



SWOT-BASED MARKETING STRATEGY FORMULATION TO IMPROVE MICRO-ENTERPRISE COMPETITIVENESS

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Abstract

Micro-enterprises play a vital role in supporting the national economy, especially in creating jobs and driving the local economy. However, amidst the increasingly dynamic market competition, many micro-entrepreneurs have difficulty increasing their competitiveness, especially in terms of marketing. This study aims to formulate a relevant and applicable marketing strategy for micro-entrepreneurs, using a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis approach. The research method used is descriptive qualitative with a case study of culinary entrepreneurs in City X. Data were collected through direct observation, in-depth interviews, and documentation of business activities. The results of the study indicate that a SWOT-based strategy—which includes the SO, ST, WO, and WT approaches—can help entrepreneurs design more targeted, innovative, and adaptive marketing steps to existing challenges. Recommended strategies include marketing digitalization, improving product quality, and collaborating with communities and other entrepreneurs. This approach not only strengthens the position of micro-enterprises in competition but also provides new hope for the sustainability and growth of their businesses in the future.

Keywords: marketing strategy, SWOT, competitiveness, micro business, UMKM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have long been the backbone of the Indonesian economy. Their contribution is not only seen from the number of business units that dominate more than 90% of the national business structure, but also from their strategic role in creating jobs, reducing unemployment rates, and distributing income more evenly to all levels of society. Even in the midst of an economic crisis, MSMEs have proven to be resilient and capable of savior the domestic economy.

However, in the midst of the era of globalization and the industrial revolution 4.0 which is full of challenges and uncertainties, many micro business actors face great pressure. Business competition does not only come from local actors, but also from large companies, foreign products, and rapidly growing digital businesses. The tight competition is a real challenge for micro business actors to survive, let alone develop.

One crucial aspect that often becomes a weak point is marketing strategy. Many micro businesses still rely on conventional methods, do not understand modern consumer behavior, and

have not been able to utilize digital technology optimally. In addition, limited capital, human resources, and access to information make innovation in marketing difficult to realize.

In this context, marketing strategy is no longer just an effort to introduce a product, but becomes an important instrument to build an image, form customer loyalty, and expand market reach. Therefore, a comprehensive and targeted approach is needed in formulating a marketing strategy, one of which is through SWOT analysis (Strengths, Weaknesses, Opportunities, Threats).

SWOT analysis allows business actors to identify internal and external conditions objectively, and from there can develop strategies that are in accordance with strengths, improve weaknesses, take advantage of opportunities, and anticipate threats that may arise.

This study focuses on micro-enterprises in the culinary sector in City X, which is one of the sectors that is growing rapidly but also faces very tight competition. This sector has its own uniqueness in terms of products, local culture, and consumer trends, so it requires a marketing strategy that is not only creative, but also relevant and adaptive to change.

With a qualitative approach and SWOT analysis, this study aims to formulate a marketing strategy that is not only theoretical, but also applicable and in accordance with real conditions in the field. The results of the study are expected to be a practical reference for micro-business actors in formulating strategic steps that can increase their competitiveness sustainably.

LITERATURE REVIEW

1. Marketing Strategy

According to Kotler and Keller (2016), marketing strategy is a managerial process that aims to identify, anticipate, and fulfill consumer needs and desires in a way that is profitable for the company. This strategy not only focuses on how a product or service is introduced and sold to the market, but also includes how the company can create sustainable value for customers, resulting in loyalty and competitive advantage.

Marketing strategy begins with the market segmentation process, which divides the market into groups of consumers who have similar needs, characteristics, or behaviors. After that, the company does targeting, which is choosing the most potential market segment to serve. The next step is positioning, which is how the company wants its products or services to be perceived by consumers in their minds — different and superior compared to competitors.

To realize all this, the company designs and implements a marketing mix, known as the 4Ps:

- **Products**(product): creating goods or services that suit the needs of the target market.
- **Price**(price): determine competitive prices but still provide a profit margin.
- **Place**(place/distribution): ensuring product availability in places that are easily accessible to consumers.

• **Promotion**(promotion): conveying the value of the product to the market through appropriate media such as advertising, sales promotions, and digital marketing.

Thus, marketing strategy is not just a sales activity, but a structured and strategic approach to creating a long-term, mutually beneficial relationship between the company and consumers. In the context of micro-businesses, the right marketing strategy can be a key tool to increase competitiveness, expand the market, and maintain the existence of the business in the long term.

