

## Developing Competitive Advantage Strategies for MSMEs: A Case Study of Aroma Khas Poncokusumo Tempe Chips in Malang Regency

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### ARTICLE INFO

*Keywords:* Competitive Advantage, Innovation, Porter's Five Forces, MSMEs

*Received :* 13, October

*Revised :* 29, October

*Accepted:* 26, November

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### ABSTRACT

This research utilizes Porter's Five Forces analysis to assess the development strategies for the competitive advantage of the Aroma Khas Poncokusumo Tempe Chip MSMEs. The primary advantages of these MSMEs are their unique fermentation process, consistent product quality, and high traditional value. Challenges such as the threat of substitute products, supplier dependency, and raw material price fluctuations require innovative approaches. Product diversification, branding enhancement, digital marketing, and customer loyalty programs are identified as effective solutions. These strategies are supported by workforce training and production optimization to ensure business sustainability. This holistic approach enables MSMEs to thrive in a competitive market and contribute to the local economy.

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## INTRODUCTION

With technological advancements, information on marketing strategies is now easily accessible through various sources such as online literature, digital training, and knowledge-sharing platforms. Marketing strategies play a crucial role in helping companies, including MSMEs, achieve their goals and develop a competitive advantage. This ease of access presents significant opportunities for MSMEs to learn and implement effective marketing strategies to enhance their competitiveness. Social media and e-commerce have become significant tools in this regard, allowing MSMEs to reach a wider market at relatively low costs.

The snack food industry, particularly tempe chips, is a highly potential SME sector in Indonesia. MSMEs play a vital role in the national economy, creating jobs and contributing to the gross domestic product (GDP). Malang Regency, with its abundant natural resources and unique culinary culture, has become a renowned center for tempe chip production. This potential not only reflects opportunities for local economic growth but also represents a cultural identity that can be further developed. As part of the creative food industry, tempe chips have added value from traditional heritage and product innovation, which can be leveraged to enhance their appeal in both domestic and international markets. (Mardikaningsih, 2023).

The Aroma Khas Poncokusumo Tempe Chip MSMEs in Malang Regency face significant challenges in an increasingly competitive market. In addition to pressure from major competitors, these MSMEs must respond to changing consumer preferences that prioritize quality, sustainability, and product differentiation. This competition demands continuous innovation in production processes, packaging, and marketing strategies. Innovative strategies, such as the development of new products and social media-based marketing, can significantly enhance the competitiveness of MSMEs. Social media allows MSMEs to reach consumers directly, build more personal relationships, and introduce compelling brand narratives to strengthen customer loyalty.

Analyzing the competitive advantages of the Aroma Khas Poncokusumo Tempe Chip MSMEs is a strategic step in understanding market position and identifying opportunities and threats. In the context of tempe chip MSMEs, the key lies in differentiation through product quality and flavor innovation. Previous research has also emphasized the crucial role of market orientation and product innovation in creating competitive advantages. For example, the introduction of new flavor variants or the use of eco-friendly packaging can increase product appeal in an increasingly competitive market. (Yanti & Astuti, 2023).

This research is expected to develop appropriate and easily applicable strategies to help the Aroma Khas Poncokusumo Tempe Chip MSMEs enhance their competitive advantage. Additionally, it is hoped that other MSMEs in the Malang Regency can use these strategies as a reference to face modern competition. Ultimately, this initiative aims to boost the local economy in Malang Regency and strengthen the position of MSMEs in an increasingly competitive market. Therefore, this research benefits not only the Aroma Khas Poncokusumo Tempe Chip MSMEs but also the entire SME ecosystem in the region.

## LITERATURE REVIEW

### *The Concept of Competitive Advantage in a Business Unit*

Competitive advantage refers to an organization's unique ability to create superior value that is difficult for competitors to replicate. This enables the company to maintain its position in a highly competitive market. Competitive advantage is closely related to aspects such as innovation, market orientation, and the uniqueness of the company's resources. In practice, competitive advantage depends not only on the company's ability to develop superior products or services but also on its ability to manage and utilize existing resources effectively and efficiently (Syahreza et al., 2023). Therefore, companies that can combine innovation with effective resource management will have strong market competitiveness.

