind its success, based on the results of interviews with key informants, the Head of Marketing of Affinois, when the COVID-19 virus spread in Medan, a decline in sales turnover happened from May to June 2020 by 30-35%. The number of walk-in customers purchasing products is declining as well until today.

The decline in sales turnover was also caused by several other things, such as the threat of COVID-19, the decline in tourism whether domestic and foreign tourists, and the high level of competition for Cake/Food Souvenirs Medan. This problem made Affinois worry that their brand competitiveness in the Food

Souvenir business is not strong enough with competitors and would continue to decline, affecting the profit generated by this Cake Souvenir Shop.

Affinois has implemented various strategies to grab and attract customers' attention and balanced the tight competition to open their store and continuously innovate unique products that differentiate themselves from competitors.

Besides, Affinois observes and analyzes trend and behaviour of customers. Affinois does promotions such as special price, discounts, Instagram effect and lucky draws like iPhone 12. Responding to COVID-19, Affinois does hygiene protocols.

However, another information generated from a key informant that even though with the current promotions Affinois sales number is not that much impacted by COVID-19, its advertisements have no impact in increasing the brand awareness and product image of Affinois. The data support this indirectly; 40 out of 65 people in Medan still do not know about Affinois. There are still plenty of people who do not know about the Affinois brand, its products, and its current marketing or promotions.

Whereas if the promotion has done intensively, people would be more aware of the Affinois brand. This is very contrary to the facts in the field. Advertising programs that are part of the promotion are designed to change consumers from not knowing about a brand to try, buy, and then repurchase (Tjiptono and Chandra, p.465, 2020). Complete Data can be seen in Appendix B-2.

Affinois has the strength, namely the only one store in Medan that sells Lapis Legit with most variant and toppings, good product quality, varies products,

and strategically located in the centre of the Medan city, close to big hotels, big malls, offices, schools and residential areas of the city of Medan. For the long term, Affinois's location is along Jalan Mojopahit, famous for selling various food souvenirs in Medan to increase the market potential.

Some of the problems faced by Affinois include during the COVID-19 Pandemic and Stay at home affecting the interest in buying Affinois products. These customers have complained about services by Affinois employees. There are still many Medan residents who have not heard about Affinois and their Affinois products. On the other hand, Affinois also has several similar competitors in Medan City, such as Bolu Meranti, Bika Ambon Zulaikha, and other competitor's food souvenir shops. It affects sales turnover, product quality, service systems, consumer behaviour, and Affinois's marketing strategies.

Affinois's management must plan strategies in dealing with people awareness during the COVID-19 pandemic situation. The right marketing strategy will increase consumer decisions to buy products, thereby increasing profits and maintaining the business's sustainability (Munandar et al., 2020).

Marketing has a vital role in planning a strategy for a business through marketing strategies that can help a business achieve its goals. Marketing is an action to associate and share, construct and shape message or value to bond solid connection to the customer so the company can benefit as a reaction (Kotler et al., 2017). The strategy of marketing is one approach in attaining a competitive advantage in the products of SME business people (Arifien, 2019). Apart from determining plans, business owners face the difficulty of changing conditions and

competition. For this reason, the marketing strategy must be carefully considered by SMEs, especially for Affinois, because it will determine how successful the number of sales and penetrate the market in the era of business competition, given the ongoing global Pandemic.

Designing a marketing plan can be done by examining internally and externally. Today, the external environment changes rapidly to present various opportunities and threats. The consequences of changes in external environmental factors also result in changes in internal environmental factors—the strengths and weaknesses (Rangkuti, 2016, p. 101).

