

# HALAL PERSPECTIVE: A CONCEPT PROMOTION CULINARY THROUGH DIGITAL MARKETING TO IMPROVE SMEs PERFORMANCE IN BATAM

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**Abstract:** This study aims to provide stimulants to the leading sectors contributing to the state budget from the non-oil and gas sector. So far, tourism has an extraordinary strategic function in terms of food healthy and job creation for the community. The objectives are to explore whether SMEs have procedures related to digital marketing to promote halal culinary in Batam which this situation can influence the SMEs growth sustainable, how come 65% of the economic contribution in Indonesia is contributed by SMEs based on home industries. Batam is a special economic zone that has tremendous potential in tourism development. The strategic location close to the economic center of ASEAN, Singapore, provides benefits for tourism development, currently especially related to culinary tourism. Culinary and tourism is an identity culture to introduce the potential of an area to the outside community. In this study, as researchers, we investigate the existence of digital marketing as SMEs accommodation in promoting halal culinary products through social media, search engine marketing, and online websites. Data collected sample from the consumers who bought halal food for SME production in Batam amount of 160 respondents where investigate with the Cluster sampling method. This study is explanatory research to released the problem of data with Structure Equation Model (SEM) analysis to solve the problems that cannot be answered in previous studies. Contribute to SME's scope in future research, deep subjectivity is needed related to segmentation, culture, and religious dogma.

**Keywords:** *Halal Culinary promotion, Digital Marketing, SMEs Performance*



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Small and medium enterprises (SMEs) are an important part of the economy of a nation and region. The current SMEs activities tend to be more sustainable than large-scale businesses, it cannot be denied that one of the

sectors that support the Indonesian economy is this business sector. With the help of this business sector, all aspects of human life start from the consumption, food and housing sectors. which plays an active role in encouraging the improvement of the national economy. The activities of SMEs cover a variety of economic activities but also mostly in the form of small businesses engaged in the service

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sector and home businesses. In macroeconomic principles, SMEs have a strategic role in national income and reduction in unemployment.

The development of SMEs in Batam emerged beginning with the decline of the manufacturing industry as a support for the economic start of the 2015 free trade zone. This raises several social problems, namely the emergence of unemployment when many multinational companies leave the island. Approximately 50% of the people of Batam are employees of manufacturing companies in the field of shipyard and electronics. Based on this problem the productive age has gradually changed its livelihood as entrepreneurs engaged in various fields such as services, culinary, and there is a new masterplan that Batam's economic assets will be rotated 180 degrees into special economic zones where 40% will be donated from tourism sector development. SMEs Performance Characteristics are the nature or factual conditions inherent in business activities and the behavior of the entrepreneurs concerned in conducting their business. Lately, the marketing of SME products has not only been distributed through conventional (offline) ways of trading, but most have gone into digital marketing. Digital marketing is one of the marketing strategies to promote a brand by using digital media that can reach consumers in a timely, personal and relevant manner. Many techniques and practices that must be applied in the category of digital marketing (online) still have dependence on offline marketing which is conventional in nature resulting in a new idea that digital marketing is able to combine key elements such as gadgets, web in displaying products and banners, by combining conventional marketing strategies and digital, promotion activities become more maximal and efficient. In this digital marketing, there are several factors in it, namely psychological factors, economics, and technology that will become new media with large capacity, interactive and multimedia. The results of the new era are interactions between producers, market intermediaries, and consumers. Until now digital marketing is being expanded to support company services and the involvement of consumers. (Marketing, 2013).

The results of empirical research (Geissinger, et al, 2018) in a study entitled "Digital Entrepreneurship and Field Conditions for Investigating the Enabling Role of Cities". This study examines the development of digital entrepreneurs that are controlled by government operational standards that must be obeyed by the government, while in my research examine digital marketing and private entrepreneurship. In our study, there are differences in the object of research that only focused on halal based digital entrepreneurs in the lower middle class. this study state that many government regulations facilitate home-based businesses digital where it has been able to raise the economy of Stockholm, Sweden. In the implications, it is expected that future research will focus more on regions that have different characteristics from the research. So on this basis, a research model was developed which was applied to another domain, namely the development of digital marketing in SMEs that produced culinary products.

Besides, other references are based on empirical research (Yousaf et al, 2018) in his research entitled "*Halal Culinary and Tourism Marketing Strategies on the Government Website: A Preliminary Analysis*". This study examines halal food marketing and distribution strategies using government-owned websites using a qualitative research approach. There is a striking difference with our research which emphasizes digital marketing in halal-based SMEs whose private business form operates without government intervention. In this study, there are limitations, namely only reviewing qualitative reviews of halal culinary in offline marketing in developed countries.

