

## Horizontal Product Diversification Strategy to Increase the Competitiveness of MSMEs

Sri Hariyanti<sup>1\*</sup>, Sudarmiati<sup>2</sup>, Ludi Wishnu Wardana<sup>3</sup>  
Universitas Negeri Malang

**Corresponding Author:** Sri Hariyanti [sri.hariyanti.2304139@students.um.ac.id](mailto:sri.hariyanti.2304139@students.um.ac.id)

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### ABSTRAK

The development of the culinary business in Indonesia is increasingly rapid and diverse in meeting the increasingly complex needs of society in line with changes in life style. Companies/MSMEs are required to be able to fulfill consumer requests or desires, so that they can compete, efforts need to be made to increase product quality and variety (horizontal diversification of products) in order to produce products that consumers are interested in. This research aims to find out how the horizontal product diversification strategy is implemented at CV.Bolu Ketan Minister of Forestry and to determine the increase in CV's competitiveness. Minister of Forestry's Sticky Rice Bolu after implementing a horizontal product diversification strategy. Therefore, a qualitative approach is used to determine the condition of natural objects, where the researcher is the key instrument. The results of this research show that CV. Bolu Ketan Mendhut has implemented a horizontal product diversification strategy so that it has many flavor variants in its products and various sizes to meet consumer demand and from implementing this strategy it has apparently increased its competitiveness among its competitors.

## **INTRODUCTION**

The development of the culinary business in Indonesia is increasingly rapid and diverse in meeting the increasingly complex needs of society in line with changelife style. Culinary business people offer various concepts, shapes and flavors that are useful for pampering the taste buds of culinary lovers. Various types of food and drinks are offered at varying prices according to the target market.

Micro, Small and Medium Enterprises (MSMEs) are a form of productive activity owned by individuals/business units and usually operate within the scope of trading activities which have various characteristics. (Amri, 2020), MSMEs have an important role in the economic growth of a country. Therefore, there is a need for support for MSMEs so that they can increase productivity and be able to be competitive in facing market competition.

Companies are required to be able to fulfill consumer requests or desires, in order to compete there needs to be efforts to improve quality in order to produce products that consumers are interested in. Furthermore

Consumers will decide whether or not to buy a product if the product is superior to other products. To create products with selling value and high competitiveness, in the innovation process companies must find the right strategy. Therefore, companies must make optimal use of their resources and carry out product development in order to maintain the company's survival. Entrepreneurs are required to be able to recognize changes in current and future conditions when selling products. Apart from that, entrepreneurs must also understand what consumers want and need, when and where they need it.

According to Philip Kotler and Gary Armstrong, product development is a strategy for company growth by offering new or modified products to current market segments. Developing product concepts into physical products to ensure that product ideas can be transformed into products that can be realized (Temmy Wijaya & Ana Magfiroh, 2018).

One company that must be able to compete with other companies is the snack food business, namely brownie cakes. Brownie cake is a cake with a soft and dense texture, blackish brown in color and has a distinctive chocolate taste (Suhardjito, 2006). This processed food is widely liked by children, teenagers and even the elderly because of its dominant delicious chocolate taste and soft texture. In general, these brownies don't last long, and only last a few days. However, these brownies cannot be consumed for a long period of time because they do not last long and only last a few days. However, now there are crunchy brownies or what are commonly known as brownie chips.

CV. Bolu Ketan Mendut is one of the MSMEs owned by Mr. Jalian Setiarso which produces brownie chips. The location is at pDian Regency house, Jl. Raya Nusantara No. 151, Tropodo Wetan, Tropodo, District. Waru, Sidoarjo Regency. These brownie chips are packed with attractive packaging so many people like it.

Based on observations in the field, in the development process of CV. Bolu Ketan Mendut has developed several of its products with new variants and different sizes to meet consumer demand. From several brownie chip

products produced has been successfully exported to various countries including Hong Kong, Türkiye, Australia, Singapore and Japan. This indicates that This company is able to compete both in the domestic and domestic markets international.. In carrying out this development strategy, you must: carried out in accordance with the concept of marketing in Islam (Marketing Sharia).

From the background description above, researchers are interested in conducting research entitled Horizontal Product Diversification Strategy in Increasing the Competitiveness of MSMEs. The aim of this research is to find out the horizontal product diversification strategy at CV. Sponge

Ketan Mendhut and how the product horizontal diversification strategy improves competitiveness in CV. Mendhut sticky sponge.

