Managing Income Creatively by Young Entrepreneurs in Bandung

Elizabeth Tiur Manurung*, Elvy Maria Manurung
Parahyangan Catholic University, Indonesia. *Email: eliz@unpar.ac.id

ABSTRACT

Business competition is getting fiercer nowadays, especially in the city of Bandung, area of West Java in Indonesia. Moreover, today’s consumers are increasingly savvy and choosy. The presence of several new cafés and restaurants for the past 5 years in this city indicates that not only food and beverages are served, but that facilities for hanging out, playing and studying are being provided as well. This phenomenon has made an impact on young entrepreneurs in Bandung to further explore their creativity, as an unavoidable reality. A great deal of research has been conducted to examine the presence of cafés and restaurants affecting the lifestyle of users, but not many studies have focused on the creativity of the owners (entrepreneurs) in managing their income. This research has been conducted using qualitative methods, namely observation and interviews in order to reveal how the situation of market competition affects the creativity of these young entrepreneurs in managing their businesses, especially their income. Seven cafés and restaurants were selected through popularity criteria in initial discussions with students and ratings from websites, to become objects of observation. One hundred thirty-three respondents were randomly selected and interviewed when they visited the object under study. The results of the study show that young entrepreneurs have unique ways of attracting consumers and generating business income.

Keywords: Creativity, Young Entrepreneurs, Cafés, Bandung
JEL Classifications: M21, M31, M40

1. INTRODUCTION

The creative economy sector in Indonesia has the opportunity to continue to grow due to the following factors (1) changes in market and consumer behavior, (2) the growth of the era of non-mass production, (3) the relatively large portion of consumption of creative industry products and services in G-7 countries, (4) the large portion of the domestic market, and (5) the socio-cultural diversity of Indonesia. This opportunity will be greater if one receives support from the central and local governments and other relevant parties (Indonesian Creative Economy Development Book, 2015).

Some cities in Indonesia that are the center of the growth of creative ideas are Bandung, Yogyakarta, Jember, Bali, and others. In the city of Bandung, the phenomenon of the development of the creative industry, especially in the field of fashion, has emerged since the 1990s. After the Cipularang toll road was built in 2005, the culinary sector began to grow rapidly due to the local tourists from outside the current urban area of Bandung such as Jakarta and other cities around Bandung, the flow of vehicles and local tourists began to enter the city of Bandung, especially every weekend.

The city of Bandung is one of the urban locations in West Java that has been developing rapidly in terms of its creative economy for the past decade. Bandung is no longer exclusively known as a city of students, but also as a tourist city. Since the construction of the Cipularang toll road in 2005 that connected the city of Bandung with the Purwakarta Regency, Jakarta city, and other cities around Bandung, the flow of vehicles and local tourists began to enter the city of Bandung, especially every weekend.
This phenomenon was followed by the emergence of hotels, boutiques, distributions, restaurants and cafés in Bandung that have continued to mushroom over the past 5 years. The appearance of cafés and restaurants is not only enjoyed by local tourists who visit, but also by young people who study in Bandung. These days, restaurants and cafés in Bandung not only provide food and beverages, but also become a place to hang out, play, and even study.

The rise of cafés and restaurants in Bandung during 2010-2014 is shown in Table 1.

The increase in the number of cafés in Bandung has been followed by the increasing number of consumers from time to time. The service industry for tourists - especially local ones - is starting to flourish in Bandung. The creative economy that manifests itself in the form of creative businesses (primarily in the field of fashion and culinary enterprises) is the hallmark of this city. This phenomenon forms an attraction to the world of academics, resulting in the considerable amount of research that has been conducted to examine the emergence of cafés in Bandung and their impact on business and life-style competition.

Business rivalry or competition among entrepreneurs who are dominated by young entrepreneurs (interviews with former Bandung Mayor Ridwan Kamil, 2014) is increasing, and increasingly savvy and selective consumer behavior over the past decade has helped change the pattern of competition and markets. The emergence of new cafés and restaurants in Bandung over the past 5 years, added to the vibrant competition has tested the ability of young entrepreneurs to maintain their business. Many studies have been conducted to observe the impact of the emergence of various cafés and new restaurants in Bandung, but the emphasis is more on the lifestyle of young people, and not many have focused on the creativity of young entrepreneurs shown in managing their income. This research aims to answer the following two salient questions (i) how have the development and emergence of new cafés and restaurants in Bandung over the past 5 years influenced consumer behavior? (ii) What are the strategies of entrepreneurs in the culinary business to maintain their business and manage their income?