## LITERATURE REVIEW

### Halal Cullinaire Promotion

Promotion is one of the activities of marketing. (Rehman, et al, 2017) Promotion is a tool and marketing technique used to make a product or service look more attractive by providing some additional benefits or providing value add to potential customers so that they are interested in buying or consuming the products or services offered. (Chang, 2017)

states that the main function of promotion is to communicate with customers and touch customers' hearts to be interested in buying or willing to remain loyal to consume products or services offered according to the International Culinary Tourism Association (ICTA) is a unique eating and drinking activity carried out by every traveler who travels (Besra, 2012). The words "halal" and "haram" are terms contained in the holy book of the ummah. Islam, namely the Qur'an. This term is used in various things with different concepts, and some are related to food and drink. Halal in language according to some opinions means something that is permissible according to the Shari'a to be done, used or cultivated, because it has broken down a rope or a bond that prevents it or an element that endangers it with attention to how to obtain it, not with the results of "Muamalah" which is prohibited (Albala et al, 2015). In this study, the latent variables of Halal Culinary Promotion have several indicators that support the existence of research according to (Ndiaye et al, 2018), including:

1. *culinary visual food texture characteristic*
2. *food contents*
3. *cooking method*
4. *food social environment*

### **Digital Marketing**

Marketing products and services using digital channels to get new customers and build customer preferences, promote brands, retain customers, and increase sales. This definition is also in line with what was stated by AMA (American Marketing Association), namely mentioning that digital marketing can be seen as an activity, institution, and process facilitated by digital technology to create, communicate and provide value to customers and other stakeholders (Kannan et al, 2017) One form of digital marketing is marketing that is done online through the internet or electronic media so that digital marketing is often also known as internet marketing, e-commerce, or online marketing. Following previous research by the Digital Marketing latent variable, several indicators that were used as references in our investigation according to (Geissinger et al., 2018) indicators include:

1. *digital profiling*
2. *segmentation*
3. *website*
4. *search engine marketing*
5. *content management*
6. *social media*

### **SME's Performance**

(Ebenezer, et al, 2015) defines organizational performance as how well the organization is managed and how much value the organization provides to customers and other stakeholders (including shareholders or investors). (Wibowo et al, 2017) states that the performance of SMEs can be seen from the satisfaction of business owners or managers for profit, turnover, the stage of return even (the breakeven point), and business development. (Sudiarta et al, 2014) stated that assessment of the performance of SMEs can be viewed from several aspects, including (1) added value; (2) business units, labor, and productivity; and (3) export value. Furthermore, (Bin Hasri, Sigit Santoso, 2014) states that the development of SMEs in Indonesia can be influenced by several factors, both internal and external factors. Based on a review of previous research, the latent variables of SMEs Performance are described in several indicators that serve as a reference in our research investigations according (Yousaf et al, 2018) with the translation of the indicators including:

1. *finance*
2. *firm characteristic*
3. *informality*
4. *infrastructure*
5. *innovation and technology*

### **METHOD**

The sample selection technique using Cluster sampling followed by the operationalization of variables, the hypothesis testing plan until the data analysis method is used using the Structural Equation Model with its analysis unit (sample) of SMEs business actors producing halal cuisine in Batam many as 160 respondents. This research is a survey of SMEs-based halal culinary businesses in Batam spread across seven (7) sub-districts in Batam, Riau

Islands. In this study, we are trying to investigate the problem by building a structural equation model of the investigative activities carried out at halal-labeled culinary SMEs that market culinary products with digital marketing as mediating variables. After the model is suitable to represent the suitability of the model to each hypothesis that supports the strength of each observed variable and the latent variables observed in this study. Participants in this study are SMEs that have a halal food-based culinary business in Batam and are followed up with sampling that represents the population. As a reference for pre-investigation, sorting of respondents is carried out first, including:

1. Only SMEs have culinary businesses
2. Having a business > 2 years
3. the age range of 25-30 years
4. Special culinary labeled as halal

In structural modeling suitable sample sizes are 150 -400 with the recommended model adjustments for testing each variable. Based on recommendations from (Ghozali, 2011) that the ratio between sample sizes of free parameters must have a ratio

of 20: 1. In practice, the research recruited 250 respondents to avoid undetectable calculations caused by outlier variables that had been neglected by respondents so that the number of respondents who returned was 160 it means 90 observation was eliminated.

**RESULTS**

Using CFA (Confirmatory Factor Analyze) in Structure Equation Model was carried out on two measurement models namely endogenous variables namely Promotion of halal culinary tourism and Digital Marketing with theoretical considerations that each item has been reviewed to measure their respective constructs. The basis of the analysis emphasizes the content validity of each construct (Ferdinand, 2013). Related to this, the researcher adapted Item Items taken from subsequent international journal literature. The item items were adapted into the phenomenon of SME’s performance appraisal so that the representation of the final results of this study was solely not only on empirical results.