In strategic management, competitive advantage heavily depends on the internal and external analysis of the organization. Key elements such as innovation, cost efficiency, product or service quality, and responsiveness to market changes are important pillars in creating competitive advantage. Innovation allows companies to develop new products relevant to market needs, while cost efficiency helps optimize expenditures and increase profitability (Syafi'i et al., 2023). High product or service quality is crucial because consumers tend to remain loyal to brands that offer high-quality products (Syahreza et al., 2023). Responsiveness to market changes also enables companies to quickly adapt to the ever-changing market dynamics, thus maintaining their competitive advantage (Gunawan et al., 2018).

Understanding competitive advantage is supported by the Resource-Based View (RBV) approach, which emphasizes the importance of valuable, rare, inimitable, and non-substitutable internal resources as the basis of competitive advantage. According to the RBV theory, companies that can effectively utilize such resources will have sustainable advantages. Valuable and rare resources provide significant added value, while inimitable and non-substitutable resources ensure that these advantages are not easily replicated by competitors. In the food and beverage industry, product diversification is a concrete manifestation of an innovation strategy that can increase a company's flexibility and competitiveness. By offering various products that suit consumer tastes and needs, companies can expand market share and reduce business risks (Rohman Hakim et al., 2023).

In conclusion, competitive advantage is a crucial aspect that determines a company's long-term success in facing intense competition. To achieve competitive advantage, companies need to focus on innovation, cost efficiency, product or service quality, and adaptation to market changes. The Resource-Based View (RBV) approach provides a strong framework for understanding how internal resources can be used to build and sustain competitive advantage. By managing valuable, rare, inimitable, and non-substitutable resources, companies can create superior value and maintain their position as market leaders.

### ***Factors and Elements of Competitive Advantage***

The increasingly saturated market conditions today drive many business owners to be creative. They must not only develop services but also ensure that the quality of these services is more functional. The dynamic environment filled with uncertainties makes many entrepreneurs rethink the design of their pre-established business strategies (Andayaningsih et al., 2022). This strategy restructuring narrows down to creating a product with more distinct characteristics, both functionally and uniquely (Syahreza et al., 2023).

To maintain their market position, entrepreneurs need a label or jargon for their products that consumers can remember well. This labeling is not just verbal, emphasizing words to create a mindset about the product that is easier to remember. It highlights unique features and forms an understanding of a product distinct from similar ones (Santoso, 2023). This process gradually forms a competitive advantage. Therefore, it is important for business owners to identify factors influencing the formation of a competitive advantage. Here, factors can be defined as the main causes within a business that can drive the emergence of a competitive advantage.

Several factors that can influence competitive formation can come from both internal and external business environments. These factors include (Paramita & Laura, 2019):

#### **a. Internal Factors :**

##### **1) Human Resources (HR)**

HR is a critical factor contributing to the sustainable process of achieving a competitive advantage. The strength lies in the competencies that can generate fresh ideas from critical thinking. Implementing a competitive advantage requires superior control, with each individual's competency playing a significant role.

##### **2) Finance**

While finance is an inseparable part of the process of forming a competitive advantage, it is not the main factor. Instead, it acts as a support system for investment resources, HR development, promotion, and operational stability (Yuniar & Amanah, 2021).

##### **3) Production and Operations Technology**

Technical factors in production and operations enhance cost efficiency. Competitive advantage highlights not only how a product is recognized through benefits and unique features but also through different production techniques that can create cost advantages and improve product quality and value (Saori et al., 2020).

##### **4) Market and Marketing**

Competitive advantage is not solely about the products produced but also about a deep understanding of customer needs and preferences, effective strategies, strong branding, and the ability to adapt to market trends. These elements contribute significantly to achieving success in competitive advantage (Sulistiyawati et al., 2018). This is also reflected in how companies continuously create superior value for consumers in the market (Gunawan et al., 2018), enabling them to sustain competitive advantage. From another perspective, this

advantage is not merely about price but also about providing more efficient and sustainable solutions.

5) Inovasi

Innovation is a key factor in forming competitive advantage. It can be integrated with other factors or treated as an independent internal factor. This is due to the unique nature of innovation, which can bring about changes in market conditions (Setiawan et al., 2024). Innovation can manifest as entirely new products or emerge from functional changes or the development of functions from a company's R&D activities. Consequently, the impact of innovation largely depends on how a company leverages this unique attribute in its market activities (Fitriani & Satyarini, 2023).

