INNOVATION SUCCESSFUL FACTOR IN TRADITIONAL FOOD

PRODUCT BY SME

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SUPERVISOR VERIFICATION

'I acknowledgement that have read this research project and in my opinion this research project is sufficient in terms of scope and quality for the award of Bachelor of Technopreneurship'

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DECLARATION

"This report is a product of my own work except the citation for each of which I have mentioned the sources."

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ABSTRACT

For centuries, Malaysia has been a melting pot of different cultures that has resulted in varieties of foods. There are many varieties of traditional foods can be found throughout Malaysia. It is crucial that these traditional or local foods are preserved for future generations. Therefore, to preserve and sustaining the traditional foods for future generation, the traditional food products business operators need to refine the processing, the packaging, the attribute of traditional foods and some innovation need to be made in response to the new societal needs. Thus, this study was undertaken to investigate what is the successful factor in innovation of traditional food product by Small Medium Enterprise (SME). Besides, the aim is to focus how innovations increase quality of traditional food products. This study is also conducted to analyze the relationship between success factor in innovation of traditional food product and business performance. This study use quantitative analysis which are use questionnaire as instrument analysis. This study involves 92 respondent that have own traditional food product business in Melaka. Lastly, the multiple regressions will use to examine the relationship and to test the four hypotheses.

Keyword: Traditional food product, Innovation, Business performance
.

ABSTRAK

Berabad-abad lamanya, Malaysia telah menjadi tumpuan pelbagai budaya yang berbeza yang menyebabkan lahir pelbagai jenis makanan. Terdapat pelbagai jenis makanan tradisional boleh didapati di Malaysia. Ia adalah penting bahawa makanan tradisional atau tempatan dipelihara untuk generasi akan dating. Oleh itu, untuk memelihara dan mengekalkan makanan tradisi untuk generasi masa depan, pengendali produk makanan perniagaan tradisional perlu untuk memperbaiki pemprosesan, pembungkusan, sifat makanan tradisional dan beberapa inovasi perlu dibuat sebagai tindak balas kepada keperluan masyarakat baru. Oleh itu, kajian ini dijalankan untuk menyiasat apa yang adalah faktor kejayaan dalam inovasi produk makanan tradisional oleh Perindustrian Kecil dan Sederhana (PKS). Selain itu, tujuan kajian ini adalah untuk memberi tumpuan bagaimana inovasi dapat meningkatkan kualiti produk makanan tradisional. Kajian ini juga dijalankan untuk menganalisis hubungan antara faktor kejayaan dalam inovasi produk makanan tradisional dan prestasi perniagaan. Kajian ini menggunakan analisis kuantitatif yang menggunakan soal selidik sebagai instrumen analisis. Kajian ini melibatkan 92 responden yang mempunyai perniagaan produk makanan tradisional sendiri di Melaka. Akhir sekali, beberapa terurus akan digunakan untuk mengkaji hubungan dan untuk menguji pembolehubah.

Kata kunci: Produk Makanan Tradisional, Inovasi, Prestasi perniagaan

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CHAPTER 1

INTRODUCTION

1.1 Background

Malaysia is a land of diverse society and unique with multicultural population and famous among travellers. The population of Malaysian people is mainly Malay, Chinese and Indians while the Borneo sub origins made out the most of west Malaysian population. Malaysian food, just like its people, is divided into Malay, Chinese and Indian and is still prepared by their own unique ways. In the context of Malaysia, every region has their own unique traditional foods and it becomes one of the tourist attractions in this country (Lan & Hashim, 1984).

Malay food, in general is rich with herbs like lemongrass, tamarind, dried and fresh chilies, ginger and garlic. "*Satay*", or barbeques meat on a stick, is originated from Malay cuisine has presence in restaurants all over the world today. Indian foods, has very much integrated northern Indian and southern Indian cuisines when they reach Malaysian shores such as "*murtabak*". Chinese food has been assimilated with local cuisines. In China itself, Chinese are divided into so many provinces namely the Cantonese, Hakka, Hokkien, Hainan and so forth. In Malaysian, Cantonese food makes the most presence with its stir fry and steaming method such as "*dim sum*" and sweet and sour dishes.

Traditional foods are also often related to local foods referring to the used of specific local ingredients in local production which highly involve the knowledge and expertise of local people. The development of traditional food or local food becomes an attraction for tourist that come visit to Malaysia. Nowadays, many

entrepreneurs was innovate their product to meet consumer demands. According to Muhammad Shahrim et. al, (2011), studies on food culture and food heritage are undertaken to bring to light the characteristics of traditional foods or dishes, or ingredients of everyday consumption which are not appreciated for the important cultural and historical value they possess.

1.2 Problem Statement

The study focused on the innovation successful factors in traditional food product in Small Medium Enterprise (SME). Traditional food products still face the challenge to further improve the safety, healthiness and convenience of the products by means of different innovations, which will enable them to maintain and expand their share in market in a highly competitive and increasingly global food market.