## LITERATURE REVIEW

### **Strategy**

#### Understanding Strategy

Each strategy supports each other so that it becomes a solid unit that is able to make the agency or organization strong and able to survive amidst competition. In a good strategy there is team coordination, the theme of identifying rationally appropriate supporting factors, efficient funding and effective tactics in achieving goals (Tjiptono, 2000).

Strategy is an important thing in the direction that will be taken to achieve the goal. The company's strategy really depends on the objectives, circumstances and existing environment. Meanwhile, marketing's task is to recognize opportunities, buildbrand new and create demand. According to Freddy Rangkuti, strategy is explained as a tool to achieve company goals in terms of long-term goals, follow-up programs, and resource allocation priorities (Rangkuti, 2008).

### **Product Diversification**

#### 1) Understanding Product Diversification

Diversification is the expansion of products, both goods and services, in order to increase company growth, sales and profits. This diversification is a business operational strategy that is often used, so that the profits obtained by the company increase.

Apart from that, it is also an effective strategy for minimizing business risks. If a business is too dependent on one type of product or target market, it may face greater risks if it is less successful in the market.

By offering several types of products or services that target different market segments, a business will have a greater chance of success. Not only that, if a product or service fails on the market, the income and profits from other products can cover the losses experienced.

#### Types of Diversification Strategies Based on Target Market

Based on the target market, the diversification strategy is divided into two, namely.

## 2. Vertical Diversification

Vertical diversification is a form of expansion strategy that creates products with different levels of use, but which are still related and complementary to each other.

## 3. Horizontal Diversification

Horizontal diversification is an expansion strategy that creates a variety of similar products but different in size, target market and brand.

### Benefits of product diversification

1. Reduce the risk of loss if demand for one of the productions decreases.  
With the production of other products, these losses can be covered by profits from other products that are currently selling well. This makes business people less dependent on just one product.
2. It is possible to reach new markets, because the products produced vary with different customer preferences.
3. Can increase company profits, both from sales and investment.
4. Can meet the needs of more customers with diverse market segments.
5. Opens up more job opportunities because many new workers are needed to help with the goods production process.
6. Add new insights into all aspects of the new product.
7. Provide added value and credibility to products and companies.
8. Protect the company from intense market competition.

### Competitiveness

#### 4. Understanding competitiveness

Competitiveness has an important role in determining whether a business or company is profitable, barely profitable, or even loses or fails. Competitiveness is a concept that refers to commitment to market competition in the case of companies or industries and success in international competition in the case of countries (Fitriati, 2015).

Another definition of competitiveness has been provided by the Institute of Management Development (IMD). They explain competitiveness as a country's ability to create and maintain a sustainable business competition environment.

Competitiveness is a concept that compares the ability and performance of companies, subsectors or countries in selling and supplying goods and services offered on the market.

Competitiveness is productivity which is defined as the product created by labor. According to the World Economic Forum, national competitiveness is the ability of the national economy to achieve high and sustainable economic growth. Competitiveness is determined by the competitive advantage of a company and is highly dependent on the relative level of available resources or what we usually call competitive advantage. Porter explains the importance of competitiveness because of three things: (1) encouraging productivity and improving independence, (2) can strengthen economic capacity, both in the context of the regional economy and the number of economic entities, so that

economic growth increases, (3) believe that market mechanisms produce greater efficiency (DR. Ir. Ahmad, 2020).

From the definition above, it can be concluded that competitiveness is a company's ability to position its company so that it is superior to others in improving company performance which is useful for showing the company's superiority and success.

#### 5. Factors that influence competitiveness

There are several factors that influence competitiveness, namely (Kasmir, 2014):

##### a) Location

Determining a business location is very important for business continuity. The location or location of the business is very important to meet customer needs when visiting.

##### b) Price

Price factors influence and determine the decisions taken by consumers to buy or not a product or service.

##### c) Service

Service refers to management actions related to consumer comfort, for example facilities, friendliness, employees, lighting, and comfortable parking, etc.

##### d) Quality or Quality

Product quality determines the size of the opportunity to win market competition. A company is said to have competitiveness if it is able to produce quality products according to market demand.

##### e) Promotions

The more often promotions are carried out, the more consumers will know and be interested in a product. Advertising can be done through various advertisements, whether on social media, electronics or other networks.

