ABSTRACT

This descriptive qualitative research describes the findings in the field of innovation carried out by the souvenir home industry in Jember Regency, which includes product innovation, service/marketing innovation, and process innovation. This research was conducted in May 2022, with the target subjects being the owners of the local snacks industry. This study uses interviews, observation, and documentation techniques to obtain data on development of the number of local snacks industries, turnover, and regulations related to food/processing companies. The results indicate that the COVID-19 pandemic has threatened business continuity in the three local snacks industries due to decreased revenue and product sales and delays in product marketing and distribution. This indicates that product innovation can lead to easier production; product innovation is also important for effective marketing and, consequently, the company's financial performance. Therefore, business innovation needs to be done in the context of business development, especially local snacks products, so that they can compete with other local snacks household industries.

Keywords: Business innovation, Local snacks industry, Process innovation, Product innovation, Service/marketing innovation

Introduction

The local snacks industry is currently developing rapidly and undergoing continuous metamorphosis. Business people continue to offer various kinds of local snacks products with various shapes and tastes. For this reason, every snack food industry player must be sensitive to any changes that occur and customer satisfaction is a top priority to achieve goals (Kotler, 2005). This is done to face intense competition with fellow business actors. Each region certainly has its characteristics and characteristics that distinguish one region from another. For example, Garut is known as the city of garut dodol producers, Yogyakarta is known as warm Yogy, and the Jember district is known as a city producing typical processed foods made from tape. The food souvenir industry, such as prol tape, suwar swir, dodol tape, and pia tape, is one of the food industries with good market prospects, especially in Jember Regency. Based on the results of a survey
conducted by BPS East Java in Jember Regency in 2021, it is known that the number of MSMEs has reached 647,000, which is the highest in East Java, including the home industry for souvenirs.

The large number of local snacks industries in Jember Regency is one of its challenges for companies to create products that can meet the wants and needs of consumers so that they can compete with other local snacks household industries. The strategic step that the souvenir home industry must take to win the competition is to innovate. According to (Charan, 2008), innovation drives increased profits and can also increase customer acquisition and market entry. Based on this description, innovation is needed to ensure the sustainability of MSMEs, especially the souvenir home industry in Jember Regency, to continue to run optimally.

Business innovation needs to be done in the context of business development, especially local snacks products. Hurley & Hult, (1998) say that business innovation is the application of new ideas, products, or processes to keep up with changing times. In addition, Pearce et al. (2013) stated that business innovation is the initial commercialization of an invention by producing and selling new products, services, or processes. The souvenir home industry must carry out business innovation to maintain business continuity.

The phenomenon in the field seems that this business innovation has not been carried out optimally in the home souvenir industry in Jember Regency, for example, in the prima donna souvenir shop. The initial information that the researchers got from the owner of the prima donna souvenir shop was that during the Covid 19 pandemic, the innovations carried out were still limited to marketing innovations, namely by utilizing social media such as Instagram. The product ordering process still uses WhatsApp, so payments are made by bank transfer and have not utilized e-money. The business activities carried out are still less effective and less efficient.

Business innovations carried out by business actors are very varied. According to Hendro (2011), the types of innovation include product, marketing, process, technical, and administrative. The OECD (2005) revealed the same thing, that the innovations that need to be carried out are very diverse, namely: product innovation, process innovation, marketing innovation, and organizational innovation. Meanwhile, according to Muthami et al. (2016), business actors must carry out organizational and administrative innovations. Business innovation cannot be done alone because the results will not be optimal. This needs to be done by involving various related parties. Business innovation needs to pay attention to the partnership aspect. Business partnerships are mutually beneficial business collaborations between small and medium entrepreneurs under the guidance and development of large entrepreneurs (Irawan, 2019). Based on the explanation above, innovation is very important in business continuity. For this reason, it is necessary to research how innovation is carried out by the souvenir home industry in Jember. This research examines the business innovations carried out by the souvenir home industry in Jember Regency, which can be seen in product innovation, service/marketing innovation, and process innovation.

Literature Review

Business success cannot be achieved instantly. Every advanced business must go through a long process. Every day, new business people emerge with their product innovations. The increasingly rapid business development has created tight competition, including in the local snacks industry. This intense competition demands that the local snacks industry players continue to be creative and innovative to not drown in competition with similar business actors.