**b. Faktor Eksternal**

1) Government Policies

Government policies can significantly impact encouraging business actors to compete in creating their competitive advantages. The implementation of these policies will influence business flexibility, especially for MSMEs that require quick adaptation to market changes (Batara et al., 2023). Therefore, the government needs to formulate policies that enhance the competitiveness of companies, particularly within the SME sector, which is the backbone of the economy.

2) Social and Cultural Factors

Social factors highlight the norms, values, and habits of a social environment or community group. A product image produced by a certain region tends to reflect the characteristics of that community, thus providing a unique feature that represents the social state and can become a factor of competitive advantage (Kusuma & Suwandi, 2022). Similar to social factors, cultural factors represent the identity of a brand, influencing consumer perception. Products that often integrate cultural identities tend to be more readily accepted by various generations.

The vast market dynamics are often perceived as uncertainties. The influencing factors are extensive, creating a complex strategic thinking framework. However, by identifying the business efforts and resources available within a company, entrepreneurs can systematically consider the current factors they possess. This enables them to plan strategic changes and developments to uncover their company's competitive advantages

**METHODOLOGY**

This research adopts a qualitative method with a case study approach. The qualitative method focuses on detailed and in-depth descriptions of specific subjects (Hasibuan et al., 2022). The goal of this method is to explore the research subject from various perspectives, such as experiences, perspectives, and behaviors, to gain deep insights and new knowledge (Suryadharma et al., 2023).

A case study is one model in the qualitative method that investigates specific phenomena within a particular time and place context by collecting detailed information through various data collection procedures over a certain period. The benefits of using case studies include effective emic research, close

relationships between researchers and informants, and evaluations of the context influencing the research (Assyakurrohim et al., 2022). Data collection techniques in this research include interviews and subject observations. Researchers conducted interviews with the owners of the Aroma Khas Poncokusumo Tempe Chip MSMEs to gather information about their business activities.

The first step is for the researchers to prepare several questions to collect comprehensive information about the business profile from various aspects. The interview results are compiled into interview workpapers, which are then used for analysis. Secondly, researchers will collect and process data by transcribing interviews and observations and noting findings from the research subjects. Thirdly, researchers will compare the findings obtained with the theoretical studies previously prepared. This process aims to identify similarities between the theory and previous research results on similar phenomena. Fourthly, researchers will draw conclusions based on the analysis results.

### RESEARCH RESULT

The interviews and observations revealed important findings that highlight the business dynamics of the Aroma Khas Poncokusumo Tempe Chip MSMEs.

Table 1: Porter's Five Forces Analysis of Aroma Khas Poncokusumo Tempe Chips

Porter's Five Forces	Indicators Measured	Challenges	Intervention Strategies
Threat of New Entrants	<ul style="list-style-type: none"> <li>Household Industry Licensing (IRT)</li> <li>Relatively low initial capital</li> </ul>	<ul style="list-style-type: none"> <li>New entrants can quickly enter the market</li> <li>Maintaining quality of raw materials and fermentation process if there is a change in suppliers is difficult</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the local brand and utilize product differentiation (flavor, shape, and unique processing methods)</li> <li>Develop clear Standard Operating Procedures (SOPs) to ensure consistent quality despite disruptions.</li> </ul>
Threat of Substitute Products	<ul style="list-style-type: none"> <li>Competitor product variations</li> <li>Product quality and price</li> </ul>	<ul style="list-style-type: none"> <li>Increasing trend of practical snack consumption, especially among the youth</li> <li>Price competition with cheaper</li> </ul>	<ul style="list-style-type: none"> <li>Offer products in smaller sizes for consumer segments looking for practical snacks</li> <li>Focus on educating the market about the healthier and more nutritious quality of the product</li> </ul>

