Revitalisation and Innovation of "Arak Bali" Products

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Sharing economy, which is one of the characteristics of economic practices in the era of disruption, can be realised with the issuance of Bali Governor's Regulation No. 1 of 2020, regarding the Management of Distinctive Fermented Beverages or Distillation of Bali. This is with the aim of increasing the usability, competitiveness and making drinks based Balinese local wisdom, to become a superior product. The study was conducted to examine the development of the existence and revitalisation efforts of "Arak Bali", in the era of disruption. The importance of this research is a comprehensive study and discussion related to the existence and development of "Arak Bali" products, from the aspect of political economy. This research was conducted by referring to previous research results, as well as the use of Regulatory Theory, Optimal Pareto Theory and Justice Theory. This study uses a qualitative descriptive method, the determination of informants is done purposively, and the research location is focused on Arak production centres, with a pattern oriented relationship between the government, crafters, academic groups and entrepreneurs. The development of Arak Bali products in the era of disruption can be observed from the legality of products, the revitalisation of Arak products and the application of digital marketing, innovation and creativity as well as the response of the government and the community. The research findings are that the implementation of Reinventing Government, sharing economy and economy collaboration models among craftsmen, government, entrepreneurs, is needed in developing the existence of Arak Bali.

Key words: Revitalisation, Innovation, Digital Marketing, Legality.
Introduction

The presence of the era of disruption is an inseparable unity with the industrial revolution 4.0, which brought rapid changes in various fields. A limitless world provides the broadest possible opportunity for all stakeholders to take advantage of business opportunities and to open up. The government in its function as a regulator and facilitator, carries out its task of exploring the potential economic resources of the community as a source of creative economy, based on local wisdom. To then be regulated and set out in government policy, so that it can be a guide for community elements in realising the shared economy which is one of the icons of economic practice in the era of disruption. The issuance of Bali Governor Regulation No. 1 of 2020 concerning the Management of Balinese Distinctive Fermentation or Distillation Beverage, hereinafter, referred to as the Governor Regulation, is a form of government presence in legalising Balinese specialty beverage products, local wisdom products to be more efficient, improve its competitiveness and become a superior product. It also provides legal certainty for people who work as craftspeople, who market and consume Arak.

Major changes are certainly felt by the crafters, who has been producing, selling and making purchases in private. This is because the product "Arak Bali", is considered illegal as an alcoholic drink and a danger to health. Interestingly, the results of Liguori et.al. (2018) show that low alcoholic drinks are a new fast-growing sector, with the main obstacle to development lies in taste and quality. Mkuu et.al. (2019) shows that with most illegal and illegally purchased alcohol it is necessary to discuss policies and interventions to reduce production, as well as official consumption of alcohol as a cultural, political, environmental and natural resource study. Agnoli et.al. (2018) examined policies regarding alcohol consumption patterns and highlights the alarming changes in drinking styles of the younger generation. The research increasingly shows the urgency of discussion and regulation related to the existence of "Arak Bali", in this era of disruption.

The legalisation of the "Arak Bali" product, ideally should be followed by changes in standardised coordinated marketing, distribution, packaging, and pricing patterns. This is to avoid price competition among crafters, so that it can become part of tourism commodity. This change has received the attention of Subawa & Widhiasthini (2020), who state that the changes that occur through the use of new methods and patterns can affect many things, including becoming part of the tourism industry in Bali. Preliminary studies that have been conducted, in several Arak production centres, which are located in several places, are known to have potential price competition among crafters. There are also no production standards that indicate the accuracy of alcohol content, hygiene factors have not received attention, traditional marketing patterns, and there is no registered trademark. The crafters are unprepared to follow the demands of change, even though the government has organised arrangements from upstream to downstream, related to the existence of the wine. In this condition the role of
government at various levels is required, in accordance with its functions, facilitating the production and distribution of Arak Bali, one of which is through the empowerment of Village-Owned Enterprises (VOE).

