



Analysis of the Development Strategy of MSME KARA Coffee & Artisan Tea Makassar

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Abstract. This research aims to analyze the effective development strategies for KARA Coffee & Artisan Tea by employing SWOT analysis. This research utilizes a qualitative approach that integrates the collection, processing, and analysis of observation and interview data. The subject of this research is KARA Coffee & Artisan Tea, a company specializing in the food & beverage industry, with the Manager and Vice Manager participating as key informants. The credibility of the data analysis in this research is ensured through extended observation, increased persistence, triangulation, and member checks. The data analysis technique employed in this research involves the application of SWOT analysis to align information and assist the company in formulating its business development strategy. Based on the results of the SWOT analysis, KARA Coffee & Artisan Tea's development strategy lies in quadrant II, emphasizing a diversification strategy to counter external threats by leveraging internal strengths or the ST (Strengths – Threats) strategy. Proposed alternative strategies comprise providing training to enhance employee service quality, improving inventory management systems, conducting research on new product/menu development, adopting a more flexible pricing strategy, and emphasizing a unique café concept to attract customers

Keywords: MSME Development Strategy, SWOT Analysis, KARA Coffee & Artisan Tea

1 Introduction

Micro, Small, and Medium Enterprises are business activities that have the capability to create employment opportunities, become an important pillar in the economic system that serves the interests of the community, and play a role in facilitating income distribution efforts. This contributes to the rapid growth of the economy at the local and national levels. In accordance with Law No. 20/2008 on micro, small, and medium enterprises micro anchors are productive undertakings run by individuals or individual corporate entities. Meanwhile, a small business is a stand-alone productive business, conducted by an individual, not a subsidiary, not a branch of a company, or not part of a medium or large business. A medium enterprise is a stand-alone productive enterprise, conducted by an individual, not a subsidiary, branch of a company, or part of a small or large enterprise.

Today, the culinary industry has become one of the lucrative business sectors as food is a basic need that is continuously fulfilled by the community. However, with

the promising potential in this culinary business, it cannot be denied that many individuals are opening micro, small, and medium enterprises in this sector. Competition in this industry is inevitable, and therefore, business players make various efforts such as concept development, marketing strategies, product innovation, and other efforts to improve their business performance.

One of the MSMEs that is still active in maintaining its existence in the midst of this market onslaught is “KARA Coffee & Artisan Tea” a coffee shop established in February 2018, and located on Jl. Kesenangan 3, Tamalanrea, Makassar City. This business serves a variety of coffee variants such as Americano, Milk Coffee, Cappuccino, Tiam Milk Coffee, Aren Milk Coffee, Irish Latte, Tiramisu Latte, Pandan Latte, Caramel Latte, Losari Coffee, Hazelnut Latte, Vietnam Drip. In addition to coffee drinks, there are also non-coffee drinks such as Lemon Tea, Thai Tea, Creamy Green Tea as well as various heavy and light meals to accompany the coffee. Thanks to the diverse menu offered by KARA Coffee & Artisan Tea, they have attracted customers who come to taste the quality products they serve. However, to grow their business, micro, small, and medium enterprises need to plan a business strategy that involves several steps, one of which is analyzing the company's internal and external environment.

In analyzing strengths and weaknesses in the internal environment, it is also necessary to observe threats and opportunities from the external environment, including what consumers want, how competitors act, competitors' capabilities, customer expectations. From an internal perspective, MSMEs must properly recognize their competencies and resources, including the company's position, advantages in terms of product quality and delivery, and the company's financial resources. All this information will help us to set an effective business improvement strategy.

A business development strategy is a set of objectives, policies, plans, and actions used by a company with the aim of recognizing business opportunities in the market, as well as to maintain operational continuity and achieve business success. To ensure sustainable business growth, companies need to regularly evaluate the business strategies they implement. Business strategy analysis is an essential step in developing a business model that can sustain itself over a long period of time, thus impacting the survival of the company [1].