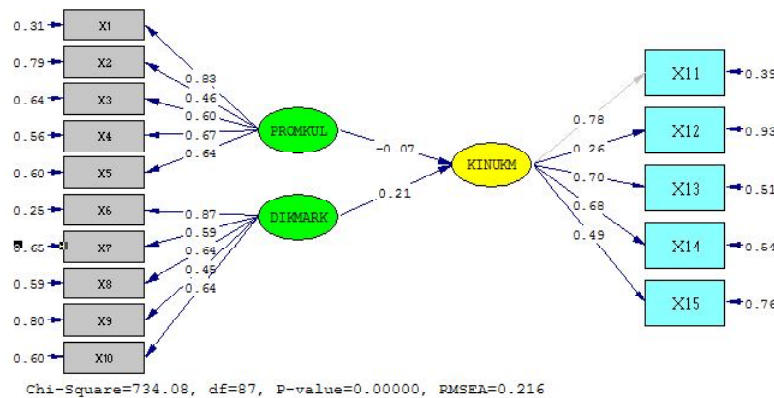


Figure 1 Theoretical construct

In the Structural Equation Model analysis, there is no single statistical test tool to measure the degree of suitability of the model (Hair, et al 1998). For this reason, it is necessary to use several models to assess whether the model matches the data. Validation results using CFA (confirmatory factor

analysis) in the two sub-samples of halal culinary business shows that the two-factor model namely Halal Culinary Promotion and Digital Marketing, in general, have good goodness of fit seen from the table below:

Tabel 1 Goodness of fit model

No	Goodness of fit	Cut off value	Estimate
1	Chisquare	0,35	acceptance
2	ECVI	5,03	acceptance
3	AGFI	0,87	acceptance
4	RMSEA	0,72	acceptance
5	GFI	0,92	acceptance
6	CFI	0,83	acceptance
7	RFI	0,86	acceptance

The chi-square criteria are very sensitive to the sample size so they must be equipped with other testing instruments. The smaller the chi-square value the better the results as well as the probability of significance if not significant at  $p > 0.05$  means there is no difference between the model and the data. AGFI and GFI are used to calculate the weighted proportion of variance in the estimated population covariance matrix (Wulandari, et al, 2018). GFI in the regression model is analogous to R square, the recommended level of acceptance is if GFI and AGFI have values equal to or greater than 0.87. CFA validation results of both samples show that  $GFI > 0.92$  so that it can be said to have relatively good model suitability.

RMSEA is an index that can be used to compensate for chi-square statistics. RMSEA which is smaller or equal to 0.72 is an index that can be accepted by the model. Empirically from the results obtained by the value 5.03 and 0.62. This shows that the number is 0.47 so that it can be said that there is a conformity between the model and the data. The results of the validation of each item indicate that the four items in the construct of culinary promotion have a loading factor above 0.5, namely  $X_{11} = 0.78$ ,  $X_{12} = 0.76$ ,  $X_{13} = 0.70$  and  $X_4 = 0.67$ . This shows that each of these items explains constructs better. Whereas the 6 items in the construction of Halal Culinary Promotion have a general loading factor above 0.5 except  $X_1 = 0.83$  but are still within tolerance. Likewise, the five items in the construct Digital Marketing have a factor loading above 0.5, namely  $X_6 = 0.87$ ,  $X_7 = 0.73$ ,  $X_8 = 0.64$ ,  $X_9 = 0.45$ ,  $X_{10} = 0.64$ , while the six items in the

Culinary entrepreneur sample show results above 0.5 except  $X_{15} = 0.49$  but still at the tolerance limit of 0.4 (Ferdinand, 2013). By looking at the suitability of the model and loading factors at each construct, the promotion items of halal culinary tourism and digital marketing in the phenomenon of SMEs Performance appraisal have good validation results in each sample used by the institution both on different characteristics namely those who have interest and enthusiasm.

## DISCUSSION

### Final model test and path coefficient estimation

Relationships between latent variables arise when the goodness of fit of the modified model is tested and produces fit values from all observations. all correlation coefficients will have a corresponding value of the observed variable unless several values that will correspond to  $c^2 / df = 2.91$ , ECVI 5.03, RMSEA 0.72, GFI 0.92, AGFI 0.87 and CFI 0.83. Because the modified model has better goodness of fit, it was chosen as the final model (Table 4). The nine paths are statistically significant in the final model. Halal food promotion ( $b = 0.13$ ,  $p < 0.004$ ), digital marketing ( $b = 0.13$ ,  $p < 0.002$ ), SME performance ( $b = 0.32$ ,  $p < 0.001$ ),  $X_5$  ( $b = 0.45$ ,  $p < 0.001$ ), and  $X_6$  ( $b = 0.17$ ,  $p < 0.001$ ) explain 73.5% of adaptation. Digital Marketing ( $b = 0.16$ ,  $p < 0.001$ ),  $X_3$  ( $b = 0.21$ ,  $p < 0.001$ ),  $X_4$  ( $b = 0.17$ ,  $p < 0.007$ ), and  $X_6$  ( $b = 0.73$ ,  $p < 0.001$ ) explain 73.9%.