A company is said to have a competitive advantage if it has something that its competitors do not have, does something better than other companies, or can do things that other companies cannot do (Lathifah, 2019). According to Porter, there are two basic types of competitive advantage: edge cost and differentiation advantages. Competitive advantage occurs when a company can produce the same product as its competitors at lower costs (cost advantage) or when the company can produce products or services that are differentiated and better than the products or services produced by competitors (differential advantage). Competitive advantage will allow a company to create more value for customers and generate higher profits. (Susanto, 2014).

Cost advantage and differentiation advantage is called positional advantage because it can position the company as an industry leader in terms of cost or differentiation. There is also a perspective that sees competitive advantage from the perspective of available capabilities and resources. This display is called a resource-based display. (Susanto, 2014).

## **METHODOLOGY**

In this research, a qualitative research approach is used, namely a research method used to examine the condition of natural objects, where the researcher is the key instrument. The data analysis carried out was inductive based on facts found in the field and then constructed into theoretical concepts (Sugiyono, 2017).

The descriptive method is a method used to study the status of a group of people, an object, a set of conditions, a system of thought or a class of events in the present, descriptive research is not intended to test a particular hypothesis, but only describes "what is" about a variable, symptoms, or circumstances (Prastowo, 2012). The data collection techniques used were interviews, observation and documentation.

This research will be carried out at CV. Bolu Ketan Mendut Dian Regency Housing, Jl. Raya Nusantara No. 151, Tropodo Wetan, Tropodo, Waru District, Sidoarjo Regency.

## **RESEARCH RESULT AND DISCUSSION**

Horizontal Product Diversification Strategy at CV. Mendut Sticky Rice Cake Every company must face competition. To face competition, maximum and sustainable efforts are needed which aim to produce something better now and in the future (Temmy Wijaya & Ana Magfiroh, 2018). Product development activities through horizontal product diversification are one of the ways companies use to face competition and maintain and increase competitiveness. Philip Kotler and Gary Armstrong say that product development is a strategy to develop a business by offering products or modifying them for current market segments. Developing product concepts into physical products to ensure that product ideas can be transformed into realizable products (Armstrong, 2006). Every company definitely has a way to develop its products, and so does CV. This Mendut Sticky Rice Cake.

In accordance with the data obtained, the product development strategy carried out by CV. Bolu Ketan Mendut is a horizontal diversification of products to adapt to market conditions and demand. At first it was only the original sticky rice brownie chips product, then in the following year it added flavor variants, namely cheese, nuts and chocolate chips. Then in 2021 CV. Mendut Sticky Rice Bolu adds a variant of sticky rice brownie chips low sugar and egg less. In terms of size, there has also been development, initially only measuring 70 grams, then adding products measuring 20 grams. This sticky rice brownie chips product has been successfully exported abroad, including Hong Kong, Turkey, Australia, Singapore and Japan. However, for variants low sugar and egg less only to meet requests from Australia and Japan.

Table 1. CV Product Variations. Mendut Sticky Rice Cake

No	Product	Size	Flavor Variants	Price
1	Sticky Rice Brownie Chips	70 gr	Original	Rp. 11.000
			Choco Chip	Rp. 11.000
			Cheese	Rp. 11.000
			Nuts	Rp. 11.000
2	Sticky Rice Brownie Chips	20 gr	Original	Rp. 7,000

Source: CV Document. Mendut Sticky Rice Cake

### **Horizontal Product Diversification Strategy in Increasing Competitiveness at CV. Mendut Sticky Rice Cake**

Product development is an activity carried out to face the possibility of changing a product in a better direction so that it can provide greater usability and competitiveness (Temmy Wijaya & Ana Magfiroh, 2018). Developments are carried out in order to maintain and increase competitiveness. From the data presented above, CV. Bolu Ketan Mendut in an effort to increase competitiveness there are several influencing factors as mentioned in Kasmir's book entitled Entrepreneurship (Kasmir, 2014):

#### 1) Location

Determining location is very important for the continuity of a business. If there is a delay in the distribution of information in determining the location, it can result in the company losing time and quality of delivery services. The location chosen by CV. Bolu Ketan Mendut is quite strategic, namely being located in a housing complex which is close to community and easy to reach, making it easier for the process of receiving raw materials and sending products. Apart from that, it is also easier for customers or consumers to visit to shop for brownies.

#### 2) Price

Price is one of the factors that influences consumers to make a decision whether they will buy the product or not. CV. Mendut Sticky Rice Bolu determines the prices distributed by marketing partners who have joined. This is done so that there is no price competition between distributors, resellers and

dropshippers. Prices determined by CV. Mendut Sticky Rice Bolu is Rp. 11,000.00 for the 70 gram size and Rp. 11,000.00 for the 20 gram size. 7,000.00.