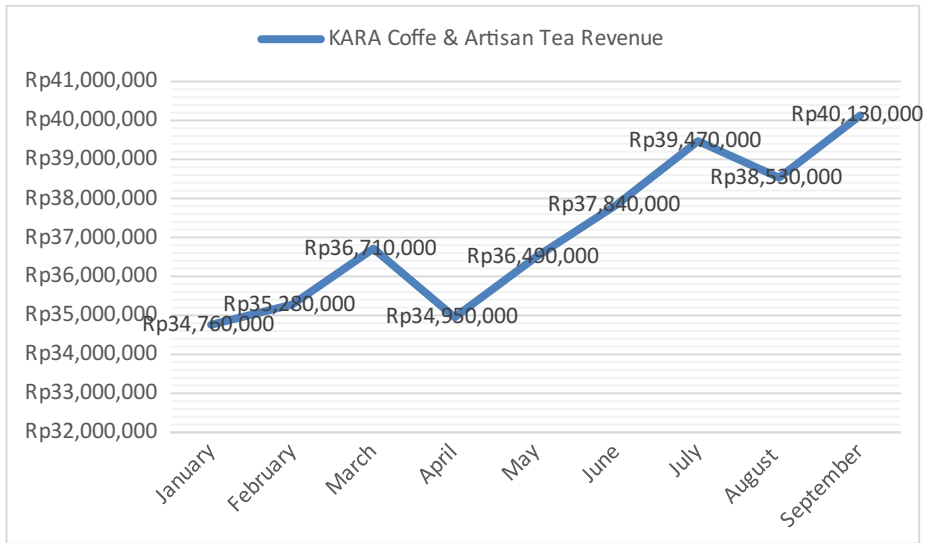


Fig. 1. KARA Coffee & Artisan Tea Revenue (January-September 2023). Source: KARA Coffee & Artisan Tea Financial Data (2023)

From the data, it can be seen that KARA Coffee & Artisan Tea's revenue tends to increase in January, February, March, May, June, July, September. In April and August, KARA Coffee's revenue had decreased. Therefore, further efforts are needed to analyze the development strategy of KARA Coffee & Artisan Tea MSMEs so that it can be taken into consideration and evaluation for both KARA Coffee & Artisan Tea and MSMEs engaged in the same field as this research in the future.

2 Literature Review

2.1 Strategy Management

The art and science of creating, carrying out, and assessing cross-functional decisions that help the organization reach its objectives is known as strategic management. In order to accomplish the objectives of an organization, top management makes a number of key decisions and takes actions that are carried out at all levels of the organization [2]. A strategy is a plan created by upper management to accomplish the intended objectives [3].

The process of developing and putting into practice highly competitive and environment-appropriate strategies that are suitable for the organization and its surroundings in order to accomplish organizational objectives is known as strategic management [4]. An organization or business can develop and manage its strategy to accomplish its objectives effectively, on schedule, and within budget by using strategic management [5]. The cohesiveness of management procedures within a company that consistently generates value and has the capacity to distribute it to stakeholders or other interested parties is known as strategic management [6]

2.2 MSME

According to Chapter 1 of Law No. 20/2008 on Micro, Small, and Medium Enterprises (MSMEs), MSMEs are defined as follows: the first is small businesses, which are owned by individuals or individual business entities and have a maximum net asset of IDR 50,000,000. The second is medium-sized businesses, which have net assets between IDR 50,000,000 and IDR 500,000,000, excluding assets such as buildings and land used for business purposes. Furthermore, This company's yearly revenues range from around Rp300,000,000 to a maximum of Rp2,500,000,000. Moreover, excluding assets in the form of real estate and office space, a medium-sized business has net assets that vary from more than Rp500,000,000 to a maximum of Rp10,000,000,000. Additionally, this company's yearly sales revenue ranges from above IDR 2,500,000,000 to a maximum of IDR 50,000,000,000.

2.3 Development Strategy

It is impossible to separate the business model from the business development strategy, which is an essential component of the company strategy. Businesses must constantly assess their business strategy in order to attain sustainable growth. A crucial first step in creating a sustainable business model that will improve the company's long-term viability is business strategy analysis [1].