Today’s businesses experience competitiveness from renewable resources that are always there and never run out, namely creative ideas that are constantly being explored and sown. Economic or creative business have creativity as a basis or “life” for business continuity. This is also a manifestation of the spirit of survival and fighting power of present-day entrepreneurs who have made very important contributions to the local and regional economy in each country, especially developing countries such as Indonesia. The biggest idea that is owned and offered in this creative economy era is the utilization of ideas, talents, and reasoning abilities that come from one’s creativity.

## 2. LITERATURE REVIEW

Research into the presence of cafés, coffee shops, and other “hang-outs” located in Yogyakarta as a new community lifestyle has been carried out by Pribadi (2015). The results of the study indicate that the presence of cafés and coffee shops provides new “space” for diverse visitors - no longer dominated by common men and gentlemen – who come to enjoy the association, and to eat and drink. Another study similar to this is the research conducted by Pramita and Pinasti (2016) which focuses on the habit of students “hanging out” at coffee shops in Yogyakarta. However, the research emphasized the student lifestyle in Yogyakarta. Gea (2013) has also carried out research into the dugem (clubbing) lifestyle of students in Bandung.

Another study of young entrepreneurs has been carried out. Research into the role of young people in entrepreneurship and improving the regional economy has been carried out by Dash and Kaur (2012) in Orissa, India. They find that entrepreneurship by few young people in recent years has succeeded in boosting economic competition and increasing development in the area. The emergence of entrepreneurship by young people is caused, inter alia, by high unemployment among young people and social inequality between them. Based on the survey and interview methods conducted in the cities of Bhubaneswar and Cuttack in the Orissa area, findings were obtained in the form of reasons or factors that contributed to the increase in entrepreneurship developed by young people, and constraining elements as well as challenges becoming prospects that motivate young people to start their businesses, as well as evaluating the performance of young entrepreneurs.

Similar research had already been conducted by Baker (2008) in the article “Fostering a Global Spirit of Youth Enterprise.” Baker explained the challenges faced by young people under unemployment conditions and how young people handle these challenges. Baker examines the possibility of collaboration between the public and private sectors to achieve socio-economic change. In West Java, a study of the factors that support entrepreneurship by young people has also been made by Barlian et al. (2014) to affirm the six factors that support the process of creativity in a business, whose framework was initiated by Brian Moeran (2011).

Moeran in “Perspectives in Business Anthropology Cultural Production, Creativity and Contraints” (2011) found six factors that become constraints - as well as challenges - in the creativity process, namely (i) material and techniques/technology used, (ii) the amount of time it takes to make products, (iii) the place where the product is made, (iv) the social environment and the people involved in the process, (v) aesthetic or representational elements recognized, and (vi) availability of funds as economic constraints.

### Table 1: Cafés as business enterprises in the city of Bandung

| Years | Total number of new cafés | Percentages of increase |
|-------|---------------------------|-------------------------|
| 2010  | 191                       | 11.2                    |
| 2011  | 196                       | 11.5                    |
| 2012  | 235                       | 13.8                    |
| 2013  | 432                       | 25.3                    |
| 2014  | 653                       | 38.3                    |
| TOTAL | 1707                      | 100                     |

Source: Bandungkota.bps.go.id
Creativity is the economic and industrial basis of today. It is an unrealized asset that is proven to be able to produce products and services that are unique, valuable and meaningful. The definition of creativity is then extended not only to individuals, but also to processes in organizations or institutions. Creativity is regarded as essential for social and economic growth (Howkins, 2001; Florida and Goodnight, 2005). At the level of individuals, teams, and organizations, creativity is seen as the core facilitator and contributor to entrepreneurial performance, growth and competitiveness.

Creativity is a research area that has developed over the years. Historically, creativity has its roots in the field of psychology that has become a conceptual and empirical foundation, which focuses on factors that increase or inhibit creativity in different fields. Until now the notion of creativity has grown (Connor, 2010). Creativity in management is considered as an outcome, as an excavation of ideas, solutions, and processes, which are novel (main) and useful. Creativity can be present in various types of work and organizational levels, creative ideas and processes can also vary along the continuum line of novelty but are incremental to something truly new (radical) and different.

