

CHAPTER I

INTRODUCTION

1.1 BACKGROUND

In a modern world where technology has allowed us almost-limitless convenience, there is a major shift in lifestyle pattern, particularly within and amongst Indonesian younger generation. We have observed a decline in interest towards Indonesian food due to countless contenders from international food franchise. Detik.com (2013) reported 10 favorite foods chosen by Indonesian kids, with results dominated by non-Indonesian dishes such as French fries, chicken nuggets, spaghetti, and pizza. The younger generations such as the millennials and Gen-Z are more exposed to other international choices offered by numerous new emerging F&B businesses (Sukarwati, 2018). Being exposed to all kinds of information, graphics and videos of international food menu, the younger generations seem to be more familiar to non-Indonesian food rather than Indonesia's own delicacies, which are very rich in variety of tastes, colors and aroma.

The Gen Zs are also said to have become too dependent and tethered to their gadgets, robbing them the joy and fun of physical social interaction and of real-life physical activities. In fact, the term "gadget generations" to describe Gen Zs and Millennials has become popular. One of the many problems that dependency to technology has created is the tendency for the younger generations to isolate themselves

from the outside world, making them lacking of social interactions with friends, families and their surrounding communities (Abdurrahman, 2017).

According to Indonesian Creative Economy Agency, culinary sector is the largest contributor to our nation's GDP. Consumer demands have increased due to advance in technology that allows online-based food businesses to flourish and succeed. Social media boosts up marketing and online platforms assists delivery services (Global Business Guide, 2017). Ministry of Trade reported that in 2015, there was 8.16% growth in culinary sector. The trend of eating out has increased with time, even putting Indonesia at a higher-than-global rate of dining out.

In an economic era that has evolved from agricultural to industrial, and now to creative economy, we realize that there are opportunities for new business creation that fits and fulfills the consumers' needs and expectations, which helps to solve the problems mentioned above. With prospects of millennials holding the strongest purchasing power, it is best to focus on their consumption behaviors that include experiential values.

1.1.1 MARKET OVERVIEW

Population

Consistent with Jakarta's GDP per capita which is the highest compared to other cities in Indonesia, Jakarta has the largest proportion of upper middle and higher income population. The definition of upper middle income segment is "those with annual household incomes between IDR 60 million to IDR 120 million", while the higher income segment has more than IDR 120 million of annual household income.

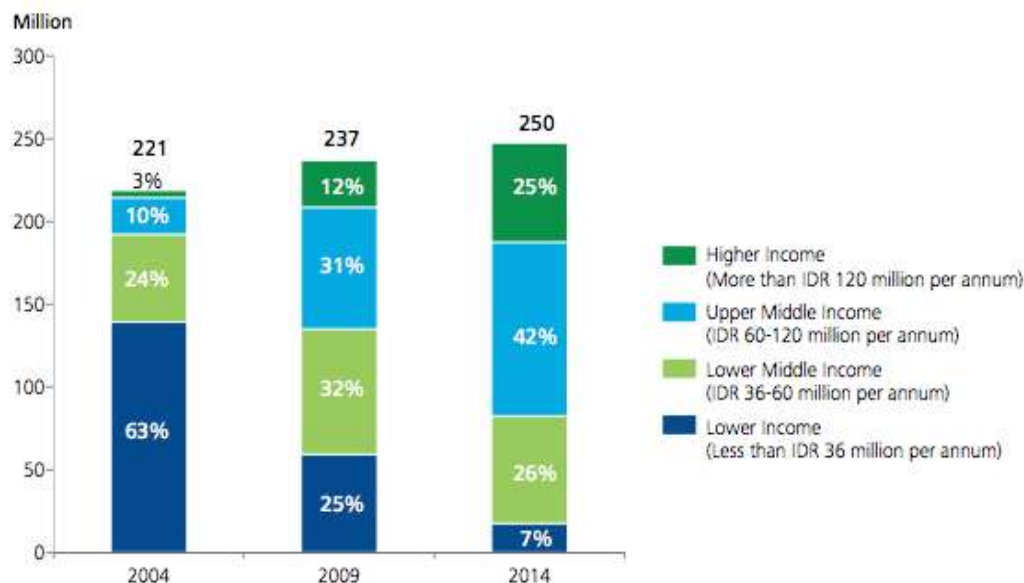


Figure 1.1. Population Demographic in Indonesia Based on Income Levels. (Deloitte Consumer Insights: Capturing Indonesia's Latent Markets, 2015)

