

CIRENG AND CIMOL NELLA BUSINESS INNOVATIONS: NEW PRODUCT DEVELOPMENT & FINANCIAL ASPECT METHOD IN THE NEW NORMAL ERA

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Abstract

Cireng and Cimol NELLA are one of the many business people affected by the COVID-19 outbreak. The pandemic situation makes this business have to innovate, consumers must feel the added value and new experiences in consuming it. The problems that arise are the absence of product development, as well as the limited capital equipment used to increase production capacity, so that the profits received are not maximized. Method (1) on the marketing side is carried out from idea generation, idea screening, concept development, marketing strategy, business analysis, product development, test marketing, and commercialization. (2) the financial side, namely calculating the Break Even Point, Net Present Value, Payback Period, Internal Rate of Return, B/C Ratio. The results of this service are: (1) adding product variations: salt chili flavored cireng, melted cheese cireng, and salt chili cheese cireng (2) selected marketing strategy: buy 2 get 1 free, bundling package. (3) conduct product development analysis, test marketing with the chosen strategy, and conduct commercialization on the marketplace. (4) in terms of financial calculations, this business is feasible to be developed and profitable for the culinary industry in the future.

Keywords: Financial Aspect Method, Product Development.

INTRODUCTION

Geographically, the city of Bandung has 31 sub-districts with an area of 16,729,640 ha. Demographically, it has a population of 2,340,624 million people. Therefore, there is great potential when doing business or entrepreneurship in the Bandung City area. The city of Bandung is known for its creativity in all fields. There are not a few MSMEs pioneered by the people of Bandung City. This was proven when Bandung managed to get the title of creative city given by the Creative Economy Agency (BEK). The city of Bandung can also be said to be a place for those who are looking for experience in entrepreneurship. It is known that the city of Bandung is a culinary paradise among cities in Indonesia. The following table shows the economic contribution of the existing industrial sub-sectors:

**Table 1. Contribution of the Creative Industry Sub-sector to the Economy
in Bandung City in 2016-2018**

No	Creative Industry	2016	2017	2018
		Contribution PDR (Rp)	Contribution PDR (Rp)	Contribution PDR (Rp)
1	Advertising	95.717.220.000	108.101.493.000	120.180.198.000
2	Architecture	43.507.827.000	49.137.042.000	54.627.363.000
3	Design	93.541.829.000	105.644.641.000	117.448.830.000
4	Fashion	593.462.047.000	650.709.497.000	709.523.063.000
5	Movies, Animation & Videos	1.123.981.000	1.232.404.000	1.343.794.000
6	Photography	11.239.811.000	12.324.044.000	13.437.937.000
7	Craft	382.868.881.000	432.405.973.000	480.720.793.000
8	Culinary	179.836.984.000	197.184.696.000	215.006.989.000
9	Computer and Software Services	5.619.906.000	6.162.022.000	6.718.968.000
10	Music	11.239.811.000	12.324.044.000	13.437.937.000
11	Art and Markets	8.701.565.000	9.827.408.000	10.925.472.000
12	Publishing and Printing	37.091.378.000	40.669.344.000	44.345.191.000
13	Interactive Games	2.809.953.000	3.081.011.000	3.359.484.000
14	Apps and Game Developers	4.495.925.000	4.929.617.000	5.375.175.000
15	Performing Arts	2.360.360.000	2.588.049.000 Rp	2.821.967.000
16	Television and Radio	11.239.811.000	12.324.044.000	13.437.937.000
Total		1.484.857.289.000	1.648.645.329.000	1.812.711.098.000

Source : (Central Bureau of Statistics, 2019)

The development of the culinary sub-sector in the city of Bandung always increases from year to year. The culinary sub-sector is something that has potential for entrepreneurs in the city of Bandung. The data shows that in the city of Bandung in terms of the number of the workforce aged 15 to 50 years, reaching 1,192,521 people, and having an unemployed force of 107,532 people, an increase from the previous year's 95,971 or in other words unemployment is more than 11%. The solution to overcome unemployment is entrepreneurship. Entrepreneurship is a science that studies the values, abilities, and behavior of a person in facing life's challenges to obtain opportunities with various risks that they may face. Micro, Small and Medium Enterprises (MSMEs) must be the answer for those who do not work. According to (Tambunan, 2012), Micro, Small and Medium Enterprises (MSMEs) are productive business units that stand alone, which are carried out by individuals or business entities in all economic sectors. According to (Syamsulbahri, 2018), the function and role of Micro, Small and Medium Enterprises (MSMEs) is very large in community economic activities, including: Provision of goods and services; Employment; Equitable value added income for regional products; Improved standard of living. Micro, Small and Medium

Enterprises are able to provide social benefits, namely income distribution, especially in developing countries. In addition, small businesses also provide raw materials or services for medium and large businesses, including local governments. (Syamsulbahri, 2018).

