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# BAB I

## INTRODUCTION

### 1.1. Background

Along with the development of technology, Indonesian people experience changes in lifestyle and habits. One of them is a change in making purchases. According to the data on Figure 1.1 based on survey by Hootsuite in 2021, internet users aged 16 to 64 that has 93% searched online for a product or service to buy, and 78.2% used a shopping app on a mobile phone or on a tablet, this survey show that there are changes in behavior and channel changes in purchasing in the last year where people have switched from offline purchases to online purchases.



Figure 1 Online Purchase Data

Sources: Hootsuite (2020)

Online Purchase has gradually grown into a huge platform for entrepreneurs and organizations. As retailers now provide consumers with the ability to shop online anytime, anywhere, e-commerce, known as the new business

medium, has finally developed rapidly. With the increasing number of online grocery retail users and the rapid expansion of online grocery delivery companies, It is critical to comprehend how to satisfy these new customers based on the quality of services offered by online grocery stores. (Zainur 2020). Online Grocery Delivery Service (OFDS) has become a saviour for those who keep busy with and enjoy the food they need. According to research by Sakulrattana (2015), food ordering and delivery applications not only solve the customer's time problem, but also benefit from savings in travel costs, a variety of meals and specialties, and easier access to unique local restaurants. Along with the times and technology, the phenomenon of ordering food through applications is gaining popularity in Indonesian people. Currently there is a phenomenon attractive in the food delivery service industry by online. Based on Figure 2, People who use this service themselves claim to order food online through the application at least 2.6 times a week. First, because of the time problem. As many as 39% of all respondents said that ordering food online was more convenient because they didn't want to wait in line at a restaurant. Then, in regards to time, quite so many as 37% of respondents said ordering food online would save them time because they don't have to leave the house to buy food. Then, 33% claimed that the various promotions given by multiple food delivery platforms were the main reason they ordered food online.

U N I V E R S I T A S  
M U L T I M E D I A  
N U S A N T A R A

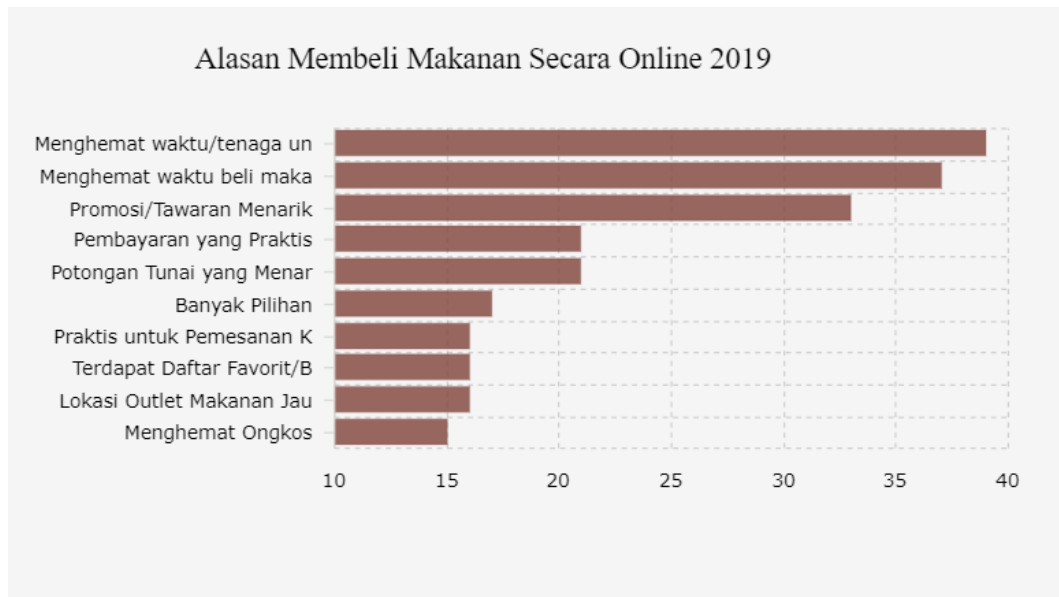


Figure 2 Online Food Delivery Factor

Sources: Katadata.id (2020)

Starting with the presence of two mobiles online transportation service-based commerce, namely Gojek and Grab. Both are m-commerce based on online transportation service or more easily called the largest online motorcycle taxi service company in Indonesia. Gojek was founded by Nadiem Anwar Makarim in 2010, while Grab started entered the Indonesian market in June last year 2014. These two companies compete in develop the features and types of services they have. One of them is GoFood on Gojek and GrabFood on Grab. The two types of services are a service for ordering food online, then online motorcycle taxi partners who will deliver food to customer. But with the covid-19 pandemic that began in 2020, there are 2 features of the online ordering application which are additional features of the existing m-commerce, namely the Shopee and Traveloka mobile applications.