Creative economy is an integral part of the success of a knowledge-based economy. The characteristics of creative economy are entrepreneurship from individual creativity, skills, and talents. In Indonesia, creative industry started to emerge when the Ministry of Tourism and Creative Economy (The Ministry of Tourism sector and Creative economy) was established by the Presidential Decree Number 92 of 2011. Based on the data, there has been an increase export of creative products and its contribution to GDP to 8% in 2013 from 6.9% range in 2012. That number is predicted to increase to 10% in 2014 and 12% in 2019 (Creative Economy development planning _2009-2025_ , “by Department of Commerce of Indonesia Republic, 2008-2009; Ministry of Commerce of Indonesia Republic, 2015”).

Continuing the preliminary research in 2014 that explore young entrepreneurs creativity in Bandung which confirmed Moeran framework on challenging factors of creativity, this research aim to reveal what has actually happened to young people in Bandung over the last 5 years after the emergence of new cafés and restaurants. In other word, what kind of creativity do young entrepreneurs need to manage and maintain their business?

Many cafés and coffee shops start from small and medium-scale businesses. SMEs have an important role in encouraging economic development, and also have resilience when facing the global crisis. Encouraging the growth of SMEs becomes an important strategy in Indonesia. A current research on how SMEs develop in Indonesia give some results such as the strategy is to provide easy access for SMEs to financial capital and increasing marketing (Tambunan, 2010; 2011). The main problems faced by Indonesia SMEs, namely the limitations of SMEs in accessing external capital. The majority of SMEs rely solely on personal capital, in addition to the complexity of procedures when applying for credit in banks not to mention the difficulty of finding and providing guarantees to banks (Syarif and Budhiningsih, 2006; Ramdhansyah and Silalahi, 2013).

A research by Anton et al. (2015) shows that financial capital has a positive significant effect to business performance in SMEs industry. The research also examines four other important factors that impact business performance, namely level of innovation and entrepreneurship, level of education (human capital), potential market, and business strategy, still play importat roles to SMEs performance.

In contrast with previous studies on SMEs run by young entrepreneurs, this research emphasizes on how young entrepreneurs use their creativity to manage the source of income. This research aims to find out why several cafés lost their customers while few still busy serve their customer.

3. RESEARCH METHODS AND OBJECTS

This research is participatory research that uses qualitative methods, namely observation and interviews. Seven new cafés and restaurants in Bandung have been selected for observation. One hundred and thirty-three consumers were chosen as respondents according to the frequency of arrival criteria of at least twice a week to the cafés observed. In addition, three café owners have been contacted for interviews and financial data requests. Questionnaires have been designed to initiate research and distributed to respondents who had been selected and determined, and the questions asked are all arranged.

The researcher enters into the object under study and observes directly as an observer participant. There are several ways used to obtain data, namely (i) observing the behavior of users and owners/managers, (ii) interviewing owners and users, and (iii) conducting group discussions (FGD) with fellow researchers in groups, research to gain understanding, concepts, and new ideas about observed phenomena. Therefore, the data analysis in this study is an interpretation of the meanings obtained, mainly those derived from observation and interviews.

Location and samples have been determined using a purposive technique. This was done for special reasons, based on a preliminary survey of 10 respondents, limited time-funds, and affordability of locations. Another special reason is that the seven objects occupy the highest rating and rank of popularity according to information obtained from the Internet at the time the research was conducted, that is to say throughout 2018.

The seven selected research objects are as follow: (a) Café UPN in central Bandung, (b) Café DE in north Bandung, (c) Café UPX in the city center of Bandung, (d) Café SB in east Bandung, (e) Café GB in south Bandung, (f) Café KD in east Bandung, (g) Café EB in the city center of Bandung.

4. DATA AND ANALYSIS

Following a pattern of regularity, respondents visit the café to complete assignments on campus or at work, twice a week. The reasons for respondents regularly visiting cafés can be subdivided
into several types. Some answer because the place is comfortable, there is free wifi, the price is relatively low, the food is according to taste, and the place is clean. As many as 66.2% chose to come to the café to take advantage of the facilities provided. In addition, they are more interested in working on assignments or working in a café than in a library or campus, because a fresher and more comfortable atmosphere can reduce stress caused by excessive workloads at the place of study or work. The food and beverages being consumed - which cannot be brought into the library - also add to the mood of those who carry out their tasks.

