

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Indonesia's food and beverage sector has great growth potential market compared to other nations as it's driven by rich agricultural resources and high domestic demand. Especially in Medan city, which is one of Indonesia's largest cities in terms of population and area after Jakarta and Surabaya. As the capital of North Sumatra Province, Medan City is also recognized as a metropolitan city because it's the economic hub and commercial center for the region. As multi ethnic city where people from various types of culture and religious composed of its population. According to Bappenas http://www.bappenas.go.id/index.php/download_file/8620/172 in Sry Wahyuni (2020), "Medan is famous for pleasant delectable culinary spots, rich with many flavors. Besides Malays and Karo as the early inhabitants, Medan is also occupied by Javanese, Batak, Chinese, Mandailing, and Indian tribes. The majority of Medan residents work in the trade sector, so there are many store in almost all of the city's corner." The number of population and economic growth rate keep increasing caused more public consumption. One of the most important public consumptions is food. Food is the most basic human needs and the fulfillment is part of human rights guaranteed in the 1945 Constitution of the Republic of Indonesia.

In today's era, technology is not a new thing anymore. Technology is needed by everyone, both young people and even the elderly because current technology is

very helpful for their activities. The presence of technology can also be used to develop a business as a tool. For user, technology, such as social applications, is a way of knowledge discovery and sharing. As for businesses, these applications help enhance business operations by expanding the network and the business scope, penetrate new market segments, and increase sales and marketing efficiency.

The world's economy has experienced a transition over the last two decades with the presence of what is known as digital economy, the Don Tappscots. With the help of internet, this digital economy transforms the purchase habits of people all around the world as well as Indonesians. Based on the Central Statistics Agency (BPS) (www.bps.go.id), it is noted that Indonesia's total population is 268 million people. The number of active internet users in 2018 reached 123 million people, almost half of Indonesia's population. Meanwhile, 130 million or about 48 percent of the population was reached by gadget/smartphone users. The rapid growth of technology users is potential for the national digital economy. As a result, e-commerce, online transportation, online shops and other internet-based businesses emerged.

According to Cesaroni and Consol in Yuli Melda Simatupang (2020), The growth in information technology users is supported by several factors, including low costs, save time, an increase in smartphone users, innovative online data storage forms, and the massive digital services available. The large percentage of people who have rely on the technology can provide business people with opportunities to create applications, such as online transport services. The evolution of online transport services grew rapidly in 2016. This led to a range of responses from

thousands of people, including business owners. This was welcomed by a positive response, as online transport services make the user's daily task more efficient.

According to Arta, T., & Azizah, S. (2020), Conventional transportation services are starting to be undermined by the times because the society's preference is about to shift into online transportation model. Supported by the fundamental mindset of the millennial generation who likes efficient and simplicity in everything to be private and hate complicated things, this increasingly supports the presence of an online transportation business. Online food delivery service benefits enterprises, enabling them to develop in their culinary business without big costs to have the widest possible access that resulted in increasing sales. The culinary entrepreneurs who implement online food delivery services do not need to have special employees and their own vehicles for the delivery. In the culinary business, the availability of online technology allows customers to order food via online food delivery services such as GrabFood.

Grab-Food is one of Grab's solutions to contribute to public concerns about the conventional delivery order service that culinary entrepreneurs offer. Grab-Food provides customers with opportunities to make purchases quickly, conveniently and can be done anywhere and at any time. There is also no need for customers to spend time and energy queuing or going to the store to purchase food. The launch of Grab-Food has potential benefit for culinary entrepreneurs especially MSMEs in Medan city. Culinary entrepreneurs hope that this application will help increase the number of consumers so that the sales are expected to increase. It's not necessary for culinary entrepreneurs paying a lot of advertising/promotion expenses

anymore because through social media and Grab-Food apps, the online food delivery application will promote MSME products.

According to Amaya Andri Damaini, Ginanjar Setyo Nugroho, Suyoto (2018), “Current technological developments have penetrated into the online transport business. Inter-net users in Indonesia are increasing every year, this has led to an increase in the e-commerce market in Indonesia. Various online-based transportation services are also growing rapidly in Indonesia. Public transportation problems in Indonesia make an opportunity for online transport service providers. Online transport services such as Uber, Go-Jek and Grab are increasingly attracting attention because of the convenience, low price, and ease of application use”.