As seen on the trend of past data, the percentage of upper middle income and higher income households have been increasing significantly, even up to reaching more than half of the total proportion. Since the upper middle-class population represents the purchasing power or the engine of growth of the nation, this data projects a positive prospect for the coming years where even higher consumptions and level of lifestyle would consistently increase as well.

The rise of millennials population in Indonesia, in Jakarta particularly, is also evident. In 2015, 33% of Indonesia's total population was aged 15-35 years. The percentage equaled to the sum of the older age groups, which are Gen-X and the baby boomers. In Jakarta alone, the millennial population could reach more than 40%. It is predicted that in 2020, the population pyramid will maintain its shape, with the

millennials taking 34% of the whole portion (Purwandi, 2016). In the next few coming years, the millennials would be in their “golden peak” of age, aging 20-40 years old, and would become the backbone of economy.

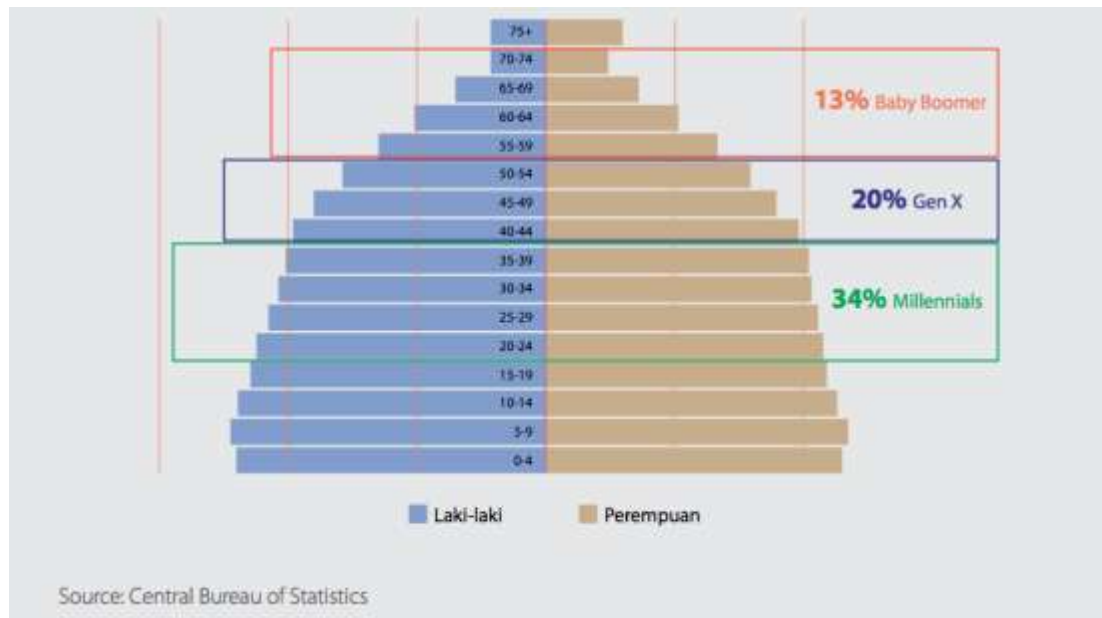


Figure 1.2. Population Pyramid of Indonesia in 2020 (Purwandi, 2016)

Food & Beverage

The food and beverage (F&B) sector as one of the strongest drivers of lifestyle aspect has shown quite a significant effect to national growth. From 2011-2015, restaurant industry grew at average rate of 5.44%. In 2015, food and beverage expenses reached 5.35% of GDP (Rangkuti, 2017). Jakarta Dining Index reported that between 2009 and 2014, the number of restaurants in high-end category grew 250% (Global Business Guide, 2017).