Four key requirements must be met by a corporate development strategy: feasibility, advantage, consistency, and consonance. Business plans must include goals and policies that are in line with one another in order to be considered consistent. In order for the strategy to be consistent, it must show how the business has adjusted to the external environment and its changes. Advantage denotes that the business plan should establish or strengthen a competitive edge in the industry. When a business plan is feasible, it doesn't go beyond what is feasible or lead to unsolvable issues [7].

2.4 SWOT Analysis

The goal of a SWOT analysis is to identify the opportunities, threats, weaknesses, and strengths that affect a company's success. A strategic planning technique called SWOT analysis is used to assess a project's or company speculation's opportunities, threats, weaknesses, and strengths [8]. SWOT analysis-based planning can be used to define a company's strategy. Optimizing a company's or institution's strengths and opportunities while minimizing its weaknesses and threats is a successful SWOT analysis-based approach. A effective strategy is one that is organized in accordance with the vision, mission, goals, and policies that are specific to the organization or corporation.

SWOT analysis contrasts external (opportunities and threats) and internal (strengths and weaknesses) aspects. A matrix known as IFAS (Internal components Analysis Summary) incorporates these internal components. An IFAS (Internal elements Analysis Summary) table is created to describe the company's internal strategic elements in relation to its strengths and weaknesses once the internal strategic variables have been identified [9]. WO (Weaknesses - Opportunities) strategies, ST (Strengths - Threats) strategies, WT (Weaknesses - Threats) strategies,

and SO (Strengths - Opportunities) strategies are the four categories of strategies that businesses can develop with the help of the SWOT matrix [10]

3 Research Method

The research uses a qualitative method by combining observation and interview data that will produce a discovery. The data obtained will be collected, processed, and then analyzed. Qualitative research methods are research that does not rely on evidence based on mathematical logic, principles, numbers or statistical methods [11].

Words and actions are the primary data sources in qualitative research; the remaining data comes from other sources, such documents [12]. Here, "words and actions" refers to the fact that the fundamental (primary) sources of data are the words and acts of those who have been watched or questioned. On the other hand, secondary written sources and material like photos can serve as additional data sources.

In order to gather research data, this study's data collection method makes use of direct or indirect object observation to ascertain the presence of objects, circumstances, and settings as well as their meanings [13]. Then comes documentation, which is a substantial collection of written or video material (as opposed to notes) that is readily available and takes the form of data that needs to be written, stored, and used in research but isn't prepared at the request of a thorough researcher. Additionally, there are interviews, which are the process of gathering data for research purposes through question-and-answer sessions that are often conducted in-person between the interviewee and the questioner with the use of an interview guide [14].

Descriptive analysis using a qualitative approach is the strategy employed in this study. The approach is to examine the external environment in terms of the company's potential and dangers, as well as the internal environment in terms of its strengths and weaknesses. The quad-rant matrix, which displays the company's position, and the IFAS and EFAS matrix, which characterize the opportunity and threat factors possessed by the company, are used in SWOT analysis.

4 Result and Discussion

4.1 IFAS Matrix Analysis

The identification of external factors of KARA Coffee & Artisan Tea is based on the results of data coding of internal factors. The IFAS matrix in this study can be presented as follows.

Table 1. Internal Factors Analysis Summary (IFAS) Matrix

No.	Internal Factor	Weight	Rating	Weight x Rating
Strengths				
1	Certified training/workshops for	0,08	2	0,16

	employees.			
2	Financial and non-financial compensation for employees	0,08	3	0,24
3	Financial management system systematic and utilizing digital technology.	0,14	4	0,56
4	A more systematic and neat inventory management system	0,14	4	0,56
5	High-quality coffee machine.	0,10	4	0,40
6	Product/menu development research	0,12	3	0,36
7	Clear pricing of products	0,08	3	0,24
8	Availability of parking facilities	0,08	3	0,24
9	A unique café concept.	0,09	4	0,36
	Total Strength	0,91		3,12
	Weaknesses			
10	There is no specific promotion strategy	0,05	2	0,10
11	Lack of social media management for marketing purposes.	0,04	2	0,08
	Total Weaknesses	0,09		0,18
	TOTAL	1,00		3,30

Source: Primary data processed by researchers, 2024

4.2 EFAS Matrix Analysis

Based on the outcomes of data coding of external factors, KARA Coffee & Artisan Tea's external factors have been identified. This study's EFAS matrix can be pre-sent as follows.