Based on this, it is deemed necessary to conduct research related to the existence of Arak Bali, in the era of disruption in the context of the political economy. The problem in this research is how the existence of Balinese wine developed in the era of disruption? This research aims to contribute a comprehensive study of the existence of Arak Bali, to be ready to compete and keep up with the flow of change. While the urgency of the research lies in the comprehensive examination and discussion related to the existence and development of Arak Bali from the aspect of political economy, looking at the role of government that has been regulated in policy, empowering the creative economy of society, which is sheltered by institutions. So far, research related to the existence of a product focuses more on economic aspects, namely the production, distribution and consumption.

**State of the Art**

There are several results of previous studies that have relevance to this study. Triguero et al. (2018) states that innovation in the food and beverage industry is related to an eco-innovation strategy that is highly dependent on regulation. Triguero's research confirms that the importance of the role of government is through the issuance of regulations, so that the food and beverage industry can develop rapidly. In this study, this is identical with the issuance of a Governor Regulation. Hittinger et.al. (2018) looked at the importance of the fermentation process in biotechnology, which is used in traditional processes of the food and beverage industry, and requires a deeper understanding of current practices in food biotechnology. Hittinger's research has the relevance to this research, because during the production of "Bali Arak" there is also a fermentation process which must be guaranteed for hygiene reasons.

Zenk et.al. (2020) regards the application of beverage taxes that change the pattern of marketing, advertising, promotion, and significant changes after the tax enactment, did not occur. Ihli et.al. (2018) concluded that the small-scale coffee farmer investment carried out experimentally, did not significantly affect the existence of a base price. The Ihli and Zenk research, has relevance to this research, from the socioeconomic aspect it can be explained that the beverage product "Arak Bali", although traditionally produced, but if sold has been packaged, labelled, or marketed as a mixture of other drinks. Then, when distributed to modern cafes, it will be taxed. However, this does not affect the investment value incurred by the crafters to produce it. Gao and Wu (2017) reveal that historically and culturally traditional villages have been the key to rural development and poverty alleviation through an integrative and sustainable basis between material, social and spiritual. This can also be observed in this
study, in the Arak production centres which are found in several traditional villages in the province of Bali.

**Theory Reference**

The political economy theory used in this study is the Regulatory Theory that was initiated by Stigler, Optimal-Pareto Theory by Vilfredo Pareto, and Theory of Justice by John Rawls. In general, Regulatory Theory states that in the dynamics of economic life, the government can actively attend, regulate and follow the dynamics of community economic activities through the issuance of policies, with specific goals to be achieved by the government. In its application, Regulation Theory is closely related to the Optimal-Pareto Theory, which regulates the ideal composition in the framework of economic improvement, the accuracy of the utilisation of economic resources, without causing harm to other individuals. While the Theory of Justice, emphasises the principle of justice, that everyone has the same freedom to carry out political freedom, freedom of opinion and expression, personal freedom, freedom to have wealth and freedom from arbitrariness. In order for these freedoms to be implemented ideally, these rights and freedoms need to be stipulated in the formulation of regulations, which determine the distribution of benefits to individuals in society. The three theories used in this study are actually interrelated with one another.

**Research Methods**

This research is a qualitative descriptive study, the data is presented using narration, which is collected through in-depth interviews, observation and documented study. There are 18 research informants, including government elements, academic groups, "Arak Bali" product crafters, Arak sellers, Arak collectors, hotel and restaurant entrepreneurs and consumers. Determination of informants is done by purposive sampling, namely researchers who determine someone to be an informant based on observations of the activity, competence and knowledge of the existence of Arak products in Bali. The research location is in Klungkung Regency, situated in Besan Village, Dawan District. The reason for establishing the area as a research location, is because many of its citizens have been pursuing the profession as Arak crafters for generations. The center for making Arak products in Bali, is very limited due to the complexity of the production process. The Klungkung Regency Government is also very responsive to follow up on the issuance of the Governor's Regulation. The validity of the data is done by triangulation, namely sources, observations and literature searches.