The questionnaire was submitted to 133 respondents, and the responses to the contents of the questionnaire are explained below. Respondents stated that there was a connection between eating in a café and lifestyle/prestige. Most of them (64.9%) feel that eating at the café adds to the value of being superior to others, because it reflects a person’s economic condition. The restaurant chosen to do the assignment is usually alternating because it requires a new atmosphere, but the majority choose an indoor-themed café. It is the variety of new cafés appearing with new menus and flavors that has attracted consumers who do not need to think twice about frequenting them, and they keep trying new flavors from one café to another. Respondents consisted of men and women aged from 13 to 43 years, dominated by women. From the survey results, 79.7% of the status consisted of students, so most still had income from pocket money provided by parents.

Of the 7 cafés observed, the Top Four of the consumers’ favorite places are, (i) UPN cafes, (ii) EB cafes, (iii) NB cafes, and (iv) SB cafes. The next step of the interview is only carried out involving three cafés because the owner of the fourth one proved very difficult to contact. The following are the results of observations and interviews with café owners, continue by preform cash flow made from, and based on, transcript of interviews regarding number of sales and sold out items, price, number of employees, and so on.

4.1. First Café: The “UPN”
Initially, this café was named “W-UPN”, currently shortened to “UPN” only. Today many cafés try to imitate Café UPN’s business model, ranging from the menu to opening hours and operations under different names. Café UPN has operated since June 2014, and has succeeded in changing consumer perceptions of fast food noodles. Previously, the menu item of boiled noodles attracted the palate of the lower classes at quite a low price (- IDR 5000), but Café UPN changed the look and added a bit of flavor, with cheese by way of broth, so boiled noodles are now more interesting and tastier. The price has gone up immediately to IDR 17,500 (Interview with the owner, 2018).

The UPN Café is owned by 5 young partners (under the age of 30) who are synonymous with the spirit of young people who carry freedom. The initial capital was not huge since it was divided by five person, each partner only share 20% of capital around IDR 20 million. Game equipment like push ball, and UNO Stacko playing cards are provided here. There are also closed rooms for 5-10 people who want to eat and drink while meeting. The main menu is themed boiled noodles, toast and fresh milk. No wonder this café is praised as a pioneer in elevating the menu from angkringan (Javanese for a long carrying pole with hampers at both ends used by the street vendor) or roadside snack, becoming a restaurant menu, to a more elegant class.

The UPN Café was first established in east Bandung, as only 1 small outlet. In less than a year, the cafe had 3 outlets, and currently has 9 outlets spread across the total area of Bandung. Surprisingly, now UPN has 23 outlets in Indonesia! Free Wi-Fi facilities are the main service that is unconditionally guaranteed at this café as the biggest need of its consumers. Now, the UPN Café is not only a place to eat and drink, but also a cool and trendy place to hang out with friends and family.

Financial data in the form of cash flow predictions throughout 2018 for 1 outlet is shown in Table 2.

4.2. Second Café: The “EB”
At first, the café was named “the TMDC,” which provides cafe and boutique-related services. But over time, the owner subsequently added “subsidaries” with a more specific target market, namely the “EB” cafes. The TMDC Café still specializes in pastry and bakery, while EB offers main courses and dessert. The current EB cafes are not only located in Bandung center, but already have five other outlets in the East, North, and South of the city of Bandung. Until now, EB has not open yet outlet outside Bandung city. The initial capital of EB was not huge since it was support by TMDC as head office.

EB is a café that carries a modern theme with a comfortable place and quite a lot of food-drink variants with jumbo portion. Starting from processed pasta, steaks, toast, fried rice or tonggeng rice, and burgers. EB provides a menu with a large portion, which can be consumed by 3-4 people, namely fried rice, burgers, pizza, toast, and local snacks such as bala-bala, a deep-fried vegetable fritter. The prices offered are varied, starting from IDR 9500 to IDR 45,000, while the price to be paid for burgers and pizzas range from IDR 47,000 to 95,000.