The F&B profile is extremely varied in Jakarta. There are service outlets including full-service restaurants, fast-food outlets, cafes and bars, bakeries, smaller

street-side eateries (commonly known as *warung*), and also street vendors. Catering services not only supply big servings like airlines, factories and other big institutions, but also private and individual daily meal requests.

Edutainment and Entertainment in General

“Edutainment is defined as to encourage entertaining learning with the way of interaction and communication, exploring by creating learning awareness, trial and error... Subjects containing entertainment attract consumers’ attention more and events making the consumers experience are more permanent”.

(Shulman and Bowen 2002).

The concept of education (learning activities) combined with experience of having fun or easily known as edutainment, is not a new phenomenon in Jakarta. There have been a number of businesses that offer edutainment as its main offering, but not many could sustain.

The current market leader in edutainment business in Jakarta is Kidzania (opened since 2007), a family entertainment chain from Mexico that features a profession role-playing concept for children. Another edutainment center in Jakarta was Pinisi Edutainment Park that offered fun cultural activities including traditional music and art for children up to 16-yrs of age.

Other entertainment choices in Jakarta have not been evolving and growing that much and do not offer educational values. Examples include Dunia Fantasi, Taman Mini Indonesia Indah, Ancol Dreamland, among others. They are also considered more as tourist destination rather than frequent selection with high customer-engagement. For

higher frequency of entertainment choices, people of Jakarta have selections of movie cinemas, arcades, and family karaoke available.

1.1.2 CONSUMER BEHAVIOUR CHANGES

According to Deloitte's consumer insights study, the lower income household segment's spending priority still focuses on basic necessities. However, the upper middle income household segment (with income annual income higher than IDR 60 million) has shown a shift in spending patterns, where the focus is now towards supplementary products instead basic necessities. This means this segment considers credit card instalments, leisure and holiday as prioritized spending. The results of an online survey conducted by Dwidaya tour on 1,700 respondents regarding Millennial travelling style says, 7 out of 10 millennial generations consider that a vacation can stimulate fresh ideas.

In buying activity, there is less sensitivity in pricing (for upper middle to high income class) as well as basic functionalities offered by the products. In beverages and packaged food products, for example, although taste remains as the biggest factor to consider, consumers now also highly pay attention to attributes like safety and health.

Deloitte Consumer Insights Embracing bricks and clicks in Indonesia June 2017 mentioned:

“Although taste remains the most important driver for purchase; Health has emerged as the third most important factor in this year's survey, right after Price. This has changed since 2014, when Taste and Overall Quality were top drivers. As Indonesian consumers become more affluent, non-price attributes increase in

importance. Increasingly, we see that Indonesian consumers are more willing to pay more for greater perceived Health benefits in these categories”.



Figure 1.3. Monthly Household Income Distribution by City in Indonesia. (Deloitte Consumer Insights: Capturing Indonesia’s Latent Markets, 2015)

People living in urban areas including Jakarta tend to work long hours and some even opt to stay at the office for longer time to avoid traffic jams. Dining out at restaurants or ordering food using delivery service has since become a trend. While the average of global daily diners (eating outside at least once every day) falls at 9%, Indonesia is one of 13 countries exceeding the global average with the rate of 11% (Nielsen, 2016).

The upper middle-class population has also picked up technology and internet access which allow them to be exposed to international products and lifestyles. The upper middle-class millennials living in urban area are particularly more open-minded towards multi-culture society and even to new cultures emerging. Some of the emerging cultures include the preference towards value of experience over the value of ownership. Capturing memories of experience is considered more valuable and important than possessions. This culture led to another interesting change in behavior where culture of “selfie” has risen. Another popular trend is the activity of taking a photo of beautifully-

plated meals before they are consumed. This phenomenon of capturing moments spent at the malls, tourist spots or other attractive, unique places and then posting or uploading them to social media has created the terms “instagrammable” to design-related industry, which now often use the term as requirement in their design approach. The word is derived from “Instagram” (a highly popular photo-based social media application) to define a look that is so attractive and beautiful that it is worthy to be shared on the said app.

