

The Application of Product Innovation Carried Out by MSMEs in Business Activities to Improve Competitiveness

(Study on MSMEs Bakpia Masaji Kediri City)

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ABSTRACT

Competition is getting tougher for businesses in the culinary field. This requires business actors to be more innovative in order to maintain the survival of their business. The purpose of this research is to find out what product innovations are carried out and what are the competitiveness faced by Bakpia Masaji Micro, Small and Medium Enterprises (MSMEs). The type of research used is qualitative, using primary and secondary data. The data collection techniques used were observation, interviews, and documentation. Interviews were conducted with owners, employees, and customers of Bakpia Masaji MSMEs. The result of this study is that the product innovation of Bakpia Masaji MSMEs carried out is to improve or change the taste according to consumer desires without reducing the existing distinctive taste. Meanwhile, the competitiveness of Bakpia Masaji is other competitors that existed earlier, such as Bakpia Almair, Pia Latief, Bolen & Bakpia Simpang Lima Kediri. Compared to other competitors, Bakpia Masaji is superior because the price is cheap, the bakpia is soft, not dragging and not easily destroyed, the packaging is elegant and glossy.

Keywords: *Product Innovation, MSMEs, Competitiveness.*

1. INTRODUCTION

The growing economy in Indonesia is inseparable from the role of Micro, Small and Medium Enterprises (MSMEs). The definition of a micro business in Law Number 20 of 2008 Article 1 is a productive business owned by an individual or business entity, in accordance with the provisions stipulated in the applicable laws and regulations. Meanwhile, a small business is a productive economic enterprise that stands alone, is not a large company or subsidiary, and also meets the criteria set out in the Law. Based on information from the Ministry of Cooperatives and Small and Medium Enterprises, in 2021, there were 64.2 million MSMEs units in Indonesia. Meanwhile, in Kediri City, the number of MSMEs reached 7,745 in 2023 (Radar Kediri, 2023). The progress of MSMEs in Indonesia has a significant impact, including in creating new employment opportunities thereby reducing the unemployment rate, improving welfare due to increased income, and becoming the backbone of the local economy as it supports inclusive economic growth (Wahyu & Budi, 2023).

Competition is getting tougher for businesses in the culinary field, which includes the concept of competition between price and quality, as well as market growth and evolution due to factors such as product innovation, new technology, and new competitors. The food industry is gaining huge opportunities for growth (Gandung et al., 2022). Innovation plays an important role in advancing MSMEs. Some of these important roles include improving product quality to increase customer trust, expanding market share, and creating significant product elements to differentiate from competitors. Product innovation is the process of creating or developing new products to meet customer needs and improve the competitiveness of the company. Innovation is a creative process that can increase long-term business growth, increasing the knowledge, competence and skills of MSMEs actors is very important to encourage innovation and improve business performance (Anna et al., 2023). Product innovation can be key in differentiating a business from competitors and winning the competition. There are several reasons why product innovation is important because it presents different products in order to win the competition, develops solutions to meet customer needs, new opportunities to increase revenue, and strengthens the position of businesses in the long term.

The digital era and globalization in business dynamics are experiencing rapid changes. So it is necessary to encourage MSMEs to adopt innovation as the main strategy to remain competitive. Factors that determine competitiveness include the availability of capital, technology accessibility, information access, education, workforce skills, expertise in entrepreneurship, and organizational systems that are in accordance with business needs. Competitiveness is also formed through the development of concepts, competencies and connections. In the current business environment, which is accompanied by the growth of the MSMEs sector or the emergence of new entrants in controlling the market, business owners or companies are required to be able to utilize their resources by making new breakthroughs in order to achieve success in competition.

Bakpia is a traditional Indonesian pastry, especially popular in the Yogyakarta area. Bakpia is famous for its soft texture and sweet taste, making it a popular food among tourists and locals alike. Bakpia is made from a mixture of wheat flour, sugar and other ingredients filled with green beans. Bakpia Masaji is one of the MSMEs that produces bakpia in Kediri City. This business was founded by Mr. Aji Prasojo with the business name CV Ningrat Prasojo which was established in 2020 with an initial capital of Rp. 75,000,000 and has 3 flavors, namely green beans, chocolate and cheese. Each box contains 6 seeds at a price of IDR 6,000, 8 seeds for IDR 8,000, and 10 seeds for IDR 10,000, all prices are for the green bean variant. Bakpia Masaji is an MSME assisted by Kadin Kediri City which won 2nd place in Sharia Young Entrepreneurs in 2023 (Aji & Sri, 2023). With product innovations made, sales and income increase every year.