2. SWOT Analysis

SWOT Analysis is one of the most popular and widely used strategic analysis tools in business planning and strategic management. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. According to Gürel & Tat (2017), SWOT analysis is used to identify and evaluate internal and external factors that can affect the success of an organization, including micro-enterprises.

In this context, Strengths and Weaknesses refer to internal factors that originate from within the organization. Strengths include competitive advantages, unique resources, expertise, customer networks, or product quality that can be leveraged to support goal achievement. Meanwhile, Weaknesses are limitations or deficiencies in organizational structure, operations, human resources, or finances that can hinder business progress.

Opportunities and Threats refer to external factors that are beyond the control of the organization. Opportunities are external environmental conditions that can be utilized to develop a business, such as technological developments, market trends, supportive regulatory changes, or partnership opportunities. On the other hand, Threats are challenges from the external environment such as tight competition, changes in consumer tastes, economic crises, and disruptions in the supply of raw materials that can threaten business continuity.

The strength of SWOT analysis lies in its ability to provide a comprehensive understanding of the current business position, while also being the basis for formulating more appropriate and relevant strategies. Through the preparation of the SWOT matrix, business actors can develop four main types of strategies:

- **SO Strategy (Strengths-Opportunities):** leveraging internal strengths to seize external opportunities.
- **ST Strategy (Strengths-Threats):** using force to overcome or avoid threats.
- **WO (Weaknesses-Opportunities) Strategy:** improve weaknesses in order to be able to seize opportunities.
- **WT Strategy (Weaknesses-Threats):** a defensive strategy that focuses on minimizing the risk from weaknesses and threats simultaneously.

With this approach, SWOT analysis not only acts as a tool for diagnosing situations, but also as a practical guide to formulating strategies, especially in decision-making in the micro-business sector which often faces resource constraints.

3. Micro Business

Micro business is one of the main pillars in the structure of the national economy. Based on Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), micro businesses are defined as productive businesses owned by individuals and/or individual business entities that meet certain criteria, such as having assets of a maximum of IDR 50 million (excluding land and buildings for business premises) and an annual turnover of a maximum of IDR 300 million. In addition, micro businesses are usually run independently, involve a very limited number of workers, and generally do not have a complex management system.

The existence of micro-enterprises is widespread in various economic sectors, ranging from trade, culinary, handicrafts, services, to agriculture. The great potential of micro-enterprises is not only seen from the number of business units that dominate the structure of MSMEs in Indonesia, but

also from their contribution in absorbing informal labor and strengthening the economy of families and local communities.

Despite their great potential, micro businesses are often in a vulnerable position. Some of the main challenges faced include limited access to capital, low managerial and financial literacy, and limited use of information technology. In addition, marketing issues are also a significant obstacle. Many micro business actors do not yet have a planned marketing strategy, do not understand market segmentation, and still rely on word-of-mouth promotion methods.

This condition is exacerbated by the lack of understanding of changes in consumer behavior, especially in the digital era that demands adaptation to technology, such as marketing through social media, e-commerce, and digital branding. As a result, many micro businesses have difficulty maintaining the sustainability of their businesses amidst increasingly tight competition.

Therefore, it takes the right managerial and strategic approach to strengthen the competitiveness of micro businesses, one of which is through the development of a marketing strategy based on a comprehensive situational analysis such as SWOT. This effort can help micro business actors understand their position in the market, optimize their potential, and respond to challenges in a more adaptive and innovative way.

RESEARCH METHODS

This study uses a qualitative descriptive approach with a case study method. The location of the study was 5 micro-entrepreneurs in the culinary sector in City X.

Data collection technique:

In qualitative research, data collection aims to gain a deep understanding of the phenomena being studied, including the social context, behavior, and strategies applied by the research subjects. This study uses three main techniques in collecting data, namely:

• In-depth Interviews with Business Owners

In-depth interviews were conducted face-to-face with micro-business owners who were the subjects of the study. The purpose of this technique was to gain direct information about their experiences, views, strategies, and challenges they face in running their businesses, especially in terms of marketing. The questions in the interviews were open and flexible, allowing researchers to explore more deeply things that might not appear in closed questionnaires. This technique also helped to obtain contextual and subjective data according to the reality experienced by business actors.

• Observation of Business Activities

Observation is done by directly observing business activities at the location, such as production processes, how to serve customers, promotion methods, product displays, and interactions with the surrounding environment. This observation is non-participatory, where researchers are not directly involved in business activities, but act as observers. The goal is to obtain factual data on real behavior in the field that is sometimes not explicitly expressed in interviews. Observation is also useful for validating information obtained from interviews.