With high population of millennials, a representative number of consumers have also shifted their interest in marketing media from TV advertising and printed media towards digital marketing. Internet has become an important tool to engage customers by providing interactive information relevant to customer reviews, aside from features, pricing and promotion programs.

1.2 PROBLEMS, CHALLENGES AND OPPORTUNITIES

1.2.1 PROBLEMS AND CHALLENGES

As mentioned in earlier section, more people nowadays have the tendency to choose to dine outside instead of eating self-made meals at home. Some of the reasons for this trend may include the hectic work schedule in Jakarta that robs the time from most people to shop for groceries and prepare their own meals at home. Furthermore, the convenience of countless options of restaurants nearby their homes makes it the easier choice to go out and dine. Hence, cooking as a daily routine is somewhat being contended. In the long run, this lifestyle may lead to diseases associated with a person's habit, also known as lifestyle disease. Lifestyle diseases include atherosclerosis (an illness in which plaque builds up inside arteries), heart disease, obesity and type 2 diabetes (a long-term metabolic disorder that is characterized by high blood sugar, insulin resistance, and relative lack of insulin). Therefore, healthy food is important to ensure that the young generations at the upper middle and higher level of income can enjoy an urban healthy lifestyle.

A problem that we have detected is the low numbers of entertainment industry more specifically in edutainment. While the number of population in Jakarta constantly rises, the number and choices of entertainment available is not exactly keeping up proportionately. Even worse, choices of edutainment actually decreased. This leads to people travelling overseas to search for new high-quality entertainment destinations with great experiential values.

With today's upper middle and higher income class's population being exposed to various international happenings by the advance of technology, in culinary sector, too, our community becomes easily influenced by what food, drinks or restaurants are trending halfway across the globe (Sukarwati, 2018). Many new restaurants, bistros and coffee shops have been established based on non-Indonesian menus. This results in an exciting growing competition in creative culinary industry in Indonesia, including Jakarta. The challenge is therefore to keep engaging the identity of Indonesian cuisine in modern day culinary trends and innovations in the midst of strong current of international and fusion rivals.

1.2.2 OPPORTUNITIES

Despite the frequency of dining out increases significantly, the love and interest towards the art of cooking in general have not faded off necessarily. In fact, in 2011, Indonesian TV channel started airing the local version of MasterChef, a reality cooking competition television series created and made famous in USA. Public reception was very good and it even inspired the creation of other similar programs. Other culinary TV shows, magazines and tabloids have also risen in popularity and demand, such as Chef's Table and Rasa Sayange (cooking shows on NET TV and MNC TV, respectively)

Badan Ekonomi Kreatif (BEKRAF) has specifically shown its attention towards supporting the growth of Indonesian culinary industry through the program *Rencana Pengembangan Kuliner Nasional 2015-2019*. In this program, the government, academics and business makers are encouraged and supported to jazz up the culinary industry in Indonesia with the value of creativity and innovation that cover the stages of

preparation, processing and serving of food products. The program highlights the needs of creative value chain that focuses on Indonesian-based menus. There are 300 Indonesian food types that have been recorded of which only 10 percent has been developed and marketed (Lazuardi and Triady, 2015).

1.3 BUSINESS IDEA

In this paper, we will lay out the idea of a business named *KOEALI KETJIL* (translates to Little Wok in *Bahasa Indonesia*) that focuses on three (3) value propositions: engagement in Indonesian food, customer experience, and edutainment.