		substitute products can reduce margins	compared to flour-based substitute snacks
Bargaining Power of Buyers	<ul style="list-style-type: none"> <li>• Variation in consumer demand</li> <li>• Competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>• Unstable soybean prices impact production costs</li> <li>• No backup suppliers for key raw materials like soybeans</li> </ul>	<ul style="list-style-type: none"> <li>• Establish long-term relationships with suppliers to obtain more stable and competitive prices</li> <li>• Prepare a list of alternative suppliers for key raw materials</li> </ul>
Bargaining Power of Suppliers	<ul style="list-style-type: none"> <li>• Availability of soybean raw materials</li> <li>• Dependency on certain suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Consignment delays revenue and can be detrimental if products are not released by partner stores</li> <li>• Difficulty meeting sudden orders due to limited stock</li> </ul>	<ul style="list-style-type: none"> <li>• Set written agreements that regulate the duration and responsibilities of stock management with partner stores</li> <li>• Increase production capacity by hiring additional labor and using technology</li> </ul>
Industry Rivalry	<ul style="list-style-type: none"> <li>• Number of local and out-of-town competitors</li> <li>• Marketing strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors offer lower prices by sacrificing quality</li> <li>• Major players have better access to large wholesalers</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasize product quality as a strength rather than just competing on price</li> <li>• Offer incentives for small wholesalers to sell products at competitive prices</li> </ul>

Source : Data Processed

Table 1 illustrates the indicators measured for the Poncokusumo MSMEs, focusing on key variables affecting business sustainability, such as raw material quality, product variation, and price competitiveness. These indicators reflect the MSMEs' ability to maintain operational stability and competitiveness amid the pressures from Porter's five forces, such as the threat of new entrants and substitute products.

Meanwhile, the Constraint Analysis identifies specific obstacles faced by MSMEs, such as dependence on certain suppliers, raw material price instability, and challenges in efficiently meeting market demands. This analysis forms the basis for developing intervention strategies, such as brand strengthening, product diversification, and long-term relationship development with suppliers.

This approach aims to enhance competitiveness while addressing growth-inhibiting factors.

In conducting further analysis on the competitive advantage of the Aroma Khas Poncokusumo Tempe Chip MSMEs, researchers map out the current competitive advantages to determine the extent of possible developments and the most suitable strategies for implementation.

Table 2: Analysis of Existing Strengths and Development Forms

Porter's Five Forces	Existing Strengths	Development Forms
Threat of New Entrants	Unique and hard-to-replicate tempe fermentation process	Continuous training for workforce on fermentation techniques
Threat of Substitute Products	Unique products based on local ingredients with traditional and health value	Product diversification with new flavors and shapes
Bargaining Power of Buyers	Consistent product quality maintaining customer loyalty	Loyalty programs for wholesalers
Bargaining Power of Suppliers	Easily sourced raw materials resulting in low supplier power	Create a list of alternative suppliers
Industry Rivalry	Guaranteed product quality (color, texture, distinctive taste)	Enhance branding through attractive and eco-friendly packaging

Source : Data Processed

Table 2 provides an overview of the existing strengths and potential development areas for the Poncokusumo MSMEs. The analysis highlights competitive advantages rooted in the unique production process, the availability of raw materials, and consistent product quality. The unique tempe fermentation process and products based on local ingredients with traditional value are the main attractions that are difficult to replicate. Additionally, the assured quality creates high customer loyalty and strong market competitiveness.

Poncokusumo MSMEs possess several competitive advantages that form a strong foundation for their business success. These strengths include a unique production process, readily available raw materials, and consistent product quality. The unique tempe fermentation process and the use of local ingredients with traditional value create products that have a distinct appeal and are difficult for competitors to replicate. Moreover, the well-maintained product quality fosters high customer loyalty and strong market competitiveness.

To strengthen and expand these advantages, development strategies are directed at several key aspects. Firstly, continuous fermentation technique training for the workforce is implemented to ensure the excellence of the production process is maintained. Secondly, product diversification through the

innovation of new flavors and forms is carried out to attract a broader and more diverse market segment. Thirdly, the development of customer loyalty programs aims to enhance customer retention and strengthen relationships with loyal consumers. Additionally, enhancing branding through attractive and eco-friendly packaging is also a primary focus to face increasingly tight market competition. With the implementation of these strategies, it is hoped that Poncokusumo MSMEs can continue to maintain and strengthen their market position, as well as effectively address various challenges and competition.

