

SWOT Analysis in Business Risk Awareness in MSMEs

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ABSTRACT

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This study reviews the SWOT analysis of these businesses, analyses business risks that MSMEs in the F&B industry face, and develops methods to mitigate those risks. Representing MSMEs in the growing food and beverage sector, Delightful Bites offers classic Indonesian pastries and drinks with unique flavours and creative touches. But they also face a lot of challenges and risks in running their firm, such as scarce resources, fierce rivalry, shifting costs for necessities, and shifting consumer tastes. This research uses a qualitative, case study methodology and is conducted through semi-structured interviews with the owners and managers of Delightful Bites, direct observation at the establishment, and analysis of business documents such as financial statements, business plans, promotional materials, and internal records. The results indicate that Delightful Bites has several strengths, including innovative products, a prime location, the use of substitute raw materials, and the use of local raw resources. These MSMEs are vulnerable to a number of risks, though, such as dependency on a single supplier, limited manufacturing capacity, and dependence on other factors. Furthermore, the study indicates that Delightful Bites has the ability to execute risk mitigation tactics, such as broadening its geographic reach by opening new branches or outlets in key locations, partnering with external parties for large-scale production, and allocating funds for more effective production facilities and equipment. It is hoped that this research will provide insightful information about practical approaches that MSMEs in the food and beverage sector can use to reduce risks and obstacles to business.

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1. Introduction

Micro, Small and Medium Enterprises (MSMEs) have a significant impact on the Indonesian economy. MSMEs make up over 60% of the country's Gross Domestic Product (GDP), demonstrating a substantial impact on economic growth (Juanda et al., 2023). GDP is a measure of the total value of goods and services produced in a country during a certain period, and the involvement of MSMEs in contributing more than half of this total confirms the importance of this sector in the structure of the Indonesian economy (Nursini, 2020). Apart from that, MSMEs are also the main driver in job creation. Absorbing around 97% of the national workforce, MSMEs act as a source of livelihood for the majority of Indonesia's population. Widespread involvement in the sector covers a wide range of fields, from agriculture, fishing, crafts, to the food and beverage industry, all of which provide employment opportunities for millions of individuals. These two facts underline the importance of MSMEs as the backbone of the Indonesian economy (Adhikary et al., 2021). By contributing the

majority of GDP and absorbing the majority of the workforce, MSMEs not only contribute to economic growth but also to social stability through job creation (Tresnasari & Zulganef, 2023; Widagdo & Sa'diyah, 2023). Therefore, development and support for the MSME sector is a critical aspect in the national economic development strategy. One of the MSME sectors that shows significant growth is Food and Beverage (F&B). This sector not only offers promising business opportunities but is also a reflection of Indonesia's rich culinary culture.

One example of an MSME in the F&B sector that is currently developing is Delightful Bites. This MSME offers typical Indonesian cake and drink products with a touch of innovation and unique flavors. Even though it has great potential, Delightful Bites also faces various challenges and risks in its business operations. In facing these challenges, MSMEs need to carry out strategic analysis to identify the strengths, weaknesses, opportunities and threats they face. SWOT analysis is a tool that is widely used in business strategic planning (Dvorský et al., 2020; Yudhaputri & Daihan, 2020). Through this analysis, MSMEs can formulate appropriate strategies to improve their performance and competitiveness. So it is important for Delightful Bites to carry out a SWOT analysis and formulate risk mitigation strategies to ensure the sustainability of its business.

In a dynamic and competitive business context, especially in the Food and Beverage (F&B) sector, a deep understanding of the internal and external environment is crucial for the sustainability and growth of a Micro, Small and Medium Enterprise (MSME). SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is an effective strategic tool for identifying internal and external factors that influence a business. Through this analysis, MSMEs can formulate appropriate strategies to exploit strengths and opportunities, as well as overcome weaknesses and threats (Amalia et al., 2023; Tresnasari & Zulganef, 2023).

Based on literature studies, it shows that many MSMEs, especially in the F&B sector, often face challenges such as intense competition, fluctuations in raw material prices, changes in consumer tastes, and limited resources (Candrasari et al., 2021; Harianto et al., 2023; Rony et al., 2019). In this context, SWOT analysis not only helps in the identification of these factors but also in the development of effective strategies to overcome them. In addition, the business risks faced by MSMEs in the F&B sector are often complex and multifaceted. Effective risk mitigation strategies are important to minimize the negative impact of these risks (Tao et al., 2021). Literature studies show that the use of proactive and adaptive risk mitigation strategies can increase business resilience to disruptions and increase business sustainability (Ferli, 2023; Rony et al., 2024; Triolita & Tawil, 2024).