• Documentation of Marketing Profiles and Strategies that Have Been Implemented

Documentation techniques are carried out by collecting various documents or written or visual evidence that are relevant to the research object. Examples include promotional brochures, product photos, business social media accounts, customer testimonials, sales reports, or previously compiled business profiles. These documents help strengthen primary data from interviews and observations,

and provide a more complete picture of how marketing strategies are implemented by micro-entrepreneurs.

Data

analysis:

In this study, data collected through interviews, observations, and documentation were analyzed using the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis approach. This analysis technique was chosen because it is able to provide a comprehensive picture of the internal and external conditions of micro-enterprises, as well as being the basis for developing realistic and applicable marketing strategies.

The stages of data analysis are as follows:

1. Identification of Internal Factors (Strengths and Weaknesses)

The first stage is to identify internal factors originating from within the business environment itself. Information is obtained from interviews and direct observation of business activities.

- **Strengths** are advantages or positive potentials that a business has, such as product quality, strategic location, good relationships with customers, or the use of cheap local materials.
- **Weaknesses** are limitations or deficiencies that can hinder business development, for example lack of promotion, limited capital, or the absence of strong branding.

These internal factors indicate the capabilities and limitations that business owners must understand as a basis for decision making.

2. Identification of External Factors (Opportunities and Threats)

The second stage is to identify external factors, namely conditions outside the business that can affect business continuity, both positively and negatively.

- **Opportunities** covers various things that can be utilized by business actors to develop their business, such as supportive market trends, easy access to digital technology, pro-MSME government policies, or changes in consumer lifestyles.
- **Threats** includes external factors that can harm or hinder a business, such as high competition, rising raw material prices, regulatory changes, or economic crises.

Identification of external factors is carried out to help business actors prepare appropriate anticipatory steps in response to a changing business environment.

3. Preparation of SWOT Matrix (SO, ST, WO, WT Strategy Formulation)

After the internal and external factors have been successfully identified, the next step is to compile a SWOT Matrix, which is a visual aid for designing strategies systematically. This matrix consists of four main cells containing strategy formulations based on a combination of SWOT factors, namely:

- **SO Strategy (Strength-Opportunity):** Leveraging internal strengths to seize external opportunities. Example: using the uniqueness of food flavors to promote through social media.
- **ST Strategy (Strength-Threat):** using internal strengths to overcome or reduce the impact of threats. Example: building loyal relationships with repeat customers to stay competitive amidst the rise of franchises.
- **WO (Weakness-Opportunity) Strategy:** overcome weaknesses by taking advantage of available opportunities. Example: taking digital marketing training to overcome the lack of online promotion.

- **WT Strategy (Weakness-Threat):** survival strategy, which is minimizing weaknesses and avoiding threats simultaneously. Example: improving production cost efficiency to survive amid market price pressures.

1. Main Concept of Research

This research is built on the relationship between internal and external conditions of micro-enterprises with the formulation of marketing strategies, which aim to increase competitiveness.

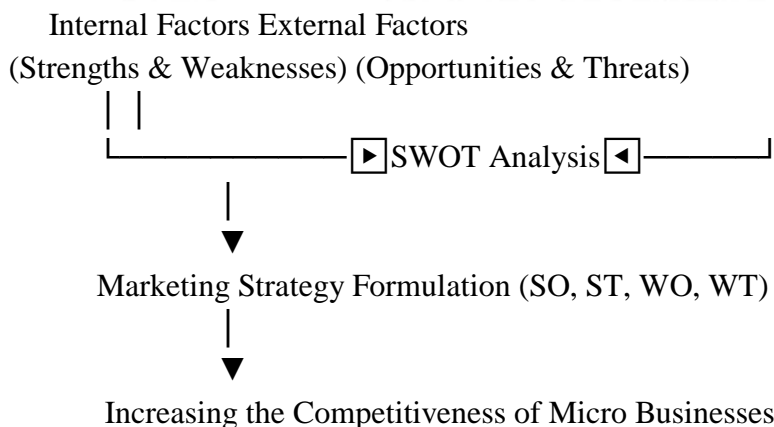
2. Key Variables and Concepts

No.	Variables / Concepts	Information
1.	Internal Factors (Strengths & Weaknesses)	Internal conditions of MSMEs such as product quality, customer loyalty, limited capital, lack of promotion
2.	External Factors (Opportunities & Threats)	External factors such as market trends, digital opportunities, competition, changes in raw material prices
3.	Marketing Strategy (SO, ST, WO, WT)	SWOT combination strategy that is adjusted to the conditions of MSMEs
4.	Competitiveness of Micro Businesses	The ability of MSMEs to compete sustainably through product differentiation, market visibility, and strategic advantages