Table 2: “UPN” proforma cash flow - average/outlet/month

| Operating activities                  | IDR 656,250,000 |
|---------------------------------------|-----------------|
| Net sales                             | (375,000,000)   |
| Purchase of raw material              | (40,000,000)    |
| Salary expense                        | (50,000,000)    |
| Rent expense                          | (3,000,000)     |
| Transportation                        | (1,000,000)     |
| Other marketing expense               | (1,500,000)     |
| Income tax expense                    | (75,000,000)    |

| Net cash from operating activities   | IDR 110,750,000 |
| Investing activities                | IDR 5,000,000   |
| New play tools                      | (5,000,000)     |
| Net cash from investing activities  | (5,000,000)     |
| Financing activities                | IDR 10,000,000  |
| Additional capital                  | (29,825,000)    |
| Debt payment                        | (19,825,000)    |
| Net cash from financing activities  | ID R 85,925,000 |
| Increase in cash                    |                 |
Financial data in the form of cash flow predictions throughout 2018 for 1 outlet, shown in Table 3.

**4.3. Third Café: The “NB”**

NB was established in June 2013 by Mr. HS (aged 31) and Mr. GM (aged 25). After a long discussion and some contemplation, they came up with the new idea of opening a café based on the concept of aroma tourism (especially coffee) and other food-beverage variants in the city of Bandung. The idealism of making the business as a place for coffee lover and coffee education, make the initial capital quite big (more than IDR 100 million). The location of cafés in Bandung is usually widely spread across the city center or the north Bandung area—where there are shady trees and cool air, but NB actually showed the courage to open outlets in locations that are rarely visited by travellers passing through, namely in the western area of Bandung city. So far, there are only two outlets NB in Bandung.

| Table 3. Proforma cash flow “EB” - average/outlet/month |
|--------------------------------------------------------|
| Operating activities                                    |
| Net sales                                               | IDR 300,000,000 |
| Purchase of raw material                               | (120,000,000) |
| Salary expense                                          | (30,000,000)  |
| Rent expense                                           | (60,000,000)  |
| Utility expense                                         | (5,000,000)   |
| Other marketing expense                                | (2,500,000)   |
| Income tax expense                                     | (30,000,000)  |
| Net cash from operating activities                     | IDR 52,500,000|
| Investing activities                                    |
| New furniture                                           | (30,000,000)  |
| Net cash from investing activities                      | (30,000,000)  |
| Financing activities                                    |
| Additional capital                                      | 50,000,000    |
| Debt payment                                            | (15,500,000) |
| Net cash from financing activities                      | 34,500,000    |
| Increase in cash                                        | IDR 57,000,000|

At this outlet, shop houses (known as ruko) with the concept of coffee boutiques with unique equipment, namely the main icon of the Hydra Synesso espresso machine, are offered to consumers. The intended target market consists of coffee lovers in the city of Bandung. The total number of NB employees is approximately 18 people per outlet. The system is divided into 3 shifts, each working for 8 h. Every shift is supervised by a captain. Positions at NB cafés include waiters, baristas, cashiers, captain and supervisors.

The NB Café already has a branch on Dago Street, which is the downtown area of Bandung, with the concept of a “warehouse” and the dominance of wood and warm brown colors. The tables, including a communal table on the front are arranged close together. The essence of NB as a coffee shop emphasizes the concept of socializing and getting more intimate with one another. In the main bar, a group of Synesso Hydra 2 espresso machines appears modest. This contrasts with most coffee shops that generally show off their espresso machines in front. The price range of food and beverage offered ranges from IDR 50,000 - 100,000, which is not exactly cheap. Aside from coffee, NB offers a menu of western-style cakes and cookies. The financial data in the form of cash flow predictions throughout 2018 for 1 outlet is shown in Table 4.

**5. DISCUSSION AND CONCLUSION**

In terms of finance, namely cash flow statements, UPN cafés have the largest revenue per outlet and the largest total revenue from all outlets which are 23 outlets. This is because the UPN is the pioneer of the creative idea of raising the image of boiled noodles, which were previously “marketplace snacks” or roadside ones, becoming “middle-upper class snacks,” namely sold at restaurants. This concept was then followed by other cafés that tried to accomplish the same thing with different types of products and prices.

In addition, UPN cafés have other advantages in terms of relatively affordable prices, with additional services in the form of play facilities suitable for students (young people) like push-ball and Uno playing cards, and private spaces for learning.