## DISCUSSION

### *Porter's Five Forces Analysis of Aroma Khas Poncokusumo Tempe Chip MSMEs*

Analyzing the Aroma Khas Poncokusumo Tempe Chip MSMEs based on Porter's five forces highlights the significance of competitive advantage in strategically addressing various operational and market challenges. The threat of new entrants is one of the main challenges, given the relatively low entry barriers. Starting a tempe chip business is relatively easy due to affordable licensing and initial capital requirements. However, product differentiation based on a unique fermentation process can create added value that is difficult to replicate, thereby serving as a foundation to maintain market position. Entrepreneurs mastering the tempe fermentation technique can produce products with distinctive taste and texture, which are challenging for new entrants to match. The threat of substitute products, especially flour-based snacks, can be minimized by emphasizing quality, sustainability, and product diversification. By maintaining consistent quality and continuously innovating with new flavors, tempe chip MSMEs can sustain their market appeal in a competitive environment.

In the context of supplier bargaining power, fluctuations in raw material prices, such as soybeans, pose significant challenges. These can be mitigated by developing long-term relationships with suppliers and optimizing raw material inventory. Stable soybean prices and guaranteed supply are crucial to keeping production costs low and consistent. Building good relationships with local suppliers and seeking alternative suppliers can reduce dependency and price fluctuation risks. Additionally, high bargaining power of wholesale buyers, particularly through consignment systems, pressures profit margins. Enhancing direct marketing through e-commerce and written consignment agreements are relevant solutions to strengthen the bargaining position of MSMEs. Digital platforms like Shopee enable MSMEs to reach a wider market without relying heavily on wholesale buyers.

In terms of industry rivalry, these tempe chip MSMEs face competition from other regions such as Tulungagung and Pasuruan, which offer similar products at lower prices. Therefore, differentiating product quality and strengthening branding are strategic steps to maintain market loyalty. Products with bright tempe colors and distinctive flavors can enhance visual and sensory appeal to consumers. Efforts to introduce the brand via social media and collaborations with local influencers can also increase consumer awareness and preference for these products. Moreover, maintaining good relationships with customers through loyalty programs and friendly service can strengthen the loyal customer base.

Each of these challenges, if strategically managed by leveraging competitive advantages, can positively impact the sustainability and development of these MSMEs. Comprehensive research exploring the application of these strategies within the framework of Porter's five forces will significantly contribute to understanding the competitive dynamics of small businesses in the processed food sector. In-depth case studies on raw material management strategies, product innovation, and digital marketing can yield practical recommendations for other entrepreneurs in similar industries. Additionally, this research can aid policymakers in designing effective support programs for MSMEs, thereby enhancing their competitiveness and overall local economic growth.

The Aroma Khas Poncokusumo Tempe Chip MSMEs in Malang Regency is a local business specializing in processing tempe into flagship products. Utilizing a unique and hard-to-replicate tempe fermentation process, these MSMEs have significant potential to compete in the snack food market. However, they face various challenges such as fluctuations in raw material prices, intense competition from substitute products, and changing consumer preferences, requiring innovative strategies to maintain their competitive advantage.

Competitive advantage can be achieved through enhancing individual competencies within the organization. Individual competencies encompass knowledge, skills, and attitudes relevant to job tasks. Research indicates that individual competencies have a significantly positive relationship with innovation and organizational performance, suggesting that enhancing individual skills can drive innovation, ultimately strengthening organizational competitiveness (Lasalewo et al., 2017). In this context, companies need to develop effective training and development programs to improve their employees' competencies.

Generic strategies such as cost leadership, differentiation, and market focus are also crucial elements of competitive advantage. For instance, focusing on a differentiation strategy allows companies to develop unique products, while a cost leadership strategy focuses on operational efficiency to offer competitive prices. The implementation of these strategies should be tailored to the target market and consumer needs to maximize competitive advantage potential (Lasalewo et al., 2017). Thus, companies that can align their strategies with market dynamics will be more successful in maintaining a competitive edge.

Innovation is a key element in creating a competitive advantage, especially in a competitive business environment. Innovation encompasses not only products but also processes and operational strategies. According to research, innovation enables companies to create unique products or services that meet consumer needs differently from competitors, supporting Michael Porter's differentiation advantage theory, which posits that product or service uniqueness can provide significant added value to customers (Paramita & Laura, 2019). Therefore, companies investing in innovation will have a more sustainable competitive advantage in the market.