Innovation is the ability to apply creativity in solving problems and finding opportunities. Innovating is something that needs to be done to achieve more positive results. Innovation itself means making changes that are more efficient and profitable in business. Innovation is necessary so that the business being run can survive, prosper, and grow with developments. Innovation is applying creativity in solving problems and finding opportunities for ideas, new products, and others (Larsen & Lewis, 2007). Without innovation, the industry
being run will be vulnerable and have difficulty facing competitors. Thus, innovation, including the local snacks industry, is the key to business development and sustainability. According to Winata (2017), innovation can provide several benefits, including:

a. Allows a company to increase sales and profits that can be obtained.

b. It is improving the quality of human life through new inventions that help in the process of meeting the needs of human life.

c. There is a diversity of products and their types in the market.

d. There is an increase in the ability to distribute creativity into the container to create something new.

According to Widjaja & Winarso (2019) that the goals of innovation in small businesses are as follows:

1. Solve difficult problems
2. Increase company productivity
3. Build a business to be unique

Meanwhile, Ojasalo (2008) states that innovation is divided into three types: product innovation, which means generating income. Process innovation provides a means to maintain and improve quality and to save costs. In contrast, market innovation increases the target market mix and chooses the best market to be served by the company.

1. **Product Innovation**

Products displayed by business owners must-have innovation. Product innovation needs to get the main attention of small industries because this is closely related to marketing activities carried out by small industries. Product uniqueness as a result of innovation will temporarily bring greater competition (McDaniel, 2002); even innovation created by companies is the key to a competitive advantage that determines the economic success of an organization (Urbancova, 2013). Product innovation is categorized as new products to the world, new product lines, additions to existing new product lines, improvement and revision of existing products, and redefining and reducing costs (Nasution, 2005). Product innovation can be categorized more concisely into three categories (Bryan Lukas & O.C. Ferrell, 2000):

a) Product Expansion
b) Product Imitation
c) New Products

According to (O'Cass & Sok, 2014), the growth of the home industry can be increased by combining intellectual resources and product innovation capabilities in addition to a combination of reputation resources and high marketing capabilities. To achieve growth in a competitive business environment, the ability of SMEs to innovate and market products is very important (Rosenbusch et al., 2011; Sanzo et al., 2012). Three organizational activities characterize product innovation: the ability to see product-market opportunities, building marketing capabilities to respond to identified market opportunities, and the ability to quickly pursue opportunities (Elwisam & Lestari, 2019). This indicates that product innovation can lead to easier production; product innovation is also important for effective marketing and, consequently, the company's financial performance.

2. **Service or marketing innovation**

Service innovation is a service considered new and helps focus on certain customers (Flint & Gammegaard, 2005; Grant, 1991). Service innovation is a new service that helps focus on certain customers (Nova, 2013). Service innovation can occur through four aspects: developing new services, customer interaction, service delivery, and technology (Delafrooz, 2013). Service innovation can be seen from the strategy set by the company, which places special emphasis on service innovation by trying to continuously seek new ways and modify existing services to meet the specific needs of customers and can provide new offerings compared to other companies (Churchill, 1979).

3. **Process Innovation**

According to Utterback & Abernathy (1975), Process innovation is a new element introduced in organizational input, task specifications, work and information flow mechanisms, and equipment used to produce a product or create a service, to achieve lower costs or
quality. Process innovation is a form of innovation related to openness (Reichstein & Salter, 2006). Process innovation focuses on how existing products or services are produced (Edquist, 2001). According to (Reichstein & Salter, 2006), process innovation is also a driver of company performance and an important strategic tool to improve the company’s competitive position. Process innovation has several stages: Identifying processes for innovation (Aydinli et al., 2008).

Process innovation is divided into two categories: technological innovation and organizational innovation. In the technological process, innovation changes how products are produced by introducing technological changes (physical equipment, techniques, and systems). In contrast, organizational innovation is innovation in organizational structure, strategy, and administrative processes (Damanpour & Aravind, 2006). According to Ojasalo (2008), incremental innovation is utilizing the potential of a predetermined design and often strengthening the dominance of a company’s capabilities. This innovation can increase the functional capabilities of existing technology, add value to technology, or make small-scale improvements to products, processes, and business. That exists today.