Therefore, this research aims to carry out a SWOT analysis of Delightful Bites MSMEs in the F&B sector. as well as identifying business risks faced by Delightful Bites and formulating risk mitigation strategies. Through this research, it is hoped that it can provide insight into strategies that can be adopted by MSMEs in the F&B sector to overcome business challenges and risks. It is hoped that the results of this research can contribute to MSME owners in formulating effective strategies to improve the performance and competitiveness of their businesses.

2. Literature Review

SWOT analysis, which stands for strengths, weaknesses, opportunities, and threats, is a valuable tool for assessing the internal factors of an organization (Büyüközkan & Ilıcak, 2019). Several studies have highlighted the significance of SWOT analysis in enhancing the competitiveness and sustainability of Micro, Small, and Medium Enterprises (MSMEs) in various contexts. For instance, research focused on utilizing SWOT analysis to develop marketing strategies that address challenges and leverage opportunities, especially during crises such as the Covid-19 pandemic (Rauf et al., 2022). Similarly, studies on MSMEs in sectors like production and food and beverage businesses have emphasized the importance of SWOT analysis in identifying strategic directions based on internal strengths and weaknesses and external opportunities and threats (Safrida, 2023; Hanifa, 2023). Moreover, the integration of SWOT analysis with other frameworks like the Business Model Canvas has been explored to enhance business development strategies for MSMEs, as seen in the study on Elfath MSMEs (Afifah & Setiawan, 2022; Turyadi et al., 2023). Additionally, the application of SWOT analysis in risk management has been highlighted as a crucial step in identifying and mitigating risks faced by MSMEs. Furthermore, the role of SWOT analysis in financial inclusion initiatives for rural MSMEs and in formulating strategies in industries like pottery has been acknowledged

(Muzahidul et al., 2020; Rasyid et al., 2020; Rony, 2023). Overall, these studies underscore the versatility and effectiveness of SWOT analysis in guiding decision-making processes, formulating marketing strategies, identifying risks, and promoting the competitiveness and sustainability of MSMEs across different sectors and challenging environments. By leveraging the insights gained from SWOT analysis, MSMEs can adapt to changing market dynamics, capitalize on emerging opportunities, and navigate through threats to achieve long-term success.

3. Research Methods

This research uses a qualitative approach with a case study method to explore and understand the internal and external dynamics that influence Delightful Bites MSMEs in the Food and Beverage (F&B) sector. A qualitative approach was chosen because it allows researchers to capture the complexity of phenomena in their natural context (Ibrahim et al., 2023; Kurniawan et al., 2023). Case studies are used to gain an in-depth understanding of Delightful Bites' specific situation and enable detailed analysis of how strengths, weaknesses, opportunities and threats impact the business.

The data collection process involves conducting semi-structured interviews (Wada et al., 2024) conducted with Delightful Bites owners and managers to gain information about their perceptions of the strengths, weaknesses, opportunities and threats facing the business. Interview questions are designed to explore strategic and operational aspects of the business, including marketing strategy, risk management, and product development (Harianto et al., 2022). Next, carry out direct observations at the business location to understand daily operations, interactions with customers, and the general atmosphere. These observations help in validating the information obtained through the interview and gain insight into business practices that may not have been revealed in the interview. And analysis is carried out on business documents such as business plans, financial reports, promotional materials and internal records. These documents provide additional data about Delightful Bites' business strategy, financial performance, and marketing initiatives.

4. Results and Discussions

4.1. SWOT Analysis of Delightful Bites MSMEs

Strengths Factor

Delightful Bites has several strengths which are the main pillars in its business operations. First, product innovation is a characteristic that differentiates Delightful Bites from its competitors. By offering typical Indonesian cakes and drinks combined with an innovative touch, Delightful Bites has succeeded in attracting the attention of consumers who are looking for uniqueness in F&B products. Second, the strategic location makes it easier for customers to access and increases brand visibility. Third, the use of local raw materials not only supports the local economy but also reduces shipping costs, thereby contributing to cost efficiency. Lastly, active digital marketing through social media and online platforms helps Delightful Bites reach a wider audience and increase engagement with customers.

The strategy that MSMEs can implement is to offer a unique customer experience through comfortable interior design and friendly service, creating a pleasant atmosphere for consumers to enjoy their products. And the need for an experienced management team that has the same vision in developing the business is a valuable asset for Delightful Bites. Effective team collaboration is able to produce innovative ideas and efficient strategy execution.

