



Micro, small, and medium enterprise (MSMEs) development strategy: Study on frozen food business in Palangka Raya City

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play an essential role in economic growth in Indonesia, including in Palangka Raya City. In this context, the frozen food business is an attractive MSME sector to study due to its excellent development potential. This study aims to identify the development strategies used by frozen food MSMEs in Palangka Raya City and the factors that influence the choice of these strategies. The research method used is qualitative with a case study approach. Data were collected through in-depth interviews with purposively selected owners and managers of frozen food MSMEs. The results show that frozen food MSMEs in Palangka Raya City use various development strategies, including product diversification, market expansion, and product quality improvement. Factors that influence the choice of development strategies include local market conditions, access to resources, and the level of competition. The findings imply that it is essential for MSMEs to understand the local business environment and adopt strategies that suit these conditions to improve their competitiveness and business growth.

Keywords: MSMEs, development strategy, frozen food, Palangka Raya, business growth.

Introduction

Since the beginning of the 21st century, micro, small, and medium enterprises (MSMEs) have become the pillar of the economy in many countries, including Indonesia (Firdausya & Ompusunggu, 2023). MSMEs do not contribute much to job creation but also play an essential role in economic growth (Dewi et al., 2022). Palangka Raya City, as one of the financial centers in Central Kalimantan, is no exception to this phenomenon. In the context of MSMEs, the frozen food business has become one of the sectors that attract the interest of many experienced and new entrepreneurs. Frozen food offers convenience in storage distribution and has broad market potential (Wahyudi et al., 2022). However, amid the increasingly fierce competition and various challenges faced by business actors, developing the right strategy is crucial to improving the competitiveness and business continuity of MSMEs in Palangka Raya City (Harianja et al., 2023).

In this research, we will conduct an in-depth study on the development strategy of micro, small, and medium enterprises (MSMEs), focusing on frozen food businesses in Palangka Raya City. We will explore various factors that influence MSME development, such as changes in consumer behavior, technology, government regulations, and other internal and external challenges businesses face. Therefore, we are interested in conducting research with the title "Micro, Small and Medium Enterprises (MSMEs) Development Strategy (Study on Frozen Food Business in Palangka Raya City), and through this research, we hope to provide valuable insights for MSME business people in Palangka Raya City, as well as provide strategic recommendations that can help them optimize the potential of their frozen food business. Thus, it is hoped that a more dynamic, innovative, and sustainable business environment can be created for MSMEs to contribute significantly to local economic growth and overall community welfare.

Literature Review

MSMES

Micro, Small, and Medium Enterprises are essential to a country's economic structure. MSMEs are defined based on the criteria of number of employees, turnover, and assets owned (Rinaldi et al., 2022). In fact, in some cases, micro-enterprises may only be run by one or two business owners. Nonetheless, their economic contribution can be significant due to the sheer number of MSMEs. MSMEs support a country's economic growth, job creation, and poverty alleviation (A. Munthe et al., 2023)

MSME activities can stimulate the growth of related sectors and create new investment opportunities (Giovanni et al., 2022). MSMEs can also generate employment opportunities for industries that large enterprises may not cover and help reduce unemployment rates. MSMEs enable access to income, improve welfare, and reduce socioeconomic disparities (Giovanni & Subianto, 2023). Despite their essential role, MSMEs also face several challenges that can hinder their growth and sustainability (Ruslaini, 2021).

Insufficient managerial abilities might hinder corporate growth. Their marketing efforts may be hindered by a lack of contemporary marketing methods and financial constraints. The Frozen Food Industry is one of the MSMEs with significant potential. The Frozen Food Industry is a vital component of the food business that is consistently undergoing growth and change. It is important to comprehend some dynamics of the frozen food sector (Nowak & Jakubczyk, 2020). Advancements in processing and storage technologies enable the production of novel frozen food products that are of superior quality and offer greater variety (Hu & Yao, 2022). Consumers' growing apprehension regarding the nutritional and health attributes of frozen food products is compelling the industry to create goods with improved formulations and high-quality raw materials (Hassoun et al., 2022).