**Research Methods**

This descriptive qualitative research describes the findings in the field of innovation carried out by the souvenir industry, which includes product, process, and service/marketing innovation. The research location was determined deliberately at UD Purnama Jati, UD. Prima Rasa, and UD. Sumber Madu, all of which have many variants and large turnover. The type of research data achieved is the type of primary data and secondary data. The primary data is information about the innovations carried out, obtained from some souvenir industry owners and many trade partners from the souvenir industry who became informants. Secondary data was obtained from the Department of Trade, the Office of Cooperatives and Micro Enterprises, and the BPS of Jember Regency.

What was obtained was document data on developing the number of souvenir industries in Jember Regency, turnover, and regulations related to food/processing companies. Collection Data was collected through interviews, observation, and documentation techniques. The interview was conducted with open questions. Interviews were conducted with souvenir industry owners as key informants to obtain data on product, process, and service/marketing innovation. In addition, interviews were also conducted with business partners, such as agents and souvenir shops. Observations focused on product, process, service/marketing innovation matters. Documentation is needed to complement and support the research focus obtained during field research and documentation of research photos. This deep data analysis technique is carried out before entering the field, while in the field, and after completing the field. Before entering the field, preliminary observations were carried out, or an analysis of the information obtained was carried out to determine the focus of the research; therefore, the focus was still temporary and was developed after the researcher entered the field. While in the field, interactive data analysis is carried out continuously until it is complete until the data is saturated. The stages of data analysis are data reduction, data display, and conclusion drawing. Schematically the data analysis technique can be seen below.

![Figure 1. Data Analysis Chart](image-url)
Through data reduction, the data obtained from the field is summarized and sorted, and the important things that are relevant and less relevant are selected, which are focused on matters related to the focus of the research. Categorization is made according to the type of innovation; then, it is translated into units. Data units. The data is arranged in sequences presented as narrative text, tables, charts, flowcharts, and matrices regarding the innovations carried out. Through the presentation of data, organized data is arranged in a relationship pattern to make it easier to understand. The next step is drawing conclusions and verification.

Researchers used triangulation techniques and extended observations to check the data’s credibility. This study uses various data collection techniques for source and time triangulation.

Results and Discussion

This research was conducted in May 2022, with the target subjects being the owners of the local snacks industry in Jember Regency, namely 1.) UD Purnama Jati, 2.) UD. Prima Rasa, and 3.) UD Sumber Madu. Findings in the field from interviews with business owners show that the COVID-19 pandemic has threatened business continuity in the three local snacks industries due to decreased revenue and product sales and delays in product marketing and distribution. The three local snacks industries are trying to adapt to the conditions and are continuing to make business innovations so that the businesses they run can still exist and continue to grow.

Based on the results of interviews with the owner of the local snacks industry in Jember Regency, namely UD. Primajati, UD. Prima Rasa, and UD. Sumber Madu obtained some information related to product innovation, service/marketing innovation, and process innovation, described below:

1. Product Innovation

Product innovation is how every business person creates new products to fulfill the desires of consumers so that they are interested in buying their products. New products consist of original, enhanced, modified, and new brands developed through research and development efforts (González-López, 2018; Pattipeilohy, 2018). Business people must innovate to continue to exist and develop, especially during the Covid-19 pandemic. Types of product innovations made by UD. Primajati, UD. Prima Rasa, and UD. Sumber Madu has different choices.

From the results of research that has been conducted at UD. Purnama Jati and UD Primarasa obtained the following data: Based on the results of interviews with Mrs. DR as the Head of Public Relations and Counseling at UD. As the business owner, Purnama Jati in Jember and Mr. SA know that product innovation is done by changing the basic characteristics of a product, namely by changing the yeast in the manufacture of raw materials to make Tape. Previously using local yeast and then imported yeast, the tape results are better than before. The two local snacks industries still maintain product quality by using homemade tape as raw material. In addition, to beautify the appearance of the product, the two business actors also innovated designs by changing the shape and decoration of prol tape, such as various toppings, namely, cheese, raisins, chocolate sprinkles, and colorful sprinkles. Whereas UD Sumber Madu only produces tape, the innovation is to replace local yeast with imported yeast so that the results are of a higher quality than before.

