

CHAPTER I

INTRODUCTION

1.1 Background of the Research

The most developed business sector in Indonesia is small-medium enterprise (SME). Indonesia as a developed country that used to be only focus on agriculture, nowadays start to focus in industry sector due to world economic globalization development. Agriculture is a major source of raw material for field industries. The existence of good cooperation between industry and agriculture will create balance each other. Due to the strong agriculture will support the creation of industry well, both in increasing state revenue sources and in providing for the public welfare (Durianto, 2001).

Contribution of industry sector as the leading sector is showed to be the largest contributor to Indonesia economic formation. SME becomes an important strategic power to accelerate regional development. This sector is proved giving a significant value to Gross Domestic Income (GDI) and employment. SME generally is household enterprise that mainly still mingled with their residence and need development continuously in order to face the problem, such as marketing, capital, and management can be faced.

Recorded by the first quarter of 2012, based on survey of SME in Indonesia, the total of SME is 3.218.043 SMEs. Then, based on survey of SME in 2013, the amount of SME in Indonesia is 3.418.366 SMEs (Website Disperindag, 2013). In

between, there are 1.167.541 SMEs establish in food sector by BPS survey 2013. Therefore, we can take a conclusion that Indonesia takes a serious attention on SME development to increase economic growth. One of the largest contributors in SME sector is West Sumatra.

West Sumatra has a quite large potential of natural resources. Natural resources is derived from agriculture, plantation, mining, fisheries, tourism, small medium enterprises, services, and trade are mostly dominated by agriculture which is the source of livelihood of largely people of West Sumatra. West Sumatra industry has a dominant characteristic of small industries, cottage industries and handicrafts industry. Industry in the fields of food crops will need to support the business activities of food. Agricultural products in the form of crops such as maize, cassava, sweet potato, nuts, used by the food industry to serve a variety of foods.

The most popular SME in West Sumatra are Bordir dan Sulaman, any kind of handicrafts, and typical foods. Based on BPS survey shows there are 35.123 SMEs in West Sumatra and more than half SMEs is engaged in food sector, which is 20.684 SMEs. SMEs division in West Sumatra can be seen as follows (BPS, 2013):

- Handicrafts industry 13,25% (embroidery and Songket)
- Clothing and leather industry 17,15% (shoes, bag, belt, etc.)
- Building and chemical industry 21,40% (brick)
- Metal machinery and electronics industry 7% (Alsintan)

- Food industry 58,89% (Rendang, Kripik Balado, Kipang, Abon Ikan, etc.)

The development of SME is a step to increase and strengthen the economic base by providing employment, reducing inequality, and poverty. Head of Industry and Commerce of West Sumatra, Afriyadi Laudin revealed small and medium enterprises in West Sumatra increased each year and the development of SMEs in West Sumatra, including better than those from other areas ranging from business units in addition to the movement of its business (Minangkabaunews, 2011). Some SMEs that produce food/beverages and handicrafts was able to penetrate the market even though the export volume is still in limited numbers or just to fill order on a regular basis.

West Sumatra actually has a lot of typical foods, even every regional in West Sumatra own their typical foods. Typical food of West Sumatra has a specific regionalism which are Kerupuk Sanjai from Bukittinggi, Galamai from Payakumbuh, Ikan Bilih from Singkarak, and other regional does. Typical food of West Sumatra has its peculiarities and the most popular is Kripik Balado. Kripik Balado is derived from cassava. The variety of typical food can be found in any part of West Sumatra, including in Padang.

Padang is the capital of West Sumatra province and also a getaway for in and out of place for the tourists who come to visit the different areas of West Sumatra. In the city of Padang food industry there are several businesses that make and sell

typical food of West Sumatra, which are Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota. People who want to go out from Padang usually bring Kripik Balado as a gift for their folks in the destination they will visit. Also, people who come to Padang buy Kripik Balado for his or her domicile. No doubt that some tourists that visit West Sumatra also buy this kind of typical food.

If we notice to the government side during the development of SMEs, the government only focuses on capital. The owner or the businessman will be given capital by government to build their business. But after the business was formed, most of the owners of SME forget the essential part of marketing strategic, which is branding. This is the way to support their growth and maintain the existence of the product. Fact, we could see much of the product only put a little label or address of the maker on the packaging.

Small-medium enterprises nowadays face the dilemma of the decision whether to brand or not. Most of the SMEs are not aware about the importance of brand building. Due to globalization era, branding has become an essential part of marketing. Therefore, branding for SMEs is an important thing in order to allow a firm to develop a competitive advantage over other existing firms or competitor in the market.

According to Vadera (2011), brands also play a very important role in consumer decision-making process. It provides the opportunity to attract and retain the loyalty of customers. A firm must have an association with its present and potential customers because it provides a basis for differentiation and deliver value in

terms of enhancing brand equity of the firm. Entrepreneurs can brand their products by giving it a meaningful name that differentiates their product offering from competitors product offering.