Muhammad Hasan, Dwi Wahyu Artiningsih dan Teguh Wicaksono 2019 studied resulted showed “(1) that the existence of online transportation (Gofood) in increasing sales of restaurants in Banjarmasin, this identified the existence of online transportation (Go-food) to five restaurants experienced a significant increase in sales, which affected the increase in income. (2) after cooperating with Go-food, restaurant businesses in Banjarmasin have a positive impact on social and economic influences such as the addition of employees and an increase in annual income.”

Research conducted by Achmad Syarwan Nadif and Nur Qoudri Wijaya (2019) stated that “Using online marketing media to promote culinary products can be done by way of food delivery in collaboration with the Grab company. In this modern way, there are 4 parties that benefit equally, namely consumers, business owners, Grab drivers and Grab companies. This is proven by online marketing increasing the reach of market share and increasing revenue from Kedai Mie

Bajak.” It means that using online marketing media to promote culinary product can be done with food delivery by doing partnership with Grab company. In this modern way, there are 4 parties that benefit equally, namely consumers, business owners, Grab drivers and Grab companies. It is proven that online marketing increases the reach of market share and increases the income of the business owner.

Table 1.1 Grab’s Competitor

Grab (2012)	vs	Go-Jek (2010)
unlimited mileage		limited mileage

Source: Prepared by the writer (2021)

According to BlogPress.ID (2021) available online on <https://www.blogpress.id/grab-vs-gojek/> , mentioned that “Grab has unlimited mileage while Go-Jek has limited mileage”. The purpose of Culinary Entrepreneurs joining partnership with online transportation is to have the widest possible access and Grab-Food could provide that because it has unlimited reach.

In this study, the authors recommend Grab-Food as the studied service, because based on the results of the "Consumers' Awareness" survey conducted by Spire Research and Consulting in 2019, 75% and 61% of respondents said that Grab is the brand they have used in the last 6 and 3 months. Meanwhile, 62% and 58% of respondents chose to use GoJek for the same category in the last 6 and 3 months. This means that Grab has more user rather than GoJek.

And from author's observation, almost all of the culinary store has more partnership banner with Grab rather than Gojek. So, this enables the collection of data to be wider and easier to reach for support this study.

The existence of online food delivery services is enthusiastically welcomed by the public because online transportation services make the daily tasks of users more efficient. So, it is expected that this will affect the sales of culinary entrepreneurs. As the existence of the phenomena mentioned above, the author is interested in discovering the effect of Grab Food on increasing sales of culinary enterprises in greater detail. Therefore, the title of this research is " THE EFFECT OF FOOD DELIVERY SERVICES ON INCREASING SALES OF CULINARY ENTREPRENEURS (STUDY OF CULINARY ENTREPRENEURS REGISTERED AT GRAB-FOOD MEDAN).”

1.2 Problem Limitation

Associated with the wide breadth of the scope of the problem and time as well limitations in the research conducted, the limitations in the study applied so that writer focused on the main problems that exist with the discussion, so hopefully this research does not deviate from the goal which has been applied. This research is limited to the following problems:

1. This research only to examine how's the effect of Food Delivery Services on Increasing Sales of Culinary Entrepreneurs (Study of Culinary Entrepreneurs Registered at Grab-Food Medan)
2. This research was conducted on Culinary Entrepreneurs registered with Grab-Food in Medan.

1.3 Problem Formulation

Based on the background of the study, the problem formulation for this research is “Does Grab food delivery services increase the sales of culinary entrepreneurs in Medan?”

1.4 Objective of the Research

The general objective of the study could be to examine whether the Grab Food Delivery services has impact on increasing the sales of Culinary Entrepreneurs in Medan.

1.5 Benefit of the Research

In this research, the writer would like this paper to be useful interest to readers or other parties. These can be separated into two kinds of benefit, which are:

1.5.1 Theoretical Benefit

1. This research hopefully will be useful for the other researchers who are interested in research using the same theory.
2. As a contribution of knowledge which is hoped to be useful for readers, as well as providing insight, knowledge and understanding of the Grab-Food service.

1.5.2 Practical Benefit

1. This research hopefully will be useful for other culinary entrepreneur's consideration about the effect of joining the partnership with food delivery services (Grab-Food Services).
2. As an additional knowledge for the researcher and reader about the importance of following the trends so that business continues to run in the real industry.
3. This research hopefully will be useful for others knowledge about the effect of food delivery services (Grab-Food Services) on culinary entrepreneurs sales in Medan.