3. Relationship between concepts (logic flow)

1. **Analysis of internal and external factors** conducted through interviews, observation, and documentation.
2. Data was analyzed using the SWOT framework to identify the strategic position of the business.
3. A marketing strategy formulation (SO, ST, WO, WT) was formed based on a combination of SWOT.
4. The formulated strategies are used to increase the competitiveness of micro-enterprises, both in terms of market visibility, efficiency, and customer loyalty.

4. Conceptual Framework Diagram (Descriptive)



5. Brief Explanation

Through understanding the internal and external conditions of micro businesses, the right marketing strategy can be formulated. The SWOT approach allows for the adjustment of strategies that are not only realistic but also applicable. This strategy will later increase the competitiveness of MSMEs in the midst of dynamic competition, especially in the digital era.

Research Results and Discussion

The study was conducted on 5 micro-entrepreneurs in the culinary sector in City X with the following criteria: the business has been running for at least 2 years, has a maximum of 5 employees, and is not part of a franchise. The types of products sold include traditional snacks, ready-to-eat foods, and locally-based contemporary drinks.

General data obtained:

- Average turnover per month: Rp3,500,000 – Rp10,000,000
- Dominant promotional media: word of mouth
- Most of them do not have a logo or branded packaging yet.
- Only 1 in 5 businesses are actively using social media

B. SWOT Identification Based on Interview and Observation Results

The results of interviews and observations were analyzed based on SWOT dimensions:

SWOT Factors	Field Findings
Strengths	The product taste is distinctive and liked by customers, raw materials are easy to get and cheap, local customer loyalty
Weaknesses	Promotion is very limited, no branded packaging, small production capacity, not yet familiar with digital marketing
Opportunities	Increasing trend of local food consumption, government support for MSMEs, easy access to social media
Threats	Competition in the culinary business is very tight, the price of basic ingredients is rising, consumer tastes are changing rapidly

C. Preparation of SWOT Matrix

Based on the identification results above, the following strategy formulation was obtained:

Combination Strategy	Strategy Design
SO	Leveraging unique tastes and customer loyalty to build digital promotions through local social media
ST	Emphasizing traditional and local values to compete with franchise products and reduce the threat of market homogeneity
WO	Taking free MSME and digital marketing training from the government, creating simple packaging and logo designs
WT	Manage cost efficiency and limit production according to demand to avoid losses due to competition and price increases.

D. Strategy Mapping Based on SWOT Score (Internal-External Score)

From the results of the interviews and thematic coding, each factor was given a perception score based on the frequency and intensity of the answers:

SWOT Score Table (Likert Scale 1–5):

Factor	Score Value	Weight (%)	Weight Score x
Distinctive taste (S1)	4.8	20%	0.96
Customer loyalty	4.4	15%	0.66
Weak promotion (W1)	4.6	20%	0.92
No branding	4.2	15%	0.63
Local culinary trends	4.3	15%	0.645
Social media access	4.7	10%	0.47
High competition	4.5	5%	0.225
Price of materials increases	4.0	5%	0.20

Total Internal Value (SW): $0.96 + 0.66 - 0.92 - 0.63 = +0.07$

Total External Value (OT): $0.645 + 0.47 - 0.225 - 0.20 = +0.69$

The results show that micro-enterprises are in quadrant I (aggressive strategy), meaning they have sufficient strength to take advantage of opportunities.

E. Data Validity Test (Triangulation)

To ensure the validity of the data, triangulation of techniques and sources was carried out, namely:

1. Triangulation Techniques:

- Comparing interview results with direct observations (for example, the owner states that he has many regular customers, and this is confirmed by observing the crowds during meal times).
- Documentation (outlet photos, packaging, social media screenshots) is used to support claimed promotional data and strategies.

2. Triangulation Source:

- Information was confirmed with loyal customers and one party from the X City UMKM Service who was aware of the marketing training program.
- Data was also validated from two other micro-businesses in the culinary sector that were not core respondents.