Intellectual capital, which includes human capital, structural capital, and customer capital, plays a crucial role in creating sustainable competitive advantage. Human capital refers to the knowledge, skills, and abilities of

employees that can enhance product and service quality. Structural capital encompasses the systems, processes, and infrastructure supporting company operations. Customer capital relates to relationships and interactions with customers, helping build loyalty and trust. MSMEs that effectively leverage specialized knowledge, such as unique tempe fermentation techniques, can produce high-quality products with distinctive flavors, making them difficult to replicate by competitors (Kusuma & Suwandi, 2022). This uniqueness serves as an effective differentiation strategy to maintain market position.

Furthermore, market orientation and product innovation significantly influence achieving competitive advantage. Market orientation involves a deep understanding of consumer needs and competitor conditions, helping MSMEs adjust their marketing strategies and product development. On the other hand, product innovation enables MSMEs to continually adapt to market trends, create new product variants, and enhance visual appeal through creative packaging design (Yanti & Astuti, 2023). Thus, strong market orientation and continuous innovation are key to winning competition, especially in competitive markets like the snack food sector.

Digital marketing utilization has also proven to be a critical factor in strengthening SME competitiveness. Innovation and marketing strategies through social media significantly contribute to competitive advantage. Digital platforms like Instagram, Facebook, and marketplaces allow MSMEs to reach a broader market at relatively low costs. Digital marketing not only enhances product visibility but also builds closer relationships with consumers through direct interaction and engaging narratives (Mardikaningsih, 2023). In this regard, MSMEs can leverage social media to showcase unique product-making processes, strengthen branding, and create personalized experiences for customers.

The success of MSMEs in overcoming operational and market challenges heavily depends on their ability to manage internal and external factors. Internal factors include human resource management, financial management, and operational efficiency. Meanwhile, external factors encompass market dynamics, competition, government regulations, and technological changes. Effective internal factor management can boost productivity and product quality. On the other hand, understanding and adapting to external factors can help MSMEs develop appropriate strategies to face competition and leverage existing opportunities. Overall, a combination of strategies, including leveraging intellectual capital, market orientation, product innovation, and effective digital marketing, can help Aroma Khas Poncokusumo Tempe Chip MSMEs build strong competitiveness. Good management of internal and external factors will also contribute to sustainable local economic growth

### ***Management Strategy for Aroma Khas Poncokusumo Tempe Chip MSMEs***

The competitive advantage of the Aroma Khas Poncokusumo Tempe Chip MSMEs can be strengthened through a holistic strategic approach that considers both internal and external factors. Innovation is key to maintaining competitiveness in a dynamic business environment. Continuous innovation in

products, processes, and marketing strategies allows MSMEs to create unique value that differentiates them from competitors. For instance, by exploring alternative raw materials, new production techniques, or attractive packaging designs, MSMEs can extend the product life cycle and meet the ever-changing market demands (Fitriani & Satyarini, 2023).

Market orientation and entrepreneurship also play crucial roles in supporting innovation. A deep understanding of customer preferences and competitor actions enables MSMEs to identify new opportunities relevant to market dynamics. Market orientation drives the development of products that meet consumer expectations, while proactive and innovative entrepreneurship facilitates calculated risk-taking in providing creative solutions. This combination has proven effective in enhancing the competitiveness of MSMEs in the snack food sector, as evidenced by various similar case studies (Kurniati et al., 2022).

Furthermore, service quality is an equally important differentiation factor. Providing excellent service, such as prompt responses to customer complaints, empathy for consumer needs, and personal communication, can build customer loyalty. This loyalty becomes a valuable asset that helps MSMEs maintain their market position even amidst intense competition. High-quality service also creates a positive customer experience, thereby strengthening the brand and promoting word-of-mouth marketing (Herman, 2018).

In addition to innovation, market orientation, and service quality, it is important for the Aroma Khas Poncokusumo Tempe Chip MSMEs to consider internal and external factors in developing their business. Internal factors include human resource management, financial management, and operational efficiency. Proper management of human resources ensures that employees have the necessary skills and motivation to drive innovation and increase productivity. Efficient financial management helps MSMEs allocate resources appropriately, while operational efficiency improves production quality and speed.

On the other hand, external factors include market dynamics, competition, government regulations, and technological changes. Understanding market dynamics and competition helps MSMEs adjust their business strategies to remain relevant in the market. Government regulations related to product quality and safety standards must be complied with to ensure business continuity. Additionally, adapting to technological changes, such as leveraging digital marketing and production automation, can enhance SME competitiveness.