Table 2. External Factors Analysis Summary (EFAS) Matrix

No.	External Factor	Weight	Rating	Weight x Rating
Opportunities				
1	A new market segment of soccer fan consumers soccer fans.	0,06	2	0,12
2	Technological developments that make it easier to record	0,13	4	0,52

	finance and inventory.			
3	Utilization of technology that making it easier to pay for consumer transactions.	0,13	4	0,52
4	No regulations that may hinder business.	0,08	2	0,16
5	Suppliers who provide quality ingredients.	0,11	3	0,33
	Total Opportunities	0,51		1,65
	Threats			
6	The unavailability of suppliers of quality materials in Makassar City.	0,20	3	0,60
7	New competitors that offer cheaper product prices.	0,29	4	1,16
	Total Threats	0,49		1,76
	TOTAL	1,00		3,41

Source: Primary data processed by researchers, 2024

Table 1 shows that the total weighted weight has an average of 2.5 and spans from the lowest value of 1.0 to the highest value of 4.0. An organization is considered internally weak if its total weighted weight is less than 2.5, and strong internally if its total weighted weight is greater than 2.5, which means that the strategy that has been in place can be better maintained [15]. Based on the Internal Factors Analysis Summary (IFAS) matrix above, a total weighted weight value of 3.30 is obtained, which is greater than 2.5, indicating that KARA Coffee & Artisan Tea internally has a strong position.

Based on table 2, the total weighted weight ranges from 1.0 as the lowest value, to 4.0 as the highest value with an average value of 2.5. A total weighted value smaller than 2.5 indicates that an organization is weak in dealing with external factors, while a total weighted value greater than 2.5 indicates that an organization has a strong external position [15]. In this case, the total weighted value of KARA Coffee & Artisan Tea's external factors is 3.41 which indicates that KARA Coffee & Artisan Tea's position towards its external factors is strong.

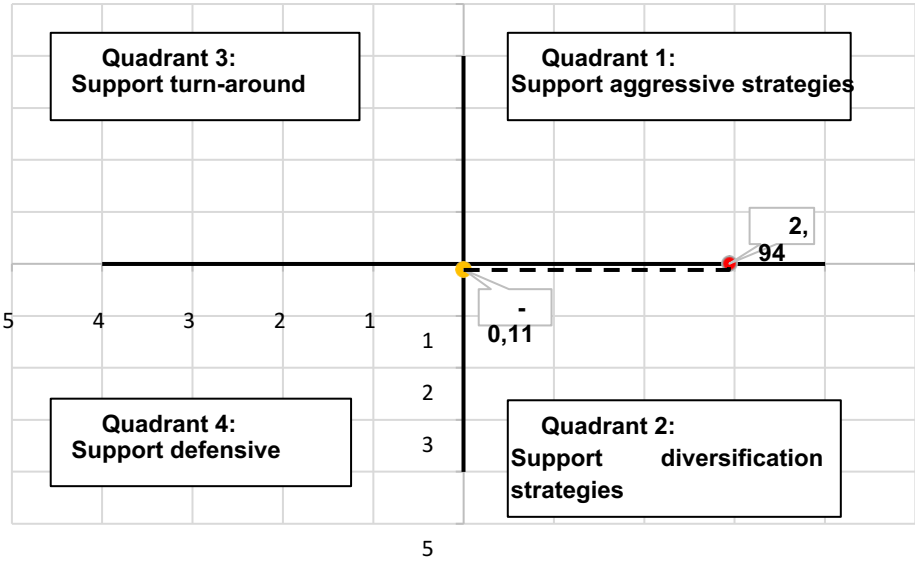


Fig. 2. SWOT Quadrant Matrix

Based on the SWOT quadrant matrix above, it can be seen that the combination of internal and external factors of KARA Coffee & Artisan Tea is in quadrant 2 (2.94: - 0.11), which supports a diversification strategy. This indicates that although KARA Coffee & Artisan Tea faces significant business threats, the business still has internal advantages that can be utilized by implementing the ST (Strengths - Threats) strategy.