In 2020, the world is being hit by a disease outbreak caused by COVID-19. This virus outbreak causes respiratory problems in humans which has resulted in the city of Wuhan, where the outbreak began, having to decide on a lockdown to slow down the spread of the virus. The existence of the Corona Virus pandemic event not only poses a threat to health but also to economic growth in a country. Corona Virus Disease 2019 (COVID-19) has changed the world economy significantly. As many as 70% of MSMEs in Indonesia have stopped their production activities due to declining demand during the COVID-19 outbreak. According to (Muhyiddin, 2020) Indonesia is battling Covid-19 by modifying the regional quarantine (lockdown) policy into Large-Scale Social Restrictions (PSBB). According to the Chairman of the Expert Team for the Indonesian COVID-19 Handling Acceleration Task Force, he said that the new normal is a change in behavior to lead a normal life by implementing health protocols to prevent the spread of COVID-19.

Cireng and Cimol NELLA are one of the many business people affected by the COVID-19 outbreak. Cireng and Cimol are Sundanese snacks that are already legendary. Both have the same raw material, namely tapioca flour which is commonly known as aci. Cireng is an acronym for aci goreng and cimol is an acronym for "aci digemol" (rounded starch). This snack was very popular in the 1980s. Over time, many similar businesses have sprung up, so the competition is getting tougher. In terms of winning the competition, a superior uniqueness is needed in terms of how a company can always innovate with the aim of providing higher added value to consumers. Nella's mother's business started in 2017 with the only product being sold, namely cireng. Initially selling only from home like a cart on display in front of his house in the East Bandung area. Furthermore, it develops by selling Cimol products as well. These businesses include those affected by the COVID-19 pandemic, where turnover has decreased dramatically due to the conventional form of sales. Plus, there are already many similar merchants who are developing and selling via the marketplace. Mrs. Nella is hesitant to enter the marketplace because her image is cireng and cimol cannot enter the marketplace. The pandemic situation forced him to study the marketplace and try to market on the available applications. But considering that competition continues to be busy, there will be a "war" of innovation among similar traders. It can be said that many of the innovations that occur are product innovations that can be felt directly by consumers. This means that there is a "compulsion" to innovate in this culinary sub-sector with the aim of providing added value and new experiences for consumers. The problem arose because Mrs. Nella did not understand the mindset of developing a new product, plus she was also afraid to do new things. With the competition going on, in this new normal era, cireng and cimol NELLA want to expand their business, forcing innovation in the business, then a problem will be born. Competitive advantage is a goal that business actors want to achieve in running their business, therefore innovation is a must.

The problems that arise are the absence of product variations which result in no product development and experiencing limited capital equipment that will be used to increase production capacity, so that the profits received by producers are not maximized. The limitations of the equipment technology used, can cause the inability to provide real added

value for the sustainability of its business. Cireng and Cimol NELLA will increase production capacity through additional capital for equipment technology, production facilities and infrastructure. Therefore, a financial feasibility analysis is needed to find out whether with the addition of capital for equipment technology, production facilities and infrastructure, this business is still feasible to be developed and to find out whether it is able to repay the loan capital with a payback period of 5 (five) years. Therefore, the community service team is here to provide coaching to Mrs. Nella regarding how product development strategies are not only providing training, but will be accompanied until new products or new variants of existing products appear, as well as analyzing financial aspects so that financial decisions are made. Mrs. Nella can increase her business profit optimally.

The problem that occurs is that there is no business development from time to time, as can be seen from the absence of new product innovations and special strategies, especially in the face of the new normal era of the COVID-19 pandemic as is happening now. Cireng and Cimol NELLA must be able to innovate business related to product development and also pay attention to their financial performance in order to achieve optimal profit and be highly competitive. This business can develop new products, among others, from the results of improving existing products and product modifications, all of which refer to existing original products. It is necessary to develop new products because (Aucla, 2019) there are reasons for intense competition, diversification strategies, the use of new technologies, and adjustments to profit-increasing strategies. The solution to problems related to product development is that partners will be given training on new product strategies, incubation of new products (assistance), and the commercialization stage so that the product is ready to be marketed. The solution in terms of profit-enhancing strategies is related to the analysis of financial aspects by calculating the benefits and disadvantages of the financial decisions made. According to (Khotimah, 2021) financial analysis is an activity of determining Rupiah units on aspects that are considered feasible from the decisions that have been made. This financial aspect can be seen from the investment plan carried out by calculating the expected costs and benefits, comparing expenses and income, the availability of funds or capital, and the ability of the business to return funds. The purpose of this service is to increase competitiveness in order to achieve a competitive advantage. The benefit of this service activity is an understanding of the development of new products and methods of financial aspects so that there is an increase in profits and benefits for the culinary industry in the future.