Additional features of the Shopee application called Shopee food. Shopee Food is an online food delivery service owned by Shopee. Consumers can order food using the Shopee application at several merchants. Shopee Food is still a new feature with temporary area coverage only around Jabodetabek area. Even so, Shopee Food is ready to compete by offering several benefits that can be obtained at Shopee Food, such as getting a discount or free shipping directly and being able to use a voucher with a 50% discount up to Rp.25,000. (Winda,2021). Meanwhile, the features added in the Traveloka application is Traveloka Eats. Traveloka Eats is a restaurant directory service that is bundled with menu as provide vouchers which are available in each place It also would include a review feature for every restaurant, as well as photographs of the restaurant's atmosphere as well as the dining menu. Through Traveloka Eats, users can also make restaurant reservations and order food via mobile apps then drivers will the deliver food to customer.(Setyowati,D., 2021).

Food and beverage business owners in Indonesia take advantage of the moment with online food delivery services such as Gofood, Grabfood, Shopeefood and Traveloka eats. In addition to online ordering, the pandemic moment is also an opportunity to maximize online sales where people are forced to stay at home. Based on data, Indonesia customers during PPKM, the largest consumer digital expenditure was expenditure for payment for online food ordering services as much as 97% in one month. (Nabila,M, 2018).

### Jenis Pengeluaran Digital Konsumen Per Bulan Selama Pandemi Covid-19

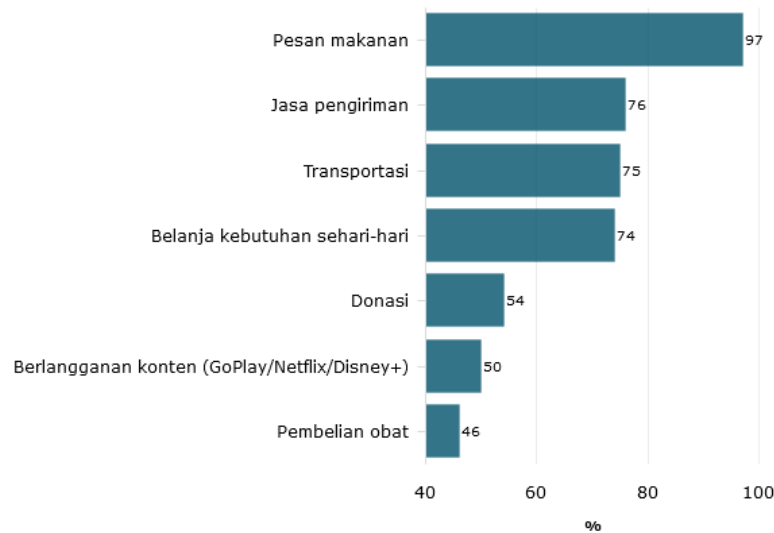


Figure 3 Pengeluaran selama PPKM

Sources: Detik Finance (2020)

Coinciding with the existing phenomenon and momentum, many SME business owners register their businesses on the online food ordering platform. The limited human resources owned by SMEs have an impact on limitations in making the right marketing strategy, besides that they only rely on and depend on marketing with GoFood, so they feel that it is enough, as a result of research that simultaneously Marketing Strategy affects Innovation (Indrawati et al. n.d.). Based on the existing phenomenon, SME owners still have limitations in developing strategies to maximize the use of online order applications. Based on Chapter I, Article 1 of Law No. 20 of 2008 Concerning Micro, Small, and Medium Enterprises (MSMEs), then what is meant by Micro, Small, and Medium Enterprises (MSMEs):

- 1) Micro Enterprises are productive businesses owned by individuals and/or entities that meet the Micro Enterprise criteria outlined in this law.
- 2) A small business is a productive economic business that stands alone and is carried out by individuals or business entities that are not a subsidiary or a branch of a company that is owned, controlled, or is a part of directly or indirectly. Medium Enterprises or Large Businesses that meet the criteria for Small Businesses as defined in this law.
- 3) Medium Enterprises are productive economic enterprises that stand alone and are carried out by individuals or business entities that are not a subsidiary or branch of a company owned, controlled, or become a part either directly or indirectly with a Small Business or Business Large by the amount of net worth or annual sales results as regulated in this Law. Based on the above definition, it is possible to conclude that Micro, Small, and Medium Enterprises (MSMEs) are a type of productive economic business carried out by an individual or individual business entity that meets the criteria. Micro, Small, and Medium Enterprises.(Anggraeni,F., 2013). Therefore, from the problems that exist in the SME food and beverages industry in Indonesia, based on the explanation above then researchers are interested in conducting research that helps SMEs in how to maximize the use of online order platform applications aimed at MSMEs that enter the criteria.

## 1.2.Problem Statement

The existence of online delivery services, such as GoFood and ShopeeFood, has helped increase the sales of SMEs in the culinary industry (Fauzi, 2019; Alwi & Masjono, 2020, Sofia et al, 2021).