**Legality of "Arak Bali"**

The issuance of a Governor Regulation is a legal product to realise the legality of the existence of Arak in Bali, which was previously an illegal product. Through these regulations, the crafters
and the resulting Arak, can obtain product legality after going through and fulfilling several stages. After having legalities such as trademark registration and production permits, the production and distribution of "Arak Bali" can be carried out sustainably. Legalisation policies are needed to eliminate the black market (Steel, 2006). Previously Arak was produced and traded in a hidden and limited manner, and was used for the purposes of traditional and religious ceremonies in Bali.

People who consume Arak, in secret, have psychological burdens, anxiety for crafters, sellers and people who consume. On the other hand, Arak is used as a beverage ingredient sold by entrepreneurs in bars, cafes and restaurants at high prices, and is very attractive to tourists visiting Bali. However, it is acknowledged by several informants that before the issuance of the Governor's Regulation, entrepreneurs who used Arak as a beverage ingredient, found it difficult to source and buy the Arak product. Because Arak crafters do not dare to sell openly, they have to search directly for the production centres, which are usually located in rural areas. Jensen (2010) argues that the new market will be realised, after the legitimacy of the product which was originally invalid. Rotfeld (2001) also emphasises the importance of product legality in marketing activities. Whereas McDaniel and Mason (1999), emphasised the legality of the product as an implication of public policy.

Regulatory Theory is very relevant to explain the issuance of a Governor Regulation to regulate the dynamics of economic life. The government has been actively present through the issuance of policies, with the aim of making "Arak Bali" products, as one of the sources to drive the creative economy of the community. Despite the fact, to realise the legality of Arak products, there are several obstacles, such as crafters who on average have low education, so they never think about legalising the Arak products they produce. Meanwhile, the market is increasingly open, if Arak products are produced and already have an official brand, are registered and have been laboratory tested. Relevant stakeholders, such as entrepreneurs in bars and restaurants, cafes, bartenders, and tourism practitioners, await the presence of labelled Arak products to be a superior product for tourists. This Governor Regulation, has set the strategic role for several government agencies to facilitate the legality of Arak Bali. This includes the Department of Agriculture and Food Security, who is in charge of registering the number of crafters, to providing guidance and development in production, and provide much needed support facilities. The Office of Cooperatives and SMEs is tasked with forming the Arak Crafters Cooperative, facilitating capital and providing coaching. The Department of Industry and Trade assists in increasing productivity in terms of quantity, product quality, aroma, taste, branding, labels and packaging.

The Regional Research and Innovation Agency is in charge of conducting research and innovation, as well as managing intellectual property rights. The Food and Drug Monitoring Agency conducts testing and supervision, while the Bali Regional Corporation bridges export
activities and also involves various interest groups to be able to assist marketing. All of these offices have strategic roles in supporting and promoting Arak products. All of these components are applicable to the Theory of Justice, which emphasises the principle of justice, especially freedom of ownership. This freedom needs to be applied ideally in regulation, so that the distribution of profits is realised among the various parties involved, especially Arak craftsmen.

**Product Revitalisation and Digital Marketing**

Arak Bali is a traditional beverage product that has been produced by the Balinese people, and is produced from generation to generation with simple processing methods using natural ingredients without chemical mixtures. The process is very complicated. Observations at the research location indicate several variables that need attention after the issuance of the Bali Governor's Regulation. One is anticipating the emergence of price competition among Arak craftsmen and sellers, thus preventing the practice of mixing Arak which has low alcohol content with additional alcohol, making varied Arak resulting for different tastes and qualities. Another thing is the need to pay attention to the element of hygiene, and proper alcohol content, so as not to endanger health. Observing this, revitalisation efforts need to be made in the form of determining the standardisation of processing, making it easier for Arak crafters and sellers to provide accountable explanations to consumers. Revitalisation of Arak Bali products refers to Wadu and Poon's research (2015) which explores revitalising effects, the larger the scale of the revitalisation program, the greater the impact. Belniak (2008) asserts that ideally public and private sector partnerships can be realised in a revitalisation project through cooperation. The reality at the research site shows that collaboration between academics, businessmen and the government has been formed in an effort to realise the revitalisation of Arak Bali. This collaboration resulted in Standard Operating Procedures, packaging and labelling of Arak Bali products. Andrews and Kim's (2007) study results confirm that brand revitalisation is the second order of construction, including brand image, product innovation and advertising. In this research, the first stage that Arak Bali has gone through is the legality stage, after its existence is recognised, the revitalisation stage begins, in order to increase quantity, quality, and marketing expansion while paying attention to local wisdom. This is in accordance with the opinion of Närvänen and Goulding (2016) regarding sociocultural perspectives; revitalizing the brand needs to be done to revive the target market.

