

CHAPTER I

INTRODUCTION

In this chapter, the researcher will explain about the topic that will be discussed and the problem that are faced by Waroeng Babeh Restaurant. There will be formulation of the problem where the researcher stated and analyze the problem faced by Waroeng Babeh Restaurant.

1.1 Background of The Study

According to WHO (2019), COVID-19 virus which stands for Corona Virus Disease 2019 is a transmitting virus that can go from one person to another which are marked as highly infectious disease. The disease are causing a mild symptoms too a very serious symptoms. Every country in this world has now encountering the seriousness of COVID-19 and is becoming a very serious problem for every country. Pandemic that caused by the COVID-19 are affecting every aspects in this world. From health organizations to businesses and regulations which government are introducing the new-normal era. The cause of this pandemic for businesses is hardly fought by every business owner where they need to fight off the bankruptcy that can happens because of the low sales. People are scared to travel and meeting other people which caused every public areas to be taken down and is locked by the government. Restaurants has become the victim of the pandemic where lots of restaurants suffer from bankruptcy and many ore is trying to survive by implementing their new strategy. Low customers that are willing to eat at the

restaurants are resulting in low sales which result in no income for restaurant owners.

A survey has stated that Indonesia's growth of family business is higher than the global average and they will be faced with competitive pressure (PwC, 2014). Family business are becoming a good choice for entrepreneurship undergraduate where they can continue their family business and with the legacy that goes down, they can implement the family strategy and adapt to the current situation with new technologies and new innovation. Otherwise, starting a new business in this pandemic situation would not be the best idea because the economy has decreased during the year 2020. You can see at Figure 1.1 below that Indonesia's economy is decreasing throughout the quarter year.



Source: BPS compiled by Bappenas, 2021b

Figure 1.1 Indonesia Economy Growth

Entrepreneurship has become a common thing in this world where we can define entrepreneurship as “a key to success and every individual that creates a new organization of business means enter into a new paradigm of entrepreneurship.

Nevertheless, the entrepreneurship is an activity that shifted the old habits into the new one with fully discipline and independent” (Barot, 2015). The entrepreneurship are divided into 2 categories which is the IDE and SME. The SME category has become the popular since then where it does not require a big investment in the early stages and since then, SME has become the major contributor in Indonesia’s economy for about 57,8% of the overall country’s GDP (Florentin, 2016; Yoshino & Wignaraja, 2015).

According to (Rothaermel, 2015, p.5), competitive advantage is a business concept that shows the attributes that a company has which can become an advantage among the competitors. These attributes are defined as obtaining raw materials with cheaper price, lower cost human resources, professional and skilled human resources, good geographic location, and low in newcomer competitors. Accessing to the newest technology can also be defined as one of the attributes. A company will achieve the competitive advantage when they have something that not others company have and what others company wish they would like to have. When a company reach the competitive advantage, they can dominate the market by applying their advantage and this will help the company grow as the company is one step ahead from its competitors.

When a company obtain their raw materials cheaper than their company, the company can produce and sell their product with cheaper price and attract customers to buy their product with a cheaper price and same quality as their competitors. This can advantage the company to create more sales and continue the growth of the company to obtain more competitive advantage.

Human resources are something that any company would like to have to help them run the company. Getting a low cost and highly skilled human resources will surely bring advantage to the company. Lower cost human resources can decrease the company cost of a product and still has the end product as any other competitor. This means that you are already one step ahead of your competitor and getting a cheaper cost which makes your profit bigger than any of your competitor. Highly skilled labour can give advantage where a company will not require to provide the training program to the labour and this can save more time than having unskilled labour. Highly skilled labour will also help to maximize the productivity where they understand their task and they can help others to finish their job.

Good geographic location can be defined by few things where you can obtain your raw materials easily or you can sell your product easily to the customer. When a company can obtain their raw materials easily, they will save cost where they can reduce the transportation cost and will affect the cost of producing a product. Good selling location can help companies to sell their product more whether the location have lots of demand towards the product or the location is attractive which can attract customers to come and buy the products.

Low in newcomer competitors meaning that in the close area of you company, there are low competitors and maybe there will be low newcomers which this can really benefit the company in the long run. The company will have a strong brand awareness in the area where there are low competitors in the area. Company with a better marketing skill will get most of the customer and with low competitors, the competition will not as hard as areas with lots of competitors.