In order to consider the resistance to the adoption of innovation or even the rejection of some food products, it is necessary to consider the attributes that may influence purchase and consumption decision behaviour. The cultural trait seems to be one of the most important attributes in this regard and the reason for studying the behaviour of consumers. Lifestyle and the economic environment can also play an important role.

1.3 Research Question

The purpose of this study is to identify, evaluate and understand the innovation of traditional food product in SME. Therefore, this study attempts to answer the following questions:

RQ$_1$: What are the successful factors that influence innovation of traditional food product in SME?

RQ$_2$: What is the relationship between success factor in innovation of traditional food product and business performance?

RQ$_3$: How innovations increase business performance in innovation of traditional food products?

1.4 Research Objective

The objectives of the study are stated as below:

1. To investigate the successful factor that influence innovation of traditional food product in SME.

2. To determine the relationship between successful factor in innovation of traditional food product and business performance.

3. To understanding how innovation can increase business performance in innovation of traditional food product.

1.5 Scope of Study

The scope of this study is to identify the innovation successful factors in traditional food product in Small Medium Enterprise (SME) in Malacca, Malaysia. Therefore, this study focusing on what is the factors that influence innovation of

traditional food product in SME and how entrepreneur innovate their product to increase the business performance.

This study is covers for entrepreneur in traditional food product business at Malacca, Malaysia. The reason why the researcher choose Malacca as the location for this research because it is easy for researcher to distribute questionnaire and Malacca also have some location which have entrepreneur that sell traditional food product.

1.6 Significance of Study

The significant of this study was to identify innovation successful factors in traditional food product in Small Medium Enterprise (SME). This information was helpful in understanding the relationship between innovation successful factors in traditional food products on how it benefits the SME. The findings also provide the SME with information that will make them satisfied with the innovation.

1.7 Limitation

Although the study has reached its aims, there are still having limitations of the study. The limitations of this study are insufficient knowledge about traditional food product especially for people nowadays. Besides, this study is also limited to traditional food products with Melaka consumers as the target population.

1.8 Summary

This chapter provides an outline of the study and the problem, the formulation of the research questions and objectives, and limitation of the study. Chapter 1 also elaborated about the aims and goals of the study during the researcher's preliminary reading and consideration of the problem.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the perception and findings of the topic from previous researchers and authors. The variables also was explained and discussed. In this, researcher has stated the overall view of raw material, financing, technology, skill and knowledge and business performance. The literature review is also will be helpful for researcher in constructing the questionnaire related to the topic. Moreover, the prediction of research which is the hypothesis also presented in this chapter. The theoretical framework was also attached in this chapter.

2.2 Definition

2.2.1 Traditional food product

Traditional food product is a product frequently consumed or associated with specific celebrations or seasons. Traditional food product normally transmitted from one generation to another, made accurately in a specific way according to the food heritage, will little or no processing or manipulation, distinguished and know because of its sensory properties and associated to a certain local area, region or country, (Guerrero et al., 2009).

For centuries, Malaysia has been a melting pot of different cultures that has resulted in varieties of foods. Therefore there are many varieties of traditional foods can be found throughout Malaysia. It is crucial that these traditional or local foods are preserved for future generations. By using modern technologies and traditional techniques, manufacturers could produce more hygienic way of processing and preserving food (De Roest & Menghi, 2000). Thus, there is an urgent need to refine the processing of traditional foods in response to new societal needs. Therefore, manufacturers who are involved in the processing traditional foods must ensure the originality of the foods and not to ruin the traditional foods.

Additionally, there is also need to study traditional foods to enhance and improve our diet and at the same time bring the important elements of our cultural inheritance (Trichopoulou et al., 2006). Moreover, the preservation of culinary traditions is important for future generations to experience and savour the local food. According to Trichopolou et al. (2007) the research of traditional foods can contribute to the continuation of nation's culinary heritage and culture which will allow not only future generations of particular country as well as but also international foreign tourist to enjoy and savour the local food.

2.2.2 Innovation

An innovation can be defined as an improvement in technology and methods or ways of doings things. According to Porter, (1990) product changes, process changes, new approaches to marketing, new forms of distribution and new conceptions of scope are established by innovation.

Innovation define also to an idea, practice, or object that is perceived as new by an individual or other unit of adoption (Rogers, 1995). Innovation is also a making something new to consumer satisfaction. Other than that, innovation can also mean the profitable implementation of strategy creativity. This goes beyond simply

referring to the act of creativity or the identification of new ideas (Dundon E., 2007). Innovation means that something technology was creating to consumer satisfaction and developed the existing product and service to be better and new product. Technology defined to properly understood, any new and better way of doing things (Peter, 2014). This world, technology always changes because of have a new idea, suggestion, need and want that pushed someone to create and innovate the something new.

Different levels of innovations, from radical to incremental, are described in the literature. According to Garcia and Calantone, (2002) the radical innovations are innovations that cause marketing and technological discontinuities on both a macro and micro level. Incremental innovations occur only at a micro level and cause either a marketing or technological discontinuity but not both. Really new innovations cover the combinations in between these two extremes.