Revitalisation is defined as a process to perfect the production of Arak Bali without eliminating its traditional elements, so that it is ready to become a tourism commodity. It is interesting to examine the statement of the informant, who has continued his family's profession as a crafter handed from generation to generation, related to the methods and equipment used in producing Arak; "I never learned specifically to make Arak, I learned how to make Arak from my parents,
ever since I was a child, I often watched my grandparents, how to make Arak. The tools used are the same. I don't dare and don't know how to replace with other materials. The same statement was also expressed by other Arak crafters, and it was also justified by the informant who served as the village head, that Arak crafters received knowledge from generation to generation from their family, there was never any special training.

Observations of researchers at the study site, showed all crafters use very traditional equipment. The informant who is a bartender stated that the uniqueness of the process of making Arak which is very traditional, using all natural ingredients must be maintained, because it is at this point that Arak is a very unique commodity, and has a high selling value. Akhoondnejad (2016) explains the importance of efforts to maintain product authenticity, which is related to quality, value, satisfaction, trust, loyalty, and customer loyalty. Subawa et.al. (2020) also emphasised that consumer awareness and critical understanding had arisen in purchasing products. If related to this research, the critical understanding in question is the need to maintain the purity of Arak produced by crafters.

The use of information technology, especially social media, which is used by consumers and producers to do digital marketing is a massive hegemony practice. Today, consumers are part of digital marketing, by marketing the products they consume, this is a reference to consumer behaviour trends (Subawa & Widhiasthini, 2020). The phenomenon of the incessant use of digital marketing was also addressed by Tiago & Veríssimo (2014), and Pelsmacker et.al. (2018) as a pattern of changing consumer behaviour, which requires companies to think about their marketing strategies by focusing on the digital domain through the use of social media. The practice of digital marketing is also a necessity in increasing the existence of Arak Bali in the era of disruption, as shown by a group of academics helping Arak crafters located in the village of Besan, Klungkung. Participating actively helps design an Instagram profile that can be utilised by Arak crafters to market their products. The expression of the informant who represented the academic group was as follows.

"We are moved to help Arak crafters to start utilising digital marketing so that Arak products, which they produce and are known for their purity, are widely known. When creating an Instagram profile, we prioritise the appearance of designs that can illustrate local wisdom, the Besan Village, such as using hill images to depict geographically located locations in hilly areas, coconut trees to emphasise the purity and authenticity of Arak products produced. The dominance of the colour green in the design represents a natural atmosphere, which we have listed to be able to provide a proper visualisation of the Arak produced by the Besan Village craftsmen”.

The initiative to design an Instagram profile which was carried out by the informant, got a positive response from the Arak crafters. They stated that all this time their smartphones were
only used for communication purposes. It was unthinkable to them, that the gadgets they had could be used to market the product. Another informant, a bar and restaurant entrepreneur, who sells various processed drinks made from Arak argues, "it is very good if the traditionally produced Arak is sold through social media, we, bar owners, must be looking wherever Arak is produced, because the production centre of Arak is only a little bit in Bali ". Regarding the digital marketing data, Stephen (2016) emphasised that marketing with social media can be identified on consumer digital culture, responses to digital advertising, the effect of digital environments on consumer behaviour, the cellular environment, and through word of mouth. Businesses have faced major changes due to the increasing trend of digitalisation, including changes in buying and selling behaviour (Ancilla et.al, 2019), Pagani & Pardo (2017), asserting that the impact of digitalisation comes from the adoption of digital technology related to the internet and its application. Related to this research, digital culture in Arak consumers has been formed, while digital culture among Arak crafters is still in the introduction stage. Indeed, digital marketing includes how consumers experience, influence, and are influenced by the digital environment as part of their daily lives. Optimal Pareto theory, can explain the phenomenon of the use of social media in marketing Arak. This effort is carried out in order to improve the economy by utilising economic resources appropriately in the form of a wider marketing network. One form of reality that occurred in the era of disruption, namely the use of assets through the use of smartphones, which have not been used for marketing activities. Marketing through social media is an element whose use is integrated in the business world (Felix et.al, 2017).