The most popular model used in the current situation analysis is the SWOT analysis. The study of SWOT distinguishes different factors deliberately to define competitive plans. This examination dependent on the rationale to amplify strengths (Strengths) and opportunities (Opportunities) and lessen weaknesses (Weaknesses) and threats (Threats) at the same time. The best answerable outcome is to determine plans associated with the business's purpose, goals, master plan and notions (Rangkuti, 2016, p. 19). SWOT stands for factors of internal (strengths and weaknesses), as well as the aspects of external (opportunities and threats) owned by a business entity (Rangkuti, 2016, p. 19). Strengths incorporate inside abilities, assets, and positive situational factors to help the business entity serve its clients to accomplish its objectives. Weaknesses have internal restrictions and negative situational factors that can impede the achievement of a business. Opportunities incorporate components of external that favourable and available in the business field that the business entity can use to

acquire benefits. Last but not least, Threats include factors in an unfavourable external climate that present challenges to company performance.

The SWOT analysis in a company aims to provide a guide to be more focused. The placement of the analysis can later use as a stepping stone to understanding the best steps that the company can take, both in terms of internal factors (weaknesses and strengths) and external factors (threats and opportunities) that possibly occur in the future will come. In achieving goals, the company must take the right decisions and activities to achieve these goals. The measure of a company's success is its ability to allocate and use its resources to seize opportunities, respond to threats in its business, and evaluate the internal environment.

Affinois must have weaknesses, strengths, threats, and opportunities in setting strategies to give people more awareness about their brand and products during the COVID-19 Pandemic. From these weaknesses, strengths, threats, and opportunities, it may create a marketing strategy in Affinois by using strengths to grasp the benefit of opportunities, diminishing weaknesses by acquiring supremacy of opportunities, utilize strengths to lessen threats, and decreasing weaknesses by eluding threats. Therefore, based on the background of the problems experienced by the Affinois Medan, the author has chosen this research title to be **"The Analysis of Marketing Strategy during the COVID-19 pandemic of Affinois as SME Food Souvenir in Medan"**.

From several previous pieces of research in this tipoc, the researcher could not find any study about cake shop analyzing competitive strategy, marketing

strategy, SWOT, promotional tools, and marketing mix, all at once during the covid-19 Pandemic. The researcher found one journal that discussed the same hospitality and tourism industry; however, it is too broad and not focus on how to marketing strategy applied by SMEs. These are the novelty and originality of the research.

## **1.2 Problem Formulation**

Analyzing the practice of marketing strategy at the cake shop in Medan is the primary purpose of this research. Therefore, the author identified two problems in this research. They are:

1. What are the current goals (business and competitive strategy) for Affinois in Medan from a marketing perspective?
2. What marketing strategies have Affinois in Medan applied to increase awareness of their product during the COVID-19 Pandemic?

## **1.3 Research Focus**

This research focuses on the Medan area only, by interviewing one of the representatives of Affinois cake shop in Medan area, spreading questionnaires to people surrounding Medan to see whether the marketing strategy is effective or not, also by conducting some observation related to this research. The access to the information given by the business owners and respondents will also focus on this research. In the end, the result of the data collected will analyze by SWOT

analysis (Strength, Weakness, Opportunity, Threat), the Analysis of IFAS (Internal Factor Analysis Strategy) and EFAS (External Factor Analysis Strategy).

#### **1.4 Research Objective**

Below are some research objectives that could be used to solve the problems listed above. They are:

1. To examine the current goals (business and competitive strategy) of Affinois Cake Shop in the marketing segment. The data collected is reliable to show that marketing strategy and SWOT analysis are relevant.
2. To analyze the marketing strategies that Affinois have applied in Medan to increase awareness of people about their products during the COVID-19 Pandemic

#### **1.5 The benefit of the research**

The benefit of research can be found in the study and analyzing the problems formulation and objective of the study. The advantage of this research separated into two types of benefits, which are:

### **1.5.1 Theoretical Benefit**

1. The theory is applicable to convince established businesses and SMEs that they need to identify their marketing strategies. We know that the competition between companies is quite competitive, especially during a COVID-19 pandemic.

2. To be a reference material for other studies researching about similar topic.

### **1.5.2 Practical Benefit**

1. To give an insight for the business owners of Affinois to create a more effective and efficient marketing strategy that has not been taken to increase the brand and product awareness in competing with competitors during the COVID-19 Pandemic.

2. To be a marketing segment reference for similar businesses in establishing their companies in Medan.