IMPLEMENTATION METHOD

The implementation method in this community service program can be divided into 3 (three) major parts; methods of training, incubation (mentoring) and commercialization of new products. Starting from the approach to the problem that occurs, which is to describe the existing problems and the team will measure the problem according to the priority level. From this, an approach method will be offered to solve partner problems, namely by conducting discussions between the Community Service Program team and business actors to better know the obstacles and obstacles in running a business. This is in order to create solutions to problems that are in accordance with program targets and create understanding of business actors and a common perception between the team and partners. Next, work procedures for community service programs. The first procedure is that there will be training on the new

product strategy mindset with its stages. Partners will carry out incubation which is given assistance from the team about new product concepts and produce new products that are not ready to be commercialized. This new product development phase (Aucla, 2019) is carried out in several stages, starting from idea generation, idea screening, concept development, marketing strategy, business analysis, product development, test marketing, and commercialization. For the analysis of financial aspects, namely by collecting information on investment costs, production costs, variable costs, fixed costs, costs for labor wages and other related data. For the data processing method, the data is processed in tabulation form, then analyzed mathematically by referring to the aspects of the calculation of the Financial Feasibility Analysis (Khotimah, 2021), namely:

1. *Break Even Point* (BEP) :

$$\text{BEP unit} = \frac{FC}{P-VC} ; \text{BEP Rupiah} = \frac{FC}{1-VC/P} \quad (1)$$

FC = Fixed cost; P = price/unit; VC = Variabel cost/unit

2. *Net Present Value* (NPV) :

$$\text{NPV} = \sum_{t=1}^n \frac{(Bt-Ct)}{(1+i)^t} \quad (2)$$

Bt = year t gross revenue; n = economic age; Ct = year t gross cost; i = Interest rate

3. *Payback Period* (PP) :

$$\frac{\text{Investment}}{\text{income}} \times 1 \text{ year} \quad (3)$$

4. *Internal Rate of Return* (IRR) :

$$\text{IRR} = rk + \frac{\text{NPV } rk}{(\text{TPV } rk - \text{TPV } rb)} \times (rb - rk) \quad (4)$$

rk = lower/lower interest rate; rb = higher/higher interest rate; NPV rk = NPV at small interest rate; TPV rk = *Total Present Value* at small interest rate; TPV rb = *Total Present Value* at a high interest rate.

5. B/C Ratio :

$$\sum_{t=1}^n \frac{B_t - C_t}{(1 + IRR)^t} \quad (5)$$

B_t = Gross profit/year; n = Economic age; C_t = Gross cost of year t

RESULTS AND DISCUSSION

The PKM team divided into two major stages in its implementation. The first is the introduction of business innovation with the new product development method. Second, analysis of financial aspects, namely by collecting information on investment costs, production costs, variable costs, fixed costs, costs for labor wages and other related data. Initially partners only have one product or in other words have no variations in products. Therefore, we provide solutions that require strategy and courage to carry out new product development. Previously, Cireng Nella only had cireng products with spicy sweet rujak seasoning. As shown in the following image:



Figure 1. Cireng NELLA's first product

The process is divided into several stages, including: (1) Idea Generation and screening (2) Concept development and initial test with Marketing strategy development (3) Business analysis (product innovation, test marketing, commercialization). The first stage is to provide an overview of what product innovation will be. The second stage is related to the development of the concept from the first stage and the initial test of the product. The second stage begins with the selection of the product concept as an innovation and also a representation of the first stage. The depth of the product that is done is to add product variations, namely cireng chili salt flavor, melted cheese cireng, salt chili cheese cireng.



Figure 2. The new variation of Cireng

The three variations of the new product are pre-tested before the launch of the new product, to ensure the appropriateness of taste and not to lose the characteristics of the previous product. The chosen marketing strategy is still the same as the previous strategy, namely with sales promotions such as buy 10 get 1 free, but for this new product, the promo is just buy 2 get 1 free, plus when consumers buy the initial product, namely cireng sweet spicy salad, they will get a tester 3 new products inserted in the package (bundling package). Then the third stage is the preparation of product commercialization which begins with product development analysis, marketing tests with the chosen strategy, and commercialization on the marketplace.