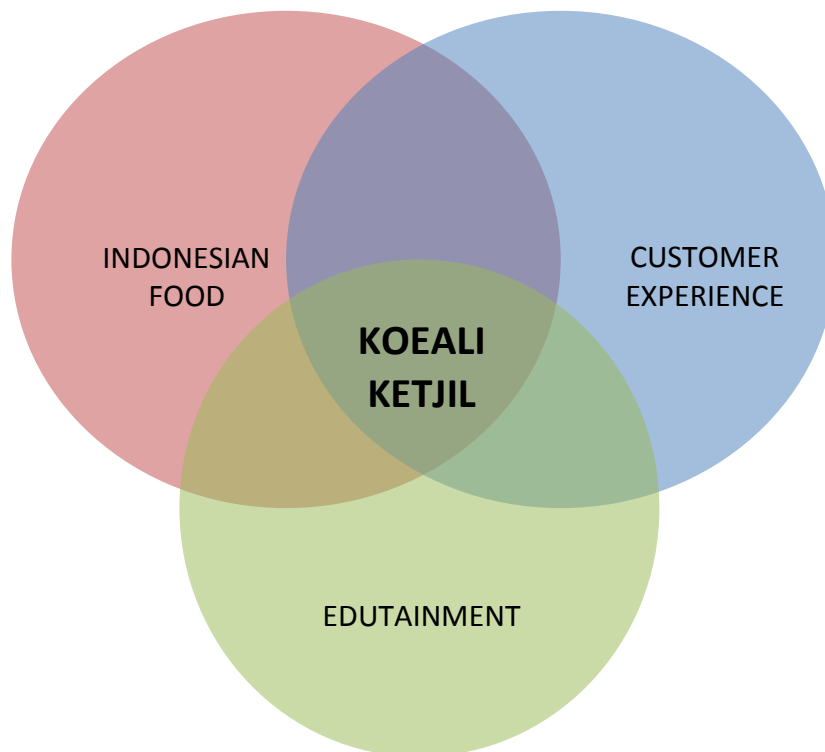


Figure 1.4. Venn Diagram of Koekali Ketjil's Value Proposition

The Koeali Ketjil kitchen facility can accommodate groups of customers doing cooking activities in a modern kitchen environment facilitated with safe kitchen appliances and food grade cooking utensils. Customers can cook using wide variety of ingredients that we have prepared in our kitchen with the help of our graphical instruction recipes. When customers are done cooking, they can enjoy their meals straight away in our dining area. The kitchen is designed to be attractive yet feels cosy and homey. Instagrammable is a definite feature in our design. Our kitchen facility is perfect for 2-hr sessions for youngsters or children who are looking for experiential entertainment with a touch of education. For those who do not have the privilege at home, Koeali Ketjil's kitchen can allow everyone to experience cooking in a properly-designed and facilitated kitchen environment.

Koeali Ketjil is planned to become the choice of edutainment in Jakarta, targeting upper middle and higher-class population in Jakarta. Utilizing Omni-channel marketing allows customers to reach out regarding enquiries by phone, email, web chat and social media. Customer engagement strategy will include promotional pricing and organizing special events featuring celebrity chefs. Menus or recipes and thematic design of the rental kitchen will also be updated periodically in order to recapture the interests of customers.

1.4 OBJECTIVE AND BENEFIT

1.4.1 OBJECTIVE

The objective of this thesis is to propose a creative business solution that to solve the urgent problems stated earlier in this chapter. In this paper we hope to be able to confirm that our selections of value proposition ideas can attract our target market, and are able to improve interests towards Indonesian food and provide experiential values through culinary and cooking activities. At the end of the day, the ultimate goal of this thesis is to lay out a feasible and sustainable business plan as an output.

The paper's study objectives are:

1. To come up with a business idea as a solution to the problems of decline in interest towards Indonesian food amongst the “gadget generation” of Jakarta
2. To deeply understand the market's preference and needs related to edutainment and culinary activities through research
3. To further develop value propositions based on the market research to come up with a sound and robust business model canvas
4. To lay out a feasible business plan to support the proposed business model canvas

1.4.2 BENEFIT

Upon its completion, this paper may benefit some stakeholders related to culinary and edutainment industries:

1. SMEs in culinary industry may gain additional knowledge and information especially in the creative sectors, which involve experience in the value offerings. Our market analysis and research findings on consumer behaviours and preferences will help them gain insights and deeper understanding on important factors in creative culinary as seen by Gen Zs and Millennials.
2. Investors of culinary or F&B businesses may be more aware of the possibilities of creative evolution for Indonesian culinary into a modern approach that focuses not only the food itself, but to other values that today's markets feel to be important.