2. RESEARCH METHODS

The method of this research is presented through a qualitative approach. The data used uses primary data sources and secondary data sources. Owners, employees and customers of Bakpia Masaji were observed and interviewed directly for obtain primary data. Furthermore, secondary data was collected from literature studies, articles and journals about product innovation. This data was then validated by triangulation. Research data was collected from February to April 2024.

3. RESULTS

Innovation is considered a source of competitive advantage that comes from science, thinking skills, motivation, environment, and creative thinking skills. Bakpia Masaji is required to carry out business innovation so that the business has competitiveness and to adapt to environmental changes and changes in consumer tastes.

Mr. Aji as the owner of Bakpia Masaji (see Figure 1) during an interview said: "The product innovation that we do is by improving or changing the taste and texture according to consumer desires without reducing the existing distinctive taste. In addition, we also tried other bakpia that managed to present different flavors such as Bakpia Pathok which is famous everywhere, with that we can adjust our own taste and keep up with existing developments. From several recipes we can process flavors that meet consumer needs and create bakpia that consumers can enjoy. We buy quality ingredients to produce a good and safe product for consumption. For product design, we make modern designs and follow current trends, we make the design as attractive as possible. And Bakpia Masaji is also halal-certified and registered with the DJKI (Directorate General of Intellectual Property)".



Figure 1 Interview with Mr Aji

Miss Dewi as one of Bakpia Masaji's employees (see Figure 2) during an interview said: "The product innovation carried out by Bakpia Masaji is currently sufficient, because there are three flavors of green beans, cheese, and chocolate,

which are enough to make sales increase every month and even year. The design is also attractive which makes many teenagers like Bakpia".

Miss Wulan as a customer of Bakpia Masaji during an interview said: "Bakpia Masaji tastes good, the texture is soft, the price is cheap. For the green bean filling, Bakpia Masaji tastes good, it doesn't taste awful like other bakpia, my son who usually doesn't like green beans even when he tries to eat this Bakpia, he wants it. In my opinion, innovation is needed to increase the variety of flavors so as not to be outdated. If the design is interesting, yes, in my opinion, the packaging is very high quality, rarely is the packaging glossy even though the price is cheap but the taste and quality are very good".



Figure 2 Interview with Miss Dewi

Miss Dhea as a customer of Bakpia Masaji during an interview said: "In my opinion, Bakpia Masaji tastes good, savory and has a lot of filling. The texture is soft. As for the design, it is quite good and the color selection is in accordance with the 3 existing flavors, namely green beans, cheese, and chocolate, so that it attracts customers to buy so kak. For the quality of Bakpia, it uses original products such as without preservatives and for 3 years I have been a customer of Bakpia Masaji, it still maintains the value of its products".

Based on the interview above, it is known that product innovation at Bakpia Masaji is by improving or changing the taste and texture according to customer desires and following trends in the market, attractive designs and still prioritizing the quality of its products.

Business owners must be able to see what opportunities can attract consumer interest and continue to innovate products to increase sales. A high work spirit has been poured by all employees working in the Bakpia Masaji MSMEs business which is expected to provide maximum satisfaction for its customers. The product innovation carried out by Bakpia Masaji MSMEs is to improve the taste according to consumer needs without eliminating the distinctive taste of Bakpia Masaji. For new products, a tester will be made first before being marketed. Although this MSME has not been established for 5 years, the product innovations carried out have been successful in increasing revenue and increasing marketing locations and resellers. Bakpia Masaji uses raw materials directly from suppliers and cake shops in the Kediri area, the raw materials used are halal certified and safe to use. Bakpia Masaji always controls every process of purchasing raw materials to ensure good quality raw materials. Bakpia Masaji's production process uses clean and safe equipment in the process of making bakpia, the production process pays attention to halal processes and food safety, so that the bakpia production process can run smoothly from the process of weighing ingredients, mixing ingredients, molding, baking and packaging.

Meanwhile, competitiveness is closely related to the concept of comparative and competitive advantage that compares the performance and ability of a business entity or company to supply and sell goods or services in the market. Mr. Aji as the owner of Bakpia Masaji during the interview said: "The competitiveness in Kediri is very much but to win the competition we have to maximize the taste and adjust the price to competitors. And we also establish good relationships with consumers so that they remain customers. Although we focus on sales at souvenir centers, we also accept orders."

Miss Dewi as one of the employees of Bakpia Masaji during the interview said: "There are many competitiveness in business, but we focus on making better products according to consumer demand so as not to lose to others and expand the market. As the years go by, sales always increase, it's proof that we can still keep up with the others."