The global frozen food sector is seeing substantial expansion, propelled by urbanization, hectic lives, and evolving dietary patterns (Singhvi & Menaria, 2020). The frozen food market is expanding its reach among many customer sectors, such as families with little leisure time, young professionals, and the elderly who need convenient meal options. The competition among frozen food brands is becoming more intense as companies strive to capture consumer attention by focusing on product innovation, quality, and pricing (Oliva et al., 2022). Price reductions and sales promotions are frequently employed tactics to entice consumers, particularly in the frozen food product sector, which directly competes with fresh food (Hecht et al., 2020).

The factors that influence consumer demand and preferences include: The convenience and efficiency of preparing frozen food products significantly impact consumer demand, particularly among individuals with hectic lifestyles. Consumers are becoming more concerned about the nutritional content of food, hence frozen food products that feature high-quality and nutritious components will be more appealing. The sensory attributes of frozen food products, including their flavor, texture, and scent, play a crucial role in appealing to consumers. Products that provide a gratifying gastronomic experience will be more appealing. Distinctive Marketing Strategy for Frozen Food Products. Strategically position frozen food products in stores and supermarkets to ensure sufficient product availability and an arrangement that captures consumers' attention. Implement compelling sales incentives, such as price reductions, complimentary items, or bundled offers, to captivate consumer interest and stimulate spontaneous purchases. Establishing a streamlined and dependable distribution network to guarantee convenient access for consumers to frozen food goods via both brick-and-mortar retail outlets and online shopping platforms (Melovic et al., 2020).

Business Development Strategy

A business development strategy is essential for the sustainability and success of a business (Barbosa et al., 2020). MSMEs must dare to innovate by updating existing products, adding new features, improving quality, or even creating new products (Jepri et al., 2023). The use of digital technology and social media helps maximize product promotion. Efficient financial management is also a key factor (Malesev & Cherry, 2021). Sound financial management will ensure business continuity and growth of MSMEs. Emphasis on product quality and customer service must also be considered. Appropriate technology implementation helps in business operational processes (Sani et al., 2023).

Product diversification strategy involves developing or acquiring new products or services that are different from those already in the company's portfolio (Villamil & Hallstedt, 2021). Differentiation strategy consists of creating an advantage that distinguishes the company's products or services from competitors in the eyes of consumers (Pavlović & Čelić, 2020). This could be through higher product quality, unique features, attractive design, or superior customer service. Companies can set higher prices and maintain a stable market share with successful differentiation.

Local Business Development Theory

Local business development refers to strategies and efforts to grow a business focusing on a specific regional market or region (Deller et al., 2020). It includes an in-depth understanding of the unique characteristics, culture, and needs of that local market and the customization of business strategies to meet demand and create added value for the local community (Mariska et al., 2023).

The significance of customizing strategies to match local market characteristics and requirements. Entrepreneurs can enhance consumer appeal and happiness by customizing their products and services based on local consumer needs, tastes, and trends (Vidili, 2021). Companies that possess a deep comprehension of the local culture and foster a positive rapport with the community can establish robust trust and loyalty, thereby garnering support from devoted clientele (Madubanya, 2023). Local firms that achieve success have the potential to make a substantial impact on economic growth through the creation of employment

opportunities, the augmentation of income levels, and the reinforcement of local supply networks (Ali et al., 2020). Concentrating on addressing specific requirements of the local market that other rivals may not fulfill well. Implementing environmentally and socially sustainable business strategies becomes more feasible when they are in harmony with the values and requirements of local communities.

Case Study 1: Local Culture-Based Tourism Industry Development

Previous research in Palangka Raya City shows that developing a local culture-based tourism industry can have great potential for economic growth and community development. Through an approach that promotes the Dayak cultural heritage and natural beauty of Central Kalimantan, local tourism ventures have successfully attracted tourists, created jobs, and increased local communities' income.