Table 3. SWOT Matrix

IFAS	Strengths	Weaknesses
	1. Certified training/workshops for employees.	1. There is no specific promotion strategy
	2. Financial and non-financial compensation for employees Financial management system	2. Lack of social media management for marketing purposes.
	3. Systematic and utilizing digital technology.	
	4. A more systematic and neat inventory	

	management system		
	5. High-quality coffee machine.		
	6. Product/menu development research		
	7. Clear pricing of products		
	8. Availability of parking facilities		
	9. A unique café concept.		
EFAS			
Opportunities	SO Strategy	WO Strategy	
1. A new market segment of soccer fan consumers soccer fans.	1. Adopt a digital technology-based financial management system (S3, O2).	1. Conducting special promotions to attract new customers (W1, S1).	
2. Technological developments that make it easier to record finance and inventory.	2. Adopt a digital technology-based inventory management system (S4, O2).	2. Managing social media to attract new customers (W2, S1).	
3. Utilization of technology that making it easier to pay for consumer transactions.	3. Increase production capacity to serve more consumers (S5, O1).		
4. No regulations that may hinder business.	4. Develop new products/menu to attract customers (S6, O5).		
5. Suppliers who provide quality ingredients.	5. Maintaining a unique café concept to attract new consumers from the soccer fan segment (S9, O1).		
Threats	ST Strategy	SW Strategy	
1. The unavailability of suppliers of quality materials in Makassar City.	1. Provide employee training to improve service quality (S1, T2).	1. Implement special promotional strategies to attract customers (W1,	
	2. Strengthen the inventory management		

- | | | |
|--|---|--|
| <p>2. New competitors that offer cheaper product prices.</p> | <p>3. Conduct research on new product/menu development to attract consumers (S6, T2).</p> <p>4. Adopt a more flexible pricing strategy to maintain competitiveness (S7, T2).</p> <p>5. Emphasize a unique café concept to attract customers (S9, T2).</p> | <p>T2).</p> <p>2. Utilize social media to strengthen brand image and attract customers (W2, T2).</p> |
|--|---|--|

The SWOT analysis's findings inform the ST strategies used in this investigation, which include the following: Provide training for employees to improve service quality (S1, T2), Strengthen the inventory management system to anticipate the risk of stock shortages (S4, T1), Conduct product/menu development research to attract consumers (S6, T2), Adopt a more flexible pricing strategy to maintain competitiveness (S7, T2), and Emphasize a unique café concept to attract customers (S9, T2).

5 Conclusion

KARA Coffee & Artisan Tea is in kudaran 2 (2.94: -0.11), which indicates a very good scenario for the company to implement a disservices strategy, according to the findings of calculations using the SWOT approach. The internal factor analysis (IFAS) results show that the weighted total score of weaknesses is 0.18 while the weighted total score of strengths is 3.12. Additionally, the total weighted score of strengths and weaknesses, which is $3.12 - 0.18$, is subtracted to get the internal factor points on the X-axis. This yields a value of 2.94 for internal factors on the X-axis. In the meantime, the opportunities factor's overall weighted score is 1.65, while the threat factor's overall weighted score is 1.76, according to the findings of the analysis of external factors (EFAS). Additionally, the external factor point on the Y axis is determined by subtracting the opportunity factor's overall weighted score from the threat, which is $1.65 - 1.76$. This yields a value of -0.11 for external factors on the Y axis. ST (Strengths-Threats) strategies are among the tactics that can be used..

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