Size-based innovation is an innovation focused on product size. The food souvenir industry innovates based on product size. If previously good at UD. Purnama Jati and UD Primarasa often produce medium and large sizes, but are now adding smaller sizes. At the beginning of the manufacture of the food industry, souvenirs were made in large and medium sizes, then made products with even smaller sizes. From this presentation, in terms of theoretical aspects in determining size innovation in the local snacks industry, it has been able to read the situation and complaints related to the purchasing power of consumers who want more economical and practical measures.

Based on the data analysis described by packaging-based product innovation researchers carried out by the local snacks industry as a place for products that consumers have
Purchased and because the packaging design is also a medium for promotion or marketing of the local snacks industry brands. Packaging-based innovation is the way a product is packaged using packaging, namely in cardboard packaging sizes that vary from small, medium to large, also in writing and pictures, the composition of the color of the packaging, the packaging includes a tag line, namely "tasty, cheap, fresh from the oven" and a telephone number. This diversification of innovation strategies is often carried out by MSME players so that their business activities can continue amid the weakening of the country's economy (Jakimowicz & Rzeczkowski, 2019; Steinerowska-Streb & Głód, 2020).

In carrying out innovation, entrepreneurs also consider various external sources of information, such as the media, the internet, and input provided by customers. Apart from that, internal capabilities such as company knowledge also increase marketing and organizational innovation of MSMEs (Littunen et al., 2021).

2. Service or Marketing Innovation
Marketing innovation is adopting new marketing methods or significant improvements to packaging or product design, product placement, product promotion, or pricing. Researchers found the main strategy for recovering from the pandemic and post-pandemic adjustments, namely switching to online sales (Junusi, 2020; Rahwanto et al., 2020). Unsupportive market conditions and competition between similar industries, the three local snacks industry owners are trying hard to use digital services. To get maximum results in marketing communication activities that support the success of the strategy carried out by the local snacks industry players, this is done by looking at the marketing communication strategy, especially in terms of pricing strategy. Promotion strategy carried out by UD. Primajati, UD. Prima Rasa and UD Sumber Madu by way of an inner circle first, namely by promoting products to friends, and family, who are close to them by offering them directly by word of mouth and the WhatsApp application.

Some of the Digital Marketing strategies carried out by UD. Primajati, UD. Prima Rasa and UD Sumber Madu are creating an Online Shop on the marketplace, promoting through their Website or Blog, using Social Media Ads, and marketing products through Mobile Marketing (Barrera et al., 2022; Pagara, 2022). Entrepreneurs' decisions to use this method also influence customer satisfaction. This is also in line with Rosa's research, which shows a significant relationship between personal aspects, service quality, and perceived food quality and satisfaction (Rosa & Separa, 2022).

3. Process Innovation
Process innovation is an innovation carried out by an institution or company based on activities carried out to improve the role and function of an institution. Process innovation describes a change in a company's way of producing or finalizing services. Process innovation introduces a new production process or daily activity Najib et al. (2011). Process innovation is improving or updating production methods (Baldwin, 1997; OECD, 2005; Prajogo, 2015).

Process innovation is innovation carried out by an institution or company based on activities carried out to improve the role and function of an institution. Based on the results of an interview with Mrs. DR as the Head of Public Relations and Counseling at UD. Purnama Jati in Jember and Mr. SA, the owner of UD Primarasa, and Mr. Su, UD Sumber Madu, process innovations by considering product quality. Not all production processes utilize technology and machines, but the product type must be considered. If the product results are more suitable to be done manually, then technology does not need to be used. For example, a mixer, gas stove, or electric stove. Even though this technology speeds up the production process, if it produces an unpalatable product, it is still carried out in conventional ways. Process innovation is more likely to occur when packaging requires neatness and speed. From this presentation, in terms of theoretical aspects, in determining process innovation in the local snacks industry, it is still necessary to pay attention to the taste and cleanliness of the product.
Conclusion

From the results of the discussion that has been described, several conclusions can be drawn: business innovation carried out by the local snacks industry in Jember Regency, namely UD. Purnama Jati, UD Primarasa, and UD Sumber Madu, including: 1. product innovation by carrying out modulation-based innovations, design-based innovations and packaging-based innovations that have been carried out well to create quality and hygienic products, 2. Service or marketing innovations by conducting digital marketing, and 3. Process Innovation by utilizing technology in production while still paying attention to taste and cleanliness.

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