Case Study 2: Partnerships between Micro, Small and Medium Enterprises (MSMEs) and Local Farmers

Another study highlighted the importance of partnerships between MSMEs in the food sector and local farmers in Palangka Raya City. Through these partnerships, MSMEs can ensure a quality and sustainable supply of raw materials. At the same time, farmers can increase their income by selling their agricultural products to local businesses. Such partnerships support business growth and positively impact the local economy and community development.

Methodology

This study will adopt a qualitative approach to deeply understand the conditions, challenges, and opportunities MSMEs face in the frozen food business sector in Palangka Raya City. The qualitative approach will allow researchers to explore business owners' views, perceptions, and experiences directly (Gephart & Saylor, 2020). The population of this study is all MSMEs engaged in the frozen food business in Palangka Raya City. The sample will be selected through a purposive sampling technique, which will be based on inclusion criteria that include active MSMEs with experience in the frozen food business. The expected sample size will be sufficient to obtain a representative variety of different sizes, scales, and characteristics of MSMEs in the sector.

Data collection methods will utilize in-depth interview techniques and direct observation. Observation involves passive data collection by watching phenomena, while interviews are active, involving direct interaction with participants to gather information (Mirhosseini & Mirhosseini, 2020). Interviews will be conducted with business owners to gain in-depth insight into business conditions, challenges, and strategies implemented. Direct observation will be undertaken to understand operational practices and interactions with customers. The researcher uses a SWOT analysis approach (Strengths, Weaknesses, Opportunities, Threats) to analyze the data from the data collected. A SWOT analysis is a high-level strategic planning model that helps organizations identify where they're doing well and where they can improve, both from an internal and an external perspective (I. A. P. Munthe et al., 2024). SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. This analysis will involve identifying internal factors (strengths and weaknesses) and external factors (opportunities and threats) that affect MSMEs in the frozen food business in Palangka Raya City. Qualitative data

obtained from observations and interviews will be coded, categorized, and thematically analyzed to find patterns, trends, and significant findings (Spencer et al., 2021).

Results And Discussion

In this section, researchers will discuss the results of interviews with frozen food business owners in Palangka Raya City regarding micro, small, and medium enterprise (MSME) development strategies. The interviews were conducted to gain an in-depth understanding of the challenges, marketing strategies, product innovation, and business prospects in the frozen food industry at the local level. Through these interviews, researchers were able to explore various aspects that are the key to success in running this business and evaluate the potential and obstacles faced by business actors. A SWOT analysis was then conducted to identify strengths, weaknesses, opportunities, and threats relevant to developing the frozen food business in Palangka Raya City.

The strengths lie in the diversification of marketing strategies. Utilizing both offline and online marketing methods, particularly through social media platforms, facilitates the engagement of diverse target segments. Their primary focus is on upholding product quality by utilizing high-quality raw materials, without compromising on food quality to make price adjustments. Additionally, their strategy to develop the business by seeking out resellers demonstrates the possibility of expanding their distribution network. The weaknesses of relying on freezer machines in enterprises include susceptibility to technological malfunctions that can disrupt both the production and storage of products, instability in income generation, and the requirement for careful consideration in setting product selling prices, all of which can impede firm profitability. Engaging in competition with other merchants who offer lower pricing necessitates a meticulous approach to sustain competitiveness.

The opportunities exist. The fast-paced lifestyle of metropolitan communities in Palangka Raya City creates a favorable environment for the growth of convenient and quick frozen food products. The drive to innovate and introduce new products has the potential to increase market presence and attract a wider range of consumers. The identified risks or potential dangers are: To remain competitive in a market with strong competition, it is necessary to have a well-defined plan. Financial constraints and dependence on freezers can hinder the ability to adapt to market changes or make necessary investments for business growth.

Conclusion

Based on the SWOT analysis results from interviews with three frozen food business owners in Palangka Raya City, there is significant potential for developing this micro, small and medium enterprise (MSME). Although there are some challenges, such as dependence on freezer machines and price competition, with a diversified marketing strategy, maintenance of product quality, and motivation for new product development, opportunities for growth remain open. By considering the strengths and opportunities and addressing the weaknesses and threats, business owners can implement effective strategies to expand and improve the success of their frozen food business in Palangka Raya City.

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