1.5 RESEARCH METHODOLOGY

To get in-depth insights of customer needs and interest levels, we will conduct primary data collection through a series of online surveys, interviews and focus group discussion. Two quantitative researches through online surveys are conducted as the supporting sources of this whole data collection process. The sampling technique is non-probability sampling in which unit of the samples are selected on the basis of personal judgment or convenience. The second phase of data collection is conducted in qualitative manner though interview method to get a clearer and sharper feedback relevant specifically to Koeali Ketjil's offerings.

1. Quantitative research through online survey (Preliminary Survey)

Research objective : to understand general market's interest in choosing types of entertainment in Jakarta and the reasons behind.

Target samples : 30 respondents (children)
: 170 respondents (adult)

Sample criteria : Children of below 18 years of age
: Adults of above 18 years of age
: Living in Greater Jakarta
: Falls into the category of upper middle – higher level income

2. Quantitative research through online survey (Main Survey)

Research objective : to further understand and/or confirm the target market's interest in specific co-cooking kitchen facility.

Target samples : 200 respondents

Sample criteria : Aged 15-24 yrs old (Gen-Z representatives)

: 25-35 yrs old (Gen-Y/Millennial representatives)

: 36-41 yrs old (Gen X representatives, parents)

: 42 yrs old and older (older parents)

: Living in Greater Jakarta

: Falls into the category of upper middle – higher level income

3. Qualitative research through in-depth interview with stakeholders (customers, suppliers, partners)

Research objective From target customers: to further understand target customers' views on Koeali Ketjil's value propositions and its possible acceptable pricing range

:to seek more insights and learn the possible reasons for lack of interest in cooking activity as entertainment

From target partners: to confirm or check whether Koeali Ketjil has the ability to convince related parties to join in sponsorship and partnership

Target samples

: Possible customers

: Corporate representative

: Food community representative

: Food ingredient manufacturer

: Raw food ingredient supplier

Sample criteria

: Possible customers - aged 15-24 yrs old (Gen-Z)

: Representatives of stakeholders - Each

representative must have sufficient experience and knowledge on relative fields

1.6 SCOPE OF STUDY

This paper will cover the elaboration of business model creation of Koeali Ketjil that features the social cooking kitchen facility.

In order to be able to convincingly show the feasibility of this business model creation at the end of the paper, we will elaborate on following studies:

- a. Market research of F&B customers located in Jakarta (through primary and secondary data)
- b. Study and research of possible competitors
- c. The development and conceptualization of co-cooking kitchen facility
- d. Marketing
- e. Financial studies

The following items (the detailed and technical studies) are not included in this paper:

- a. Research, development and final formulation of the recipes
- b. Technical, constructional drawings of interior design of the kitchen facility

1.7 STRUCTURE OF THESIS

Chapter 1 - Introduction

In this chapter, the writing will cover a short introduction of culinary business, problem identification, the business model idea as well as goal and objective as well as the methodology.

Chapter 2 – Value Proposition

This part will cover an in-depth market and industry analysis plotted in several chosen, relevant frameworks.

Chapter 3 - Business Model Canvas

The canvas consists of 9 attributes elaborated with strategies to be implemented. Also known as the Nine Building Blocks.

Chapter 4 – Business Plan

Overall business plan will be covered in this chapter, including company profile, organization structure, product, marketing, financial, human capital planning, as well as prototyping result, completed with business expansion or exit strategy.

Chapter 5 – Conclusion

This chapter will elaborate the feasibility study of this business in terms of its market, product, financial, and sustainability aspects. It will also specify other areas to be further investigated.