The NB Café occupies the second best position in terms of revenue management, but since the branch is only two—due to quite big capital to start the business, the total income is not as high as the EB Café’s revenue from their five outlets. NB was also founded on the idealism of its owners who really love coffee, and specifically set up NB cafés for coffee enthusiasts whose segments are limited. In addition, the price offered is not sufficiently affordable for students, so that the types of visitor are dominated by young executives who are not too many in number. The frequency of arrivals is not as often as students working on assignments in cafés.

The EB Café is unique in terms of the “jumbo” type of products so the price offered (although more expensive than UPN cafés) is still quite affordable because it can be consumed by more than one person. The EB Café also has more product variants than UPN and NB cafés, so visitors are free to choose their favorite type of food and beverage. The only drawback is that there is no...
play facility for visitors, only photo spots (for taking individual (selfies) or group photographs) offered at this café.

To sum up, the UPN Café owned by five young entrepreneurs is the best practice of how young entrepreneurs managing their creativity to run their business and maintain, even improve, the source of income in creative way. They give good examples of how to manage creative ideas –other entrepreneurs have never thought about it- to generate substantial income from affordable price, and provide comfortable and playful atmosphere to the customers. These are new ways and strategy for young entrepreneurs to sustain the business and win the competition.

REFERENCES

Anton, S.A., Muzakan, I., Muhammad, W.F., Sudin, S., Sidiq, N.P. (2015), An assesment of company competitiveness in Indonesia. Journal of Competitiveness, 7(2), 60-74.

Baker, K. (2008), Fostering a Global Spirit of Youth Enterprise. Paper Preparatory Briefing of the Global Forum on Youth Entrepreneurship.

Barlian, I., Manurung, E.E., Nawangpalupi, C.B. (2013), Peran Wirausaha Muda Kreatif Terhadap Perkembangan Kewirausahaan Kreatif Di Bandung. Laporan, LPPM UNPAR.

Connor, J.O. (2010), The Cultural and Creative Industries: A Literature Review. England: Creative Partnership Arts Council.

Dash, M., Kaur, K. (2012), Youth entrepreneurship as a way of boosting Indian economic competitiveness: A study of Orissa. International Review of Management and Marketing, 2(1), 10-21.

Department of Commerce of Indonesia Republic. (2008), Creative Economy Development Planning 2009-2025. Indonesia: Department of Commerce of Indonesia Republic.

Department of Commerce of Indonesia Republic. (2009), Study of Indonesia Creative Industry. Jakarta: Department of Commerce of Indonesia Republic.

Florida, R., Goodnight, J. (2005), Managing for Creativity. Cambridge: Harvard Business Review.

Gea, F. (2013), Sparkling Glittering World of University’s students in Bandung City. Paper for Communication Science Faculty. Indonesia: Indonesia Computer University.

Howkins, J. (2001), The Creative Economy: How People Make Money from Ideas. London: Penguin.

Kementerian Perdagangan Republik Indonesia. (2015), Pengembangan Ekonomi Kreatif Indonesia 2025. Jakarta: Kementerian Perdagangan Republik Indonesia.

Moeran, B. (2011), Perspectives in business anthropology: Cultural production, creativity and constrains. International Journal of Business Anthropology, 2(1), 16-30.

Pramita, D.A., Primasti, I.S. (2016), Nongkrong di warung kopi sebagai gaya hidup mahasiswa di mato kopi Yogyakarta. Jurnal Pendidikan Sosiologi, 5, 1-12.

Priadi, I. (2015), Gaya Hidup Anak Muda Nongkrong Di Kafe Atau Kedai Kopi. Thesis and Dissertation Repository. Yogyakarta: Universitas Gajah Mada.

Ramdhansyah, R., Silalahi, S.A. (2013), Expansion of SMEs financing model from SMEs perception (pengembangan model pendanaan UKM berdasarkan persepsi UKM). Financial and Business Journal, 5(1), 1-10.

Tambunan, T. (2000), The performance of small enterprises during economic crisis: Evidence from Indonesia. Journal of Small Business Management, 38(4), 93-101.

Tambunan, T. (2011), Entrepreneurship development: SMEs in Indonesia. Journal of Developmental Entrepreneurship, 12(1), 95-118.