Miss Wulan as a customer of Bakpia Masaji during an interview said: "The competitiveness of Bakpia Masaji, in my opinion, is Bakpia Almair, because first Bakpia Almair existed and also sold on the side of the road, so many people know it, in my opinion."

Miss Dhea as a customer of Bakpia Masaji during an interview said: "In my opinion, in terms of texture, taste, and content Bakpia Masaji is still the best in Kediri and I haven't found anything better than this. In order to win in competition, Bakpia Masaji can highlight the various advantages of its products such as conducting media promotions through pamphlets so that the people of Kediri can find out and through social media which is currently widely accessible to the public. Because in terms of marketing, in my opinion, it is still lacking from the Bakpia brand of other products that existed before Bakpia Masaji".

Based on the interview above, it is known that the competitiveness faced by Bakpia Masaji is competitors who have been established for a long time and have many outlets or resellers. So that many people are used to seeing Bakpia Almair rather than Bakpia Masaji. Because Bakpia Masaji sells in souvenir centers and even though they both accept orders too.

Simply put, competitiveness is the ability to compete of a business entity. The special resources owned by a company become the basis for the company in maintaining its competitive advantage, therefore in order to maintain its existence in the increasingly strong competition, a business entity must strengthen its competence so that it cannot be imitated and last long. Because companies that have a competitive advantage can better identify customer needs and preferences. Thus, the superior competence of the company becomes an opportunity to increase competitiveness. MSMEs Bakpia Masaji maximizes taste and adjusts prices with competitors. And also establish good relationships with consumers so that they remain customers. MSMEs Bakpia Masaji also carries out CSR (Corporate Social Responsibility) activities by supporting the selection of Creative Economy Ambassadors, Selection of Puteri Indonesia East Java, Selection of Tourism Ambassadors, MUA Community Kediri. CSR activities can increase the competitiveness of the company. Through CSR activities, MSMEs can strengthen relationships with local communities and improve their brand image. In addition, participation in CSR activities that focus on human resource development or training can improve employee skills and the quality of products or services offered by MSMEs. These can all help MSMEs to be better recognized, valued and chosen by consumers, which in turn will increase their competitiveness in the market.

The following is an explanation of the discussion which will be related to the indicators used as the basis by researchers in research, namely the first product feature, in Bakpia Masaji's product innovation in the form of changes in taste, and ingredients that continue to be improved or changed according to customer desires. Before the new product is marketed, it will first make a tester which will be given to customers or other people who have or have not eaten Bakpia Masaji, all are welcome to try to feel whether the existing taste is appropriate or needs further improvement. Other people who are invited to taste the tester are sought through social media in the form of Instagram, while for customers will be informed through social media in the form of Whatsapp. If they think the taste is not appropriate, improvements will be made. If it is appropriate, the product will be made and ready to be marketed. Secondly, product design is carried out by Bakpia Masaji by making designs that are trending or viral and then made with aesthetics to attract consumers. The current design is made with embossed and glossy writing or images, as well as elegant colors. Bakpia Masaji's design changes are always consistent with the brand image and can help build relationships between consumers and products. Third, product quality, which is carried out by Bakpia Masaji by registering its products at the DJKI (Directorate General of Intellectual Property) so that the trademark is not used or claimed by others, halal certification, brand certification, Business Identification Number (NIB) certification, certification of household industry food processing production licensing (P-IRT). By registering the various certifications above, it is certain that the guarantee of the products produced is safe and can expand market share and attract new consumers.

4. CONCLUSIONS

Based on data analysis and discussion by referring to the formulation of the problem and by using qualitative methods in the research process, thus product innovation carried out by Bakpia Masaji MSMEs is to improve or change the taste and texture according to consumer desires without reducing the existing distinctive taste. In addition, we also try other bakpia that have succeeded in presenting different flavors such as Bakpia Pathok which is well known everywhere, with that we can adjust our own taste and keep up with existing developments. From several recipes we can process flavors that meet consumer needs and create bakpia that consumers can enjoy.

The competitiveness of Bakpia Masaji MSMEs in Kediri is very much, but to win the competition, MSMEs maximize taste and adjust prices with competitors. And also establish good relationships with consumers so that they remain customers. Other competitors such as: Bakpia Almair, Bakpia Latief, Bolen & Bakpia Simpang Lima. Compared to other competitors, Bakpia Masaji is superior because the price is cheap, the bakpia is soft, not dragging and not easily

crushed, the packaging is elegant and glossy. And every year Bakpia Masaji's sales always increase. This proves that the Product Innovation carried out by Bakpia Masaji can be said to be successful.

AUTHORS' CONTRIBUTIONS

The contribution of the author's involvement in this scientific work is conceptualizing, processing data, and writing and editing scientific articles.

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