This was also confirmed by Petit et.al. (2017) that people more often buy and consume products through the use of social media, limited online sensory interaction, on the visual by utilising various virtual solutions and more and more interacting online. Subawa & Mimaki (2019) also confirm the existence of social media as a marketing platform is a step to determine e-marketplace. Furthermore, Subawa et.al. (2020) also confirms experiential marketing can be raised through marketing with social media.

Marketing migration from conventional to digital has also received the attention of local governments. The informant in charge of the Klungkung Regency Industry Office stated that the government highly appreciates the use of Instagram to market Arak produced by Besan Village crafters. The same thing was expressed by other government elements, namely the Village Head of Besan. The informant greatly appreciated the use of social media, indicating that the government had implemented Reinverting Government, as a form of transformation in the system and organisation of government in order to increase effectiveness, efficiency and innovate.
Innovation and Creativity

Arak Bali, which is currently recognised as one of the superior products, is ready to be marketed, consumed and even made as a concoction of drinks sold exclusively. This is the result of innovation obtained from a series of efforts and processes to develop Arak Bali into a variety of more varied flavours. High creativity is needed to mix various other beverage ingredients with Arak, so as to produce a new taste and appearance. Chapman & Hyland, 2004 believe that product innovation is an important requirement to realise competitive advantage. Sharma et.al. (2016) support that product innovation can increase market share. The informant who works as a bar and restaurant entrepreneur stated the following, "I and the team often conduct experiments to be able to make a variety of beverages with Arak products, it turns out that a favourite of tourists is" Pandanus Arak ", and" Jackfruit Arak ". Researcher observations also show the two variants are superior products that are sold in this bar. In addition, another informant, namely a bartender, said that the bartenders have made Arak one of the beverage mixes, a favourite of visitors and are sold exclusively in a small serving glass.

Ideally, innovation and creativity are also carried out by crafters, from changing packaging patterns and marketing through social media to be better known to the wider community. As part of a small-scale business, innovation and creativity must always be done. Lima & Müller (2017) argue that innovation also applies to small businesses. Then, confirmed by Falahat et.al. (2020), product innovation, price, and marketing communication are competitive advantages of small businesses. Hakanen et.al. (2017) states if a growing trend in the business world, is increasing customer closeness through product offerings and services. Actions that have been taken by several crafters are utilising social media, Instagram. Social media has become a promotional channel in order to distribute Arak products. Kim & Gilliland (2017) argues that distribution channels involve time and resources. Furthermore, Tran et.al. (2016) looked at the need for application of network analysis in distribution channels. This is also supported by funding sources, based on local wisdom, which come from the Village Credit Institutions (Subawa et.al, 2020).

The practice of innovation is not only completed by Arak crafters, and related private parties such as bar and restaurant entrepreneurs, and bartenders, but also becomes a practice in government activities. The open innovation model of Fetterhoff and Voelkel (in Dewanto, et.al, 2014) consists of looking for opportunities, evaluating potential development partners, capturing value through commercialisation, and expanding innovation offerings. Through the issuance of a Governor Regulation, which regulates Bali Arak as one of the creative economy commodities, the government has implemented an innovation model, looking for opportunities to increase the economic income of the community carried out by facilitating the development of Arak production, where previously Arak products have not been recognised as a superior product typical of Bali. The development of potential partners, is also achieved by opening
opportunities for the involvement of the private sector, to develop Arak Bali's marketing, as well as opening up opportunities for commercialisation to offer product innovation.