Overall, through strategies that integrate innovation, market orientation, entrepreneurship, and service quality, as well as considering internal and external factors, the Aroma Khas Poncokusumo Tempe Chip MSMEs can significantly enhance their competitiveness. This approach not only helps in facing market challenges but also supports sustainable business growth and positively contributes to the local economy. This holistic approach ensures that all elements within the organization work synergistically to achieve common goals in the face of increasing competition.

Based on the analysis, the Aroma Khas Poncokusumo Tempe Chip MSMEs can develop a holistic strategy to address various challenges while leveraging opportunities. To counter the threat of new entrants, MSMEs can emphasize the uniqueness of their tempe fermentation process as an added value that is difficult to replicate, supported by strong branding and consistent product quality. In facing the threat of substitute products, product diversification with new flavors and practical packaging sizes can attract more consumers, especially those who are health-conscious. Special programs such as wholesale incentives or customer loyalty programs can be implemented to maintain customer loyalty.

Managing supplier bargaining power is important through efforts to establish long-term relationships and prepare a list of alternative suppliers to ensure the stability of raw material supply. Industry rivalry can be addressed by highlighting product quality, such as texture and distinctive taste, and strengthening branding through attractive and eco-friendly packaging. Additionally, continuous training for the workforce and the adoption of production technology can improve operational efficiency. In leveraging market opportunities, digital marketing through social media such as Instagram and Facebook can be utilized to reach a wider audience by presenting unique narratives about traditional production processes. With these strategies, MSMEs can maintain market competitiveness while ensuring sustainable growth.

This integrated strategy will help the Aroma Khas Poncokusumo Tempe Chip MSMEs effectively face market challenges and leverage opportunities to support sustainable business growth. Through continuous innovation in products, processes, and marketing strategies, as well as a deep understanding of customer preferences and competitor actions, MSMEs can create unique value that sets them apart from competitors. The combination of strong market orientation, proactive entrepreneurship, and superior service quality will build customer loyalty and strengthen the market position of MSMEs.

Overall, the success of MSMEs in overcoming operational and market challenges heavily depends on their ability to manage internal and external factors. Internal factors such as human resource management, financial management, and operational efficiency, combined with external factors such as market dynamics, competition, government regulations, and technological changes, must be managed effectively. By managing these factors effectively, MSMEs can increase productivity and product quality, as well as develop appropriate strategies to face competition and leverage existing opportunities. With this approach, the Aroma Khas Poncokusumo Tempe Chip MSMEs will be able to maintain and strengthen their competitive advantage in the market, contribute to local economic growth, and achieve long-term success.

## **CONCLUSIONS AND RECOMMENDATIONS**

The Aroma Khas Poncokusumo Tempe Chip MSMEs have significant growth potential due to their competitive advantages such as a unique fermentation process, consistent product quality, and traditional values associated with their products. Through Porter's Five Forces analysis, it can be concluded that the threats from new entrants and substitute products can be mitigated by product differentiation and educating consumers about the health

benefits of traditional products compared to modern snacks. Additionally, the bargaining power of suppliers and buyers can be managed by establishing long-term relationships with suppliers and enhancing customer loyalty through special programs. The importance of innovation, product diversification, and branding reinforcement are key strategies for facing increasingly intense market competition. Some strategies that can be implemented include leveraging digital marketing, improving operational efficiency, and adhering to government regulations. These strategies are expected to expand the market reach and maintain the competitiveness of these MSMEs. By adopting a holistic approach that includes product innovation, market orientation, and resource management, these MSMEs have the potential to achieve sustainable growth and make a positive contribution to the local economy.

### ADVANCE RESEARCH

Further research is necessary to deepen and develop findings related to competitive advantage strategies for MSMEs producing Aroma Khas Poncokusumo Tempe Chips. This research could focus on analyzing the effectiveness of digital marketing in expanding markets, product diversification using local materials to enhance consumer appeal, and strengthening branding by emphasizing traditional values. Additionally, it is crucial to explore health education as a means to increase consumer awareness of the benefits of traditional products, and to identify more efficient production management strategies. By employing a more comprehensive approach, this research is expected to provide profound strategic insights for the sustainability and competitiveness of MSMEs amid increasingly intense market competition.

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