Despite the mounting evidence about the efficacy demonstrated in developing a business brand, many employers (especially small business owners) who choose to ignore the benefits of the development of brand. Price, for the SME owner, is the main weapon to hit their big competitors. Efficiency in business operations is a strategy that is essential to get the low selling price. Low price indeed will lure consumers to buy your product or service, but the value of loyalty to the products or services is weak. Companies that only sell the products at a low price regardless of quality will not have a loyal customer. They purchase price, but do not appreciate the brand.

Brand is the essential part of business. Maybe we wonder why people aware to international product, or when we tell a keyword of a product, people will directly guess correctly what brand it is. That shows how powerful a brand. Actually, we could make our domestic product become as powerful as international product, in terms to support the campaign of “use our local brand”. The way is by building strong brand equity, people will start to aware to the product and the characteristic of the product will be associated in their mind.

Consumer is the important part of business because they are as the measurement of a brand, to be the customer and give the loyalty. One of the elements of brand equity is brand awareness. Brand awareness is a very important component

of brand equity. Consumers tend to purchase products with familiar brand on the basis of considerations, convenience, safety, and others. However, a well-known brand usually avoids risk of use because the consumer is already known brand reliably. Raising awareness is a mechanism to expand market brand. Awareness also affects perception and behavior. Brand awareness is a key asset of the brand or the key as an entry into other elements (Aaker, 1991). So if awareness is very low, it can be ensured that the brand equity is also low.

Definition of brand association according to Aaker (1991) is all that associated with the memory of the brand. In other words, every impression that appears in the mind of the person associated with the memory of a brand. The underlying value of the brand is often based on association specifically related to it. Brand association is a collection of a brand in relation when consumers remember a brand. Linkages in the form of associations on some things because of the information conveyed to consumers through product attributes, organization, personality, symbol, or communication (Aaker, 1991). Brand association can provide benefits to consumers that will eventually give specific reasons for consumers to buy and use the brand.

Kripik Balado, which is our typical food of West Sumatra, this is the opportunity to make everyone aware of Kripik Balado and make it as the first choice and being on the top of mind. Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota could be the choice of place to buy typical food of West Sumatra. If a person had been aware of a brand or recognize the brand, the possibility

is they will choose that brand to consume. Usually, a consumer that aware to a brand will tend to be a loyal customer.

Strong brand association will establish a strong brand image as well. People have different association of product attributes based on Kripik Balado Christine Hakim, Shirley, and Mahkota. Quality and perception as intangible attributes also make association in the viewpoint of consumer. As typical foods, Kripik Balado can be as souvenir or snack. The association of price must be reasonable due to create a perception that everyone could buy this kind of typical food. Association that comes from consumer mind about Kripik Balado is not only to consume for adult, but also children like this typical food. As a typical food, people may proud to bring it as a gift and it reflects to association that West Sumatra is famous in spicy foods. According to Keller (2003), customer-based brand equity occurs when the consumer has a high level of awareness and familiarity with the brand and holds some strong, favorable, and unique brand associations in memory.

In this research, the author only focuses on brand awareness and brand association to measure how strong the brand awareness and brand association of Kripik Balado in Padang. Based on the explanation above, the researcher is very interested to raise this issue and do research for the scientific work with a title of **“Analysis of Brand Awareness and Brand Association of Small-Medium Enterprises of Typical Food in West Sumatera”**.

1.2 Problem Statements

From the background that has been stated above, researcher aims to make and identify about some problems as follows:

1. How strong the awareness of Padang citizen to Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota
2. What associations come to Padang citizen's mind about Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota

1.3 Objectives of the Research

Based on the problem statements above, objectives of the research are:

1. To find out how aware Padang citizen toward Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota.
2. To investigate what associations come to Padang citizen's mind about Kripik Balado Christine Hakim, Kripik Balado Shirley, and Kripik Balado Mahkota.

1.4 Contributions of the Research

1. For Academic

It is expected to train and develop another references, as well as add some insights and knowledge about the brand awareness and brand association.

2. For the sellers of Kripik Balado

This scope uses as information for the seller of Kripik Balado in Padang, about how strong brand awareness and brand association as the elements of business strategic. Related SME could evaluate their brand strategy and building strong brand equity to increase business profitability.

1.5 Outline of Research

This thesis is conducted for five chapters using the following systematic:

Chapter I Introduction

The first chapter contains background and formulation of the problem, the objectives to be achieved, the benefits of the research, and outline of research is used.

Chapter II Literature Review

The second chapter contains theories about brand and brand equity, brand awareness, brand association, small-medium enterprise (SME) and review of previous study.

Chapter III Research Method

The third chapter conducts about research design, population and samples, sampling, operational definition of variables, sources of data, techniques of data collection, and data analysis techniques used.

Chapter IV Result and Discussion

The fourth chapter contains the data process of the research that consists of frequency distribution of each variable, discussion, and implication.

Chapter V Conclusion

The fifth chapter conducts the conclusion of the research that discussed based analysis that has been carried out, limitation and recommendation of the research.