Factor Weaknesses

Even though it has several strengths, Delightful Bites also faces limited production capacity which is also an obstacle in meeting increasing market demand. Dependence on one location is also a weakness because it is vulnerable to location-related problems, such as rising rents or decreasing visitor traffic. The strategy that can be implemented is to increase production capacity, Delightful Bites can invest in more efficient equipment and production facilities. Collaboration with third parties for large-scale production can also be an option to meet high market demand. And diversifying locations by opening new branches or outlets in other strategic locations can reduce the risk of dependence on one location. This also opens up opportunities to reach a wider market.

Opportunities Factor

Opportunities that Delightful Bites can take advantage of include the healthy food trend which is increasingly popular among the public. By presenting healthy products, Delightful Bites can attract a wider market segment. Apart from that, collaboration with other brands can be a strategy to increase visibility and market reach. Outlet expansion to other strategic locations is also an opportunity to reach more customers and increase sales.

The strategy that MSMEs can carry out is to develop new product lines, such as new flavor variants, health products, or gift packages for various events. Product diversification can expand market share and attract different customer segments. Furthermore, building collaborations with other businesses, such as cafes, restaurants or hotels, can be an opportunity to increase product distribution. This B2B collaboration can include providing products for special events, selling products at partner outlets, or collaborating on joint promotions. Utilizing technology in business operations, such as online order management systems or mobile applications for ordering and delivery, can increase efficiency and customer convenience.

Threats Factors

Some of the threats faced by Delightful Bites include intense competition in the F&B sector, which requires Delightful Bites to continue to innovate and improve product quality. Fluctuations in raw material prices can also disrupt the stability of production costs. In addition, rapid changes in consumer tastes can affect demand for Delightful Bites products. The strategy that can be implemented is: To face competition, Delightful Bites must continue to innovate in product development and offer unique added value for consumers. Effective marketing strategies and product differentiation can help increase competitiveness. Diversifying suppliers and using alternative raw materials can reduce the risk of price fluctuations. Efficient raw material stock management is also important to anticipate price changes. Delightful Bites needs to actively conduct market research and product development to adapt to changing consumer trends and tastes. Collaboration with chefs or culinary influencers can help create products that match the latest trends.

4.2.Business Risk Mitigation Strategy

Financial Risk

To overcome financial risks, Delightful Bites can diversify its products to reduce dependence on one main product. Good financial management by preparing a budget carefully and monitoring cash flow is also important to avoid financial problems. The strategy that MSMEs can implement is developing additional product or service variations, which can open up new sources of income and reduce dependence on one main product. And implementing a good accounting system and monitoring cash flow regularly can help identify potential financial problems before they become a crisis.

Operational Risk

Facing operational risks, Delightful Bites needs to build a strong supply network by collaborating with several suppliers. This can reduce the risk of raw material shortages that can stop production. The strategy that MSMEs can implement is to carry out regular operational audits to identify areas that can be optimized for efficiency. Develop contingency plans to overcome operational disruptions, such as raw material supply problems or equipment damage.

Marketing Risk

To overcome marketing risks, Delightful Bites must continuously conduct market research to adapt products to changing consumer tastes. Effective and innovative marketing strategies are also needed to attract customer interest and increase sales.

The strategy that MSMEs can implement is optimizing social media by utilizing social media platforms such as Instagram, Facebook and Twitter to introduce products, share interesting content and interact with customers. Using features such as Instagram Stories, Reels, and interactive posts to increase engagement. MSMEs can create content that is interesting and relevant to their target

market, such as recipes, culinary tips and stories behind products. Authentic and valuable content can increase customer loyalty and strengthen brand identity. Using paid advertising on social media to reach a wider audience and increase product visibility. Target ads based on demographics, interests and user behavior for higher effectiveness and Offer special promotions, discounts or bundling packages via social media to increase sales and attract new customers.

5. Conclusion

The research findings indicate that conducting a SWOT analysis of MSMEs in the Food and Beverage (F&B) sector and understanding business risks can lead to the development of effective risk mitigation measures. The investigation reveals that Delightful Bites possesses several key characteristics, such as its ability to innovate products, its strategic position, its utilisation of local raw materials, and its excellent implementation of digital marketing. Nevertheless, this organisation is also confronted with other vulnerabilities, including restricted financial resources, constrained production capabilities, and reliance on a single site. Potential avenues for Delightful Bites to explore include capitalising on emerging health food trends, forging strategic partnerships with other companies, expanding their physical presence through outlet expansion, and venturing into new markets through export market development. However, the challenges encountered encompass fierce rivalry, volatility in the cost of raw materials, and shifts in consumer preferences. According to this analysis, the suggested methods to reduce risk include diversifying products, expanding manufacturing capacity, expanding locations, using technology, and practicing efficient financial management. Future research should focus on optimising social media for promotion and marketing in order to effectively support the digital era. Additionally, it is important to analyse the application of technology to MSMEs.

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