**Government and Community Response**

One important stage after the publication of public policy products, is the stage of policy implementation, which is rational, that is, it can be understood and the supporting factors are available. Policy implementation is also desirable, which involves the interests of many people and is expected to get support from various parties. It is at this point that the government's response, in its function as a regulator and facilitator, as well as the community's response, largely determines the success of policy implementation. Chang et.al. (2013) describe the response of the community is influenced by the ability of the community itself. In connection with the condition of Arak crafters who on average have low education, Arak's production skills are based on the knowledge they have received for generations.

Especially the pressure from various parties, which they have felt with their status as Arak crafters, limited production and distribution of Arak products, which are categorised as illegal. The observations of the researchers indicate the potential for the unpreparedness of the crafters, and the unpreparedness of the village government in coordinating the production, packaging, marketing and distribution of the Arak products. The high potential for price competition among artisans, because entrepreneurs must buy Arak products produced by crafters. Grossman (2005) provide attention to the economic side to suppress the price war. Pathak & Shelat (2017) also stressed the need to manage community interactions both in virtual, conventional and commercial aspects which is often the focus of the community. Schiavone (2012) argues the need to anticipate the emergence of resistance to technological change in the community, which was originally not based on technology. The need for attention to the contribution of various communities that pay attention to aspects of quantity, quality and originality of the product (Qin and Liang, 2019). The three results of the study, explain the activation of the position of Village-Owned Enterprises, managed by the village government, in accordance with the potential and needs of the village, as a form of response from the village government of Besan.

Village-Owned Enterprises facilitate the collection of Arak produced by crafters with the same product standard provisions, so that there is no difference in taste and guaranteed safety of the alcohol content. Then, packed with the use of labels or brands that have been registered, to facilitate branding and promotion. Utilisation of social media that has been prepared by academic groups can be followed up. Through these stages, the response of producers, governments, academics, entrepreneurs and the consumer community has actually materialised, to follow up on the issuance of the Governor's Regulation. This is in accordance with the scheme set by Wu and Li (2018) regarding public response to the stimulus-organism-response model, the exploration of the marketing mix component which is considered as a
stimulus, and consumer loyalty as a response to social media. Hummel (2018) argues that alcohol consumption patterns need to be externalised so that people can identify their side effects. Researchers argue, that this is part of social construction that uses an interdisciplinary approach. The externalisation process is carried out at the branding and promotion stages of Arak Bali products.

**Novelty**

The findings in this study, first, the implementation of Reinventing Government, namely the spirit of government entrepreneurship by exploring the source of the creative economy of society through the legality of the existence of Arak Bali products. As a form of transformation in government systems and organisations to increase effectiveness, efficiency and innovate. The second finding, the application of sharing economy and economy collaboration models among crafters, the government, and entrepreneurs in the development of the existence of Arak Bali products and this is an economic practice in the era of disruption.

**Conclusion**

The conclusion of this research is that the development of the existence of Bali wine in the era of disruption can be observed, first, that the legality of Bali Arak products is carried out by the government by issuing Bali Governor Regulation No. 1 of 2020, regarding the Management of Fermented Beverages or Distillation of Bali. The issuance of these regulations, provides legal certainty and guarantees crafters to carry out production, as well as the involvement of the private sector, government and academics to follow up cooperation in production, packaging, promotion, distribution, branding and other activities that can support the development of Arak Bali products. Second, product revitalisation and the use of digital marketing has been carried out in the marketing of Arak Bali. Revitalisation is done by compiling Standard Operating Procedures to standardise the production, packaging and labelling process of Arak Bali products, while digital marketing is done through the initiation of the introduction of social media especially Instagram to crafters. Third, innovation and creativity have emerged through the development of Arak Bali products into a variety of more diverse flavours, and innovations carried out by the private sector. Fourth, the response of the government and the community is realised through the activation of the Village-Owned Enterprises (VOE) position, which is managed by the village government in accordance with the potential and needs of the village. VOE facilitates the collection of Arak produced by crafters with the provisions of the same standardisation of products, packaging with the use of labels or brands that have been registered, to facilitate branding and promotion.
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1139