2.3 Innovation of Food Industry

The concept of innovation in food industry consist the elements of novelty and change in food preparation, adding new ingredients, varieties tastes, shape and design. According to Guerrero et al., (2009), food innovation can be defined as the addition of new or unusual ingredient, new combinations of product, different processing systems or elaboration procedures including packaging, coming from different origin or cultures, being presented and/or supplied in new ways and always temporary validity. Baregheh et al., (2012), demonstrate that food SMEs innovate not only in terms of products, and processes but also in terms of marketing (e.g. launch of a new website) and business strategies (e.g. establishment of a constant search for innovative ideas).

2.4 Innovation of traditional food

The current increasingly globalising food market, innovation is an essential strategic tool for small and medium enterprises (SMEs) to achieve competitive advantage (A Vermaete, Viaene, Morgan, & Crawford, 2004). This also applies for traditional food. So far, only few studies are published that focus particularly on innovations in traditional food products. Innovation in traditional food mainly pertains to product innovations such as a packaging innovations and changes in product composition, product size and form or new ways of using the product, (Gellynck & Klihne, 2007).

Traditional food product is a product frequently consumed or associated with specific celebrations and seasons, normally transmitted from one generation to another, made accurately in a specific way according to the food heritage, will little or no processing, distinguished and know because of its sensory properties and associated to a certain local area, region or country (Guerrero et al., 2009) Consumers were particularly positive towards packaging innovations. A different package does not modify the core characteristics of the traditional food product (i.e. the characteristics captured in the definition that differentiate traditional food from other food products) and provides sought benefit, example: Longer shelf life, (Guerrero et. al., 2009).

Positive acceptance in regard to convenience-oriented innovations was associated with opportunities, if this did not involve too remarkable changes in the product. Product innovations with implications for the sensory properties were strongly rejected.

Convenience-oriented innovations without too significant changes in the product have positive acceptance whereby the sensory properties consequences from product innovations were strongly rejected, (Nathalie, 2007).

During festivals such as Aidilfitri and Aidiladha, "*dodol*" is one of the popular traditional foods commonly served in Malaysia. The newness of *dodol* is now containing dates, raisins, cashew nuts, almonds and nuts. *Dodol* also produced in varieties of flavours such as mango, strawberry and cappuccino, (Wikipedia, 2015). Longer shelf life can be considered as an invention associates to processing, a method which produces Malay food traditional called *dodol*. Normal shelf life of traditional *dodol* is short and the *dodol* stiffness will increase extremely within 2-4 weeks. However, the dodol produced by enzymatic processing (chemical process) will last longer and maintains its normal elasticity during storage, (Zahid, 2007).

Ready to bake and frozen are another new innovation. The ready meals become a new trend in current market. Consumers are regaining a sense of heritage which is driving demand traditional national recipes. Manufacturers are developing ready meals that are makes in it more convenient for consumers to develop 'homemade style food'. An example is traditional Malay cake called "*kuih bakar*" is currently in the market in the convenient packaging and method which is frozen ready meal, (Sharuddin, 2011).

2.5 Business Success

In this study, researcher measured the business success through the business performance. According to Zinger et al. (2001), and Rhodes and Butler (2004), the entrepreneurial success factor has been defined in term of two main aspects namely, objective (financial) and subjective (non-financial).

For the financial perspective, the entrepreneurs are considered as successful based on their financial performance that are measured in term of return of investment (Gadenne, 998), profit (Orser et al., 2000) and income (Orser et al., 2000 ; Haber and Reichel, 2005).

On the other hand, in term of non-financial the entrepreneurs are considered as successful such as in customer satisfaction, personality development and awareness of entrepreneurs (Masuo et al., 2001).

It is important to remember that the commercialization environment is dynamic. In the best of times, the product that looked 'hot' when you started the process may have 'cooled' substantially due to a new competing technology, a downturn in the economy, unexpected production costs or a hundred other factors (Goldsmith, 2003).

2.6 Successful Factor in Innovation of Traditional Food Product by SME.

Traditional food is an expression of culture, identity, history and lifestyle, as Trichopoulou et. al., (2007) and Kuhne et. al., (2010) have reported. This fact opens new growth opportunities for the small and medium enterprises (SMEs) that mainly constitute the sector of traditional food products (Guerrero et al., 2012), if they adopt appropriate marketing strategies, (Gellynck et. al., 2010).

They are characterised by flexibility and agility, which make them able to quickly shift marketing strategies towards new and more effective methods in order to profit by the new opportunities raised in the market. There is evidence in literature of successful cases regarding SMEs applying a market oriented strategy and showing a direct link between a proper marketing strategy and superior business performance (Kara et al., 2005; Spillan and Parnell, 2006).

In addition, in the current increasingly globalised food market, innovation is an essential strategic tool for SMEs to achieve competitive advantage (Kuhne et al., 2010). In order to succeed in the future, SMEs must extend their skills in promoting those aspects of their products that relate to nutrition and health that can drive consumer demand, as well as in marketing, modern production techniques and management to be able to create customer loyalty.