Waroeng Babeh is a restaurant based in Medan, North Sumatra and is located in the downtown area of the city. Waroeng Babeh was established in 2019 where they are selling Indonesian local food as their menu and receiving orders in large quantity as in rice box. The restaurant owner whose name is Mrs. Elita is seen as the one that cooked all the food and is the head chef of the restaurant where the promotion through social media and financial activities are held by her daughter whose name is Monica. Besides the work of Mrs. Elita and Ms. Monica, they hired 2 employees which started with only 1 former employee and they added another employee to help them run the restaurants. The thinking of opening the restaurants started from the hobby that Mrs. Elita has and it becomes a habit that she likes to cook for others. The restaurant itself is becoming a family business where Mrs. Elita had been seen to teach Monica some of their food recipe as she is the one that will continue the legacy of the restaurant.



Source: Sales Data of Waroeng Babeh (2019-2021)

Figure 1.2 Sales Data of Waroeng Babeh

As we can see at Figure 1.2 that the sales have dropped for about 25% during the 2 years period and from the interview that I had in 19 September 2021 with Mrs.

Elita conclude that the restaurant suffers from a lot of changes in this pandemic situation. Even on the pandemic situation, the restaurant has tried their best to adapt to the situation and giving the best services and solutions to the problems that they have. Restaurants are told to close because of the government regulation “PPKM” and restaurants and other businesses suffers lots of loss. The dropping sales are not solely caused by the government regulation as there are other factors that affect the business decline. According to (Porter, 2008), both industry and position is a vital component where we must focus on and you can risk everything when you only pay attention to only one of it. This indicates that in this pandemic situation, there are barriers that diminish the competitive advantage of the restaurant and this research will aim to find other factors that affect the business growth which the researchers can help minimize the barriers that slowing down the business.

1.2 Formulation of The Problem

As mentioned above, the problem that is researched in this paper will be about the barriers that diminish the growth of Waroeng Babeh during this pandemic situation. Waroeng Babeh Restaurant has suffered from the effect of COVID-19 that result in pandemic. The sales of Waroeng Babeh restaurant can be seen in figure 1.2 that there are decreasing in their sales and in this research, we will find the problems that cause the sales to decrease. There will be some factors from positive to negative that are mentioned in this research because Waroeng Babeh Restaurant does have several factors that affect their competitive advantage.

1.3 Research Questions

According to the formulation of the problem above, then the objectives to be achieved by researchers in conducting this research are:

1. What are the competitive advantages of Waroeng Babeh?
2. What are the factors that become the barriers towards competitive advantage?
3. What are the effects of pandemic situation towards businesses?

1.4 Research Objectives

According to the research questions above, then the objectives to be achieved by researchers in conducting this research are:

1. To know the competitive advantages of Waroeng Babeh.
2. To know the factors that become the barriers towards competitive advantage.
3. To know the effects of pandemic situation towards businesses.

1.5 Research Significance

The expectation for this research is the result can give benefits to both theoretically and practically.

1.5.1 Theoretical

Theoretically, the research will provide knowledge about factors that can diminish competitive advantage in Waroeng Babeh Restaurant and the effect of pandemic towards Waroeng Babeh.

1.5.2 Practical

- a. For Universitas Pelita Harapan

This research can become the collection of student scientific work and can be used as a reference and insight about the topic of competitive advantage and the barriers that diminish it.

- b. For Students

This research can be used to become the reference for the future research paper and provide knowledge about competitive advantage and the barriers that diminish it.

- c. For General Public

This research can be used as information for public and people that are attracted to learn about competitive advantage and the barriers before starting their own businesses.

- d. For researchers

This research can be used as one of the requirements to obtain the bachelor's degree in International Management Study Program.

1.6 Research Limitations

This research only discusses about the competitive advantage and the barriers in Waroeng Babe Restaurant. It focuses on how it works in the Restaurant which there are still many business industries that are not researched. Research object are the owner of the restaurant, employees, and the customers.

1.7 Systematics Writing

The title of this research is “The Competitive Advantage of Waroeng Babe Restaurant and The Barriers That Diminish It” which will be divided into several chapters. The division of each chapter is as follow:

Chapter I Introduction, this chapter contains about the background of the study, formulation of the problem, research objectives, research significance which divided into two parts theoretically and practically, research limitation, and systematics writing.

Chapter II Literature Review, this chapter contains about the variable concept and theories of the study.

Chapter III Research Method, this chapter contains data collection method, data analysis and testing the validity and reliability of the findings.

Chapter IV Result and Discussions, this chapter contains the answer to the formulation of the problems using the method that has been discussed in the previous chapter.

Chapter V Conclusions and Suggestion, this chapter contains about the conclusion of the study and suggestion from the research that has been done.