### 3) Service

Services are intended to provide satisfaction for consumers or customers. CV. Bolu Ketan Mendut has strived to provide the best service, such as the friendliness of the owner and employees when serving consumers or business partners of the company.

### 4) Quality

Product quality will determine how big the opportunity is to win market competition. A company has competitiveness if it can produce quality products in the sense that they meet market needs. CV. Bolu Ketan Mendut creates products with good quality. To maintain product quality, CV. Bolu Ketan Mendut explains the legality of his business. With the legality of this business, product safety will be better maintained. In the production process, at CV. Mendut Sticky Rice Bolu has implemented GMP (Good Manufacture Practice) so as to produce products that comply with food safety standards in a country so that they are safe for consumer consumption.

### 5) Promotion

Promotion is an effort made by a company to introduce a product with the aim of attracting consumers to consume or buy the product. CV. Bolu Ketan Mendut in promoting its products through offline media and online media. Offline media used by word of mouth promotion (word of mouth) and taking part in exhibitions such as the Trade Expo Indonesia exhibition, the BRILian Preneur exhibition, the World Food Day exhibition and then the East Java Fair exhibition. Meanwhile, online media uses social media such as WhatsApp groups and Instagram. Business partners who are members of CV. Bolu Ketan Mendut is a distributor, reseller and dropshipper who promotes their products through their social media and market places such as Shopee and Tokopedia. Many people who are already familiar with the product will then tell or share it with other potential consumers.

Running a business will definitely involve competition in the market. For

To be able to compete with other companies, there must be an advantage or uniqueness that the company has. In an effort to increase competitiveness, CV. Bolu Ketan Mendut has business legality which aims to maintain product quality and expand market segmentation. As for the legality of CV. Bolu Ketan Mendut is PIRT, Halal, SNI and HACCP certified. With this legality, CV. Bolu Ketan Mendut is able to reach a wider market, not only the domestic market but also the international market.

In general, brownie chips are made from wheat flour, eggs, chocolate powder, sugar and butter. But in CV. Mendut Sticky Rice Bolu is added with sticky rice flour to create a distinctive taste. This makes CV unique. Mendut Sticky Rice Cake. The uniqueness of this product that differentiates it from others makes potential consumers interested in buying or consuming it. This product is packaged using aluminum standing pouch packaging with an attractive design added. And behind the packaging there is also a complete identity of the product including a brief company history, composition,



nutritional value information, storage instructions and allergen information. The following is sales data on CV. Mendut Sticky Rice Bolu which shows quite a significant increase.

Table 2. CV Sales Data. Mendut Sticky Rice Cake

No	Year	Amount
1	2017	8380 Pcs
2	2018	128.416 Pcs
3	2019	224.263 Pcs
4	2020	129.094 Pcs
5	2021	131.410 Pcs

Source: CV Document. Mendut Sticky Rice Cake

From the explanation above it can be concluded that CV. Bolu Ketan Mendut has attempted to carry out a horizontal product diversification strategy to increase competitiveness. This strategy was carried out to expand the product line by adding flavor variants and packaging sizes to the sticky rice brownie chips product. This is done by developing ideas from the owner or from consumers or customers and even from marketing partners who are members of the company.

## CONCLUSION AND RECOMMENDATIONS

From the discussion presented in the previous chapter, it can be concluded that the product development strategy carried out by CV. Sponge Ketan Mendut in increasing competitiveness is a horizontal product diversification strategy. Initially it was just the original sticky rice brownie chips, then product flavor variants were added, including cheese, nuts and chocolate chips. Apart from that, CV. Bolu Ketan Mendut adds a product of sticky rice brownie chipsegg less and low sugar. In terms of size, there are also additions, which initially only measured 70 grams, but now there are 20 gram sizes and at different prices of course. Horizontal product diversification, which is carried out by adding many flavors and packaging sizes, aims to develop the company so that it continues to improve and survive in the face of challenges

competition with other companies. Apart from adding flavor variants to CV products. Mendut Sticky Rice Bolu in increasing competitiveness is by using the uniqueness of the products it has. The legality of the business owned by CV. Bolu Ketan Mendut and the achievements obtained are superior points to be able to compete with its competitors.

## **ADVANCED RESEARCH**

This research still has limitations so it is necessary to carry out further research related to the topic "Horizontal Product Diversification Strategy to Increase the Competitiveness of MSMEs" to perfect this research, as well as increase insight for readers

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