The SMEs are now able to reach a wider area with this kind of services that were previously only owned by big restaurants (Nadia et al, 2019). In a short period after registered in an online platform, the SMEs' customers and their daily orders added up. The crowds that came to their small restaurants were no longer just visitors, but also drivers of online platform. This condition drives the SMEs to make any adjustments in their business process to maximize the profit. Some of SMEs succeed to boost their business scale rapidly, while the others only enjoy a small growth (Prastiwi & Rohimat, 2020).

The question is why their performances differ? What factors must be considered by SMEs in culinary industry to maximize their profits. Amid the huge studies regarding the delivery service and culinary SMEs, however, there are still limited research that investigate what SMEs should do to capture the maximum value of this kind of online service. This research basically focuses on the internal attributes of SME and will be highly valuable to provide practical implications. Prastiwi dan Rohimat (2020) is one of such limited studies. They found that entrepreneurial orientation (EO) is the most important factors should be improved to maximize the value. EO is defined as a SME's proclivity for innovation, risk-taking, and proactive marketing. It is measured using items that focus on product



development, such as launching new products as soon as possible, developing products with added value, and looking for an alternative to avoid failure. Also, the amount of the government's program that can implement the improvement of the SMEs business performance is still lacking, providing training for SMEs business owner. It is strongly advised to increase the entrepreneurial orientation of online delivery order partners.

Another example is Darmawan et al (2021) that focuses on the supply chain of SME. They argue that superior supply chain performance (delivering quality products and services at the right quantity and time to minimize the total cost of products and services to the end customers) can be achieved by considering the agility (have reliable delivery service), adaptability (develop product to respond market changes), and alignment (align all stakeholders interests with the SMEs) of the product fulfilment. Prastiwi and Rohimat (2020) and Darmawan et al (2021) have provided very insightful findings. If the number of these kind of empirical studies increases, it will be beneficial to the development of SMEs in Indonesia culinary industry.

To enrich those studies, the author tries to conduct similar research by employing Resource-Based Theory (RBT) of the firm to investigate various capabilities that make culinary SMEs able to maximize the value of online delivery service. RBT states that a firm can generate more economic value and achieve competitive advantage if having superior resources. The superior resources refer to all firm's internal factors that are valuable, rare, inimitable, and organized

appropriately (Barney, 1995). Under this theory, resource itself can be classified as asset and capabilities (Amit & Schoemaker, 1993), which is in general the later have more significant impact on performance than the former (Galbreath, 2005).

Based on the preliminary research that had been conducted by the authors, and references from previous studies, this research will propose three kinds of variables, that are: agile capability, marketing capability, and operation capability. In other word, the research will cover a wider area of changes inside the SME.

Agile capability is the ability to move quickly and think quickly, but it now also means being able to respond effectively to unpredictable changes in the environment and turning them into opportunities for organizational improvement. SMEs business owners must be able to respond quickly to unexpected changes, with such a focus on personnel and organizational function, the value of products and services, and modifications in opportunities caused by customer attraction. (Fathian and Gachin Pour, 2007).

Marketing capability is defined as the processes by which an organization selects intended value propositions for their target customers and deploys organizational resources to deliver these value offerings in pursuit of desired goals (Day, 2011). Furthermore, besides that, this capability is the organization's ability to connect with and serve a specific group of customers by allowing the organization to use market knowledge to form beneficial relationships with the customers. (Wilden & Gudergan, 2015; Song et al., 2005; Spanos & Lioukas, 2001).

Operational capabilities generally involve the maintenance of an activity, such as producing a product certain. Using a set of routines for executing and coordinating various tasks required to organize these activities (Helfat & Peteraf, 2003). Collis (1994) explained that operational capability is a capability that reflects the ability the company carries out functional activities such as factory layout, marketing program, more efficient than competitors.

### **1.3. Research Purposes**

Following the description above, the general the goal of this study is to look into SME capabilities that can maximize performance in Indonesia culinary industry using online delivery service. This general objective can be elaborated by breaking them down into the following specific objectives:

- To investigate how the agile capability can influence the SMEs performance
- To investigate the role of marketing capability in influencing the SMEs performance
- To investigate the role of operation capability in influencing the SMEs performance

To achieve to the objectives above, this study seeks to answer the primary research question.: *what are SME capabilities needed to maximize performance in*

*Indonesia culinary industry using online digital service?* This main research can be elaborated by breaking down into several sub research questions as follow:

- How agile capability influence the SMEs performance?
- What is the role of marketing capability and operation capability in influencing the SMEs performance?

#### **1.4. Benefits of Research**

The following are the advantages of this research:

1. From an academic aspect, this study is expected to be useful and beneficial to the academic field, especially in terms of strategy in the SME online order platform and help SME capabilities needed to create value using digital platform.
2. In a practical aspect, this research is expected to be an input for SME owners and can be used as a basis or reference in developing strategies that aim to increase online purchases from their consumers. Furthermore, this research is expected to be a solution for food and beverages industry players who want to increase their sales through an online order platform, but have difficulty determining strategies to maximize the use of the online order platform which they should choose.