### Analysis of the effects of the final model

Determining the relationship of direct effect (direct effect) and indirect effect (indirect effect) shows there is a total influence relationship, which leads to the final estimation model. The relationship of halal culinary promotion to SMEs performance mediated by digital marketing (total effect .13,  $p < 0.004$ ) (total effect .32,  $p < 0.001$ ) had a significant positive effect on Digital Marketing, while  $X_3$  (total effect .13,  $p < 0.002$ ), SMEs Performance (total effect .45,  $p < 0.001$ ), and Digital marketing (total effect .17,  $p < 0.001$ ) had significant positive effects.  $X_2$ ,  $X_3$ ,  $X_4$ ,  $X_5$ ,  $X_6$ .

The study in this study provides an empirical description of the insights and knowledge of Halal tourism promotion, digital marketing and the performance of SMEs. Culinary business actors are the SMEs sector in Batam practice applications the field using multidimensional business risk factors and presentation of the demographic conditions of the most SMEs actors related to the halal food market distributed online with web-based trade media brokers such as Bukalapak, Shoppie, and Gojek. Modeling the promotion of Halal culinary through Digital marketing related to the performance of SMEs provides a positive response to increasing profits and positive business flow. This will support the output of the people's economy significantly, especially the development of culinary tourism in Batam ongoing consistent.

Developing Halal cuisine is not easy in practice, there are differences in perceptions of values and mindsets between the culinary perspective between Muslims and other religious backgrounds. Halal food producers will ask more to emphasize the products on non-halal culinary foods without any purpose and supporting productivity attributes. Halal food producers should think of certain ways to emphasize more productivity and supporting attributes so that they do not clash with dogma prevailing society. Some halal food producers state that websites that help promote and distribute halal culinary food are sometimes less attractive practices than non-Muslim tourists because halal culinary practices and tourism can be seen as obstacles in developing tourist destinations. This condition can be a business opportunity to use and develop their integrity and flexibility in serving various halal culinary needs. The practice of tourism activities related to halal culinary in the Middle East environment that affects the existence of the number of halal food producers.

The answer from the Structure Equation Model provides significant general effects and contributes positively to the use of the digital marketing concept as an intermediary media in improving the performance of SMEs so that it can be recommended as a reference for future effective marketing creativity related to the risks faced by the perception

of halal food at present. The findings in this study are intended in accordance with the results of previous studies (Geissinger et al, 2018) where the results of research on the intensity of halal food products naturally increase the output when using online marketing. But the results of previous studies (Yousaf et al, 2018) contradict the results of this study which provide psychological descriptions to improve the measurement and distribution of the halal food industry with perceptions of product risk and the turning point of customer satisfaction. The positive side of the knowledge of SME players on consumer confidence and satisfaction is the intensity recommended with the demographic target and characteristics of consumers who consume halal culinary SMEs production in Batam. This concerns age differences, gender in this study is in line with the answers of previous researchers with different disciplines of science. The results of this study indicate that variations in consumer behavior and satisfaction of online web users as mediators of online businesses have found a fundamental difference between SMEs entrepreneurs who have 36 months of business and 48 months. From this answer, it can be seen that the demographic intensity of digital marketing has proven to be very heterogeneous if it is crossed with the output intensity received by SMEs actors in Batam widely.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The findings in this study provide a comparison of the test between Halal SMEs and consumers to have a positive effect on culinary SME businesses in Batam to developing marketing strategies that oriented towards customer satisfaction targets. the level of trust online web users in halal culinary marketing provides a positive aura outline of market plans on a regular basis will be well organized. Every halal consumer of SME production in Batam is able to influence the business environment and customer satisfaction. The representation of descriptive results shows that SME's actors with high levels of education are more creative in the decision-

making process wisely so that the main priority of the target market can be served carefully.

### Recommendations

Cross-sectional data were collected and SMEs-based culinary business only produced halal food in Batam as an industrial area and supporting tourism in the Riau Islands province. These findings and research actually still do not represent the views and consumers halal culinary productivity in other regions which have different backgrounds where many institutions and individuals have different perspectives. This study focuses on SMEs only so that the answers from these researchers cannot be generalized to other halal business lines such as cosmetics, banking, and medical services. objectivity can take the subject to the institution and deep segmentation of halal products in different businesses. This aims to broaden the scope and results comprehensively. Future research is expected to take into account more about culture, a religious dogma that can explore more specific research results related to this study.

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