Data Validity Test Table: Triangulation of Techniques and Sources

No.	Tested Data	Interview Source	Direct Observation	Documentation	Validity Conclusion
1	Business has regular and loyal customers	Business owners say regular customers come every day	It was seen that consumers came repeatedly during the observation.	Customer testimonials on social media	Valid
2	The product has a distinctive taste	Owners and customers call	Different products from competitors in	Reviews on Google Maps say “unique and delicious”	Valid

	and is different from competitors.	the taste distinctive	similar locations		
3	Not having a clear branding strategy and logo	The owner claims he doesn't have a logo or branded packaging yet	Products are sold in plain packaging without any business identity.	No logo/identity found on social media	Valid
4	Not actively using social media for promotion	The owner stated that he did not understand social media	There was no digital marketing activity observed	Instagram account last active 6 months ago	Valid
5	There is an opportunity to take part in UMKM training from the government	The owner knows but has not participated	No training materials found at business location	The UMKM Service confirmed that the program exists	Valid – opportunity not yet exploited
6	Raw materials are easy to obtain and cheap	The owner said he got it from the local market.	Raw materials are stored in large quantities in the business kitchen.	Monthly purchase list from local market	Valid

Information:

- **Triangulation technique:** comparison between interviews, observations, and documentation for one type of data.
- **Source triangulation:** comparison from various sources (owners, customers, agencies, etc.).
- **Validity conclusion:** is considered valid if the results from at least two techniques/sources support the same information.

The results of the SWOT analysis in this study indicate that micro-entrepreneurs in the culinary sector in City X have quite strong internal potential, especially in terms of product quality and close relationships with consumers. Distinctive taste, affordability, and personal relationships between entrepreneurs and customers are the main capital that consistently appears in observation and interview data.

This finding is in line with Raharjo's (2021) research which states that "unique taste and personal approach in service" are the main strengths of culinary MSMEs in Indonesia in retaining customers. However, as also found in this study, this potential is often not developed optimally due to limited resources and lack of managerial insight, especially in the aspect of digital marketing.

Problems in innovation and branding, as well as minimal use of digital technology, are the main obstacles that hinder the expansion of the micro-business market. This is reinforced by a study by Putra and Lestari (2020) which shows that the majority of MSMEs in the food sector do not yet have a strong brand identity and only rely on conventional promotions. This makes their competitiveness weak, especially when competing with franchise businesses or digital business actors who are more aggressive in marketing.

In the context of SWOT, the most relevant strategies to implement based on the results of this study are the SO (Strength–Opportunity) strategy and the WO (Weakness–Opportunity) strategy.

- **SO Strategy** encourage business actors to optimize their internal strengths, such as distinctive taste and consumer loyalty, by taking advantage of external opportunities in the form of local consumption trends and digital media access. The implementation of this strategy has proven effective in Suryani's (2022) study which found that MSMEs that digitized promotions experienced an increase in sales of up to 30% in six months.

- **WO Strategy** emphasizes the need to address internal weaknesses, such as lack of branding capabilities and digital skills, by utilizing external opportunities in the form of training from the MSME office or business community. According to Fitriani & Nugroho (2021), digital marketing mentoring and training programs by local governments have been proven to help MSMEs improve their online promotion skills and expand their market reach.

Adoption of digital technology, such as the use of social media (Instagram, TikTok, Facebook) and instant messaging platforms (WhatsApp Business), is now a necessity. In the post-pandemic era, consumers tend to be more active on digital platforms to search for product and service information. This confirms the view of Kotler and Keller (2016) that an effective marketing strategy must be able to connect the internal advantages of the business with external market opportunities strategically and adaptively.

In addition, these results also strengthen the relevance of the SWOT model as a simple yet effective strategy formulation tool, especially for micro-entrepreneurs who do not yet have a managerial educational background. In the research of Gürel & Tat (2017), SWOT is considered a flexible and applicable approach, because it can be adjusted to the scale of the business and local conditions.

The practical implication of this discussion is that micro-entrepreneurs must begin to shift from conventional operational patterns to a more systematic managerial approach, including in developing marketing strategies based on data and situational analysis. Digitalization, although challenging, offers great opportunities for business growth and sustainability.

Conclusion and Suggestions

Conclusion:

SWOT-based marketing strategy formulation is effective in helping micro businesses develop strategies that are in accordance with internal and external conditions. This approach provides clear direction in managing strengths, overcoming weaknesses, exploiting opportunities, and facing market threats.

Suggestion:

1. Micro-business actors should start utilizing digital technology for marketing.

2. The government and MSME communities need to provide regular marketing strategy training and assistance.
3. Further research needs to be conducted for other MSME sectors to generalize the strategy.



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