Figure 3. New product marketing strategy



Figure 4. New product commercialization

1 . *Break Even Point (BEP)*

Table 2. Sales per month

PRODUCT VARIETY	PRICE SELL IDR/pcs	SALES/B l n	
Cireng Seasoning Rujak Economical	6,800	1pcs _	IDR 6,800
Melted Cheese Cireng	17,200	1pcs	IDR 17,200
Cireng Chili Salt	10,800	3 pcs	IDR 32 . 4 00
Cireng Spicy Sweet and Spicy Rujak Seasoning	10,800	10 pcs	IDR 108 . 0 00
Melted Cheese Cimol	17,200	15 pcs	IDR 258 . 0 00
TOTAL		30 pcs	IDR 422 . 4 00

Source: Processed Data, 2022

Table 3. Sales plan per month

PRODUCT VARIETY	SALES PLAN/month		SALE/month		INCREASE
Cireng Seasoning Rujak Economical	3 pcs	IDR 20,400	1 pcs	IDR 6,800	33.33%
Melted Cheese Cireng *	1pcs	IDR 17,200	1 pcs	IDR 17,200	-
Cireng Chili Salt	6 pcs	IDR 64,800	3 pcs	IDR 32.400	50%
Cireng Spicy Sweet and Spicy Rujak Seasoning	21 pcs	IDR 226,800	10 pcs	IDR 108,000	47.61%
Melted Cheese Cimol	31 pcs	Rp 533,200	15 pcs	IDR 258,000	48.39%
TOTAL	62 pcs	IDR 862,400	30 pcs	IDR 422,400	48.39%

* Description: Cireng Melted Cheese is omitted, because the cheese filling is not right (damaging the texture)

Source: Processed Data, 2022

Table 4. Calculation of BEP

DESCRIPTION	UNIT	AMOUNT
Sales/month	pcs	62
Sale	IDR	862,400
Net profit	IDR	227,069
Fixed cost	IDR	356,775
Variable Cost	IDR	297,355
BEP	pcs	39
BEP	IDR	544,694

Source: Processed Data, 2022

Based on table 4, the BEP value of Cireng and Cimol NELLA production is 39 pcs or IDR 544,694 .

2. Net Present Value (NPV)

The NPV value positive show that project or industry the worthy for held while a negative NPV value means the project no worthy conducted. Based on the calculation, the NPV value of Cireng and Cimol NELLA production is obtained with a value of: IDR 38,603,695.

3. Payback Period (PP)

An attempt is said feasible if the value of the *payback period* is smaller or same compared age investationeffort . Cost investation is fund loan from financier as big as IDR 10,000,000 ,-. The profit earned per year is IDR 2,724,828, meaning that the business will take 3 years and 8 months.

4. Internal Rate of Return (IRR)

IRR value which is greater than the level of ethnic group flower (MARR) which apply show effort worthy for developed. If the interest rate is 10%, then the value obtained is:

Table 5. Calculation of IRR

INTEREST RATE	TOTAL PV	NPV
10%	36,015,374	38,603,695
16%	31,137,467	33,885.638
Difference		
6%	4,877,907	4,718,057

Source: Processed Data, 2022

$$IRR = 10\% + (4,718,057/4,877,907) \times 6\% = 15,802\%$$

From the calculation results, the IRR value is 15.802% and the MARR used is 10%. The value of IRR (15.802%) is greater than MARR (10%), meaning that the Cireng and Cimol NELLA businesses can be developed.

5. Ratio B/C

If n value of B/C Ratio is greater than 1 (one), then project declared worthy. Then the value of the B/C Ratio is equal to 1 (one), then the project is called break even, whereas if The B/C ratio is less than 1 (one) then the project or the industry is declared a loss. B/C Analysis Ratio use total or accumulation reception and expenditure (TC) from *Cashflow After Tax* for every yearDuring age project namely 5 (five) years.

Table 6. Calculation of B/C Ratio

YEAR	BENEFITS	COST	B/C RATIO
1	2,724,828	2,203,724	1.24
2	2,804,287	2,387,765	1.17
3	2,974,837	2,487,432	1.19
4	3,276,920	2,787,900	1.18
5	1,794,746	1,487,651	1.21

Source: Processed Data, 2022

It can be seen in table 6, the value of the B/C ratio is greater than 1, then the Cireng and Cimol NELLA business investment is considered feasible and profitable for the culinary industry in the future. The following is a documentation of the implementation of the community service program regarding the *New Product Development Process and Financial Aspect Method* :

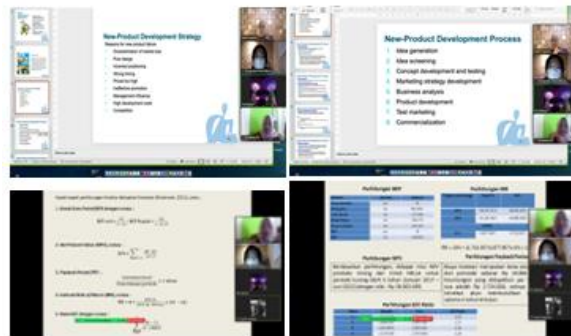


Figure 5 . Material presentation documentation

CONCLUSION

Cireng and Cimol NELLA in facing the new normal era must be highly competitive, namely by making product innovations, and making financial decisions, because this business is very feasible to be developed and profitable for the culinary industry in the future.

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