

## A SWOT-BASED STRATEGIC MODEL FOR ENHANCING COMPETITIVENESS OF CULINARY MSMEs: EVIDENCE FROM KAMPUNG PEMPEK 26 ILIR, PALEMBANG

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### ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play an important role in supporting economic growth, creating employment opportunities, and strengthening local economies in developing countries. In Indonesia, the culinary sector is one of the key components of the creative economy, particularly through traditional food-based MSMEs. Kampung Pempek 26 Ilir in Palembang is widely known as a center for the production and marketing of pempek, a traditional culinary icon with significant cultural and economic value. However, despite its potential, MSMEs in this area still face several challenges, including limited business capital, low digital literacy, limited product innovation, and restricted access to broader markets. This study aims to analyze the development strategies of MSMEs in Kampung Pempek 26 Ilir, Palembang, in order to enhance their competitiveness and business sustainability. The research uses a qualitative descriptive approach with a case study method. Data were collected through in-depth interviews, field observations, and documentation involving eight MSME owners selected using purposive sampling. The data were analyzed using a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to identify internal and external factors influencing MSME development. The results show that MSMEs in Kampung Pempek 26 Ilir have strong potential through their authentic product taste, strategic location, and established culinary reputation. However, challenges such as limited innovation, low utilization of digital marketing, and capital constraints still hinder business growth. Strategic efforts such as strengthening digital promotion, improving product packaging and innovation, and enhancing collaboration among MSMEs are necessary to improve competitiveness. These strategies are expected to support sustainable MSME development while strengthening Kampung Pempek 26 Ilir as a culinary tourism destination in Palembang.

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a key pillar of economic development in various countries, particularly developing ones. The role of MSMEs is not limited to job creation but also contributes to increasing community income, equitable economic development, and strengthening the national economic structure. In the Indonesian context, MSMEs make a very significant contribution to the national economy because they absorb a large portion of the workforce and act as a driving force for local economic activity. [Tambunan \(2009\)](#) explains that MSMEs play a strategic role in strengthening national economic resilience due to their flexible, adaptive characteristics, and ability to survive economic crises. Furthermore, the existence of MSMEs also encourages the creation of new entrepreneurship and strengthens community-based economic structures ([Tambunan, 2009](#)).

Theoretically, MSME development cannot be separated from the concepts of competitiveness and business strategy. Porter states that a business's competitive advantage can be achieved through strategies that effectively utilize resources and respond to the dynamics of market competition (Porter, 1985). In the context of small businesses, development strategies typically include increasing product innovation, strengthening marketing networks, and optimizing business management. Research on MSME development also shows that a business cluster approach can improve production efficiency, strengthen collaboration between business actors, and enhance product competitiveness in a broader market ([Mukaffi et al., 2019](#)). Furthermore, an innovation- and creativity-based approach is also a crucial factor in driving MSME growth, particularly in the creative and culinary industries ([Mulyono & Rolando, 2024](#)).

In the context of the regional creative economy, the culinary sector is a subsector with significant potential for development. The culinary industry not only contributes to local economic growth but is also closely linked to the tourism and cultural sectors. Palembang, as one of Indonesia's major cities, is known for its rich traditional culinary heritage, attracting tourists. One culinary product that is synonymous with the city is pempek. Pempek is not only known as a Palembang specialty but has also developed into an economic commodity with high cultural and commercial value. The existence of a pempek-based culinary industry contributes to local economic development and creates business opportunities for the surrounding community.

The development of the pempek-based culinary industry in Palembang is inextricably linked to the role of MSMEs, which play a key role in the production and distribution of these products. One area known as a pempek production center is the 26 Ilir Pempek Village in Palembang. This area is known as a hub for MSME activity, producing various types of pempek at various scales, ranging from home-based businesses to businesses with extensive marketing networks. The 26 Ilir Pempek Village serves not only as a center for traditional culinary production but

also as part of the local economic identity, supporting the tourism and creative economy sectors in Palembang.

Economically, MSME centers like the 26 Ilir Pempek Village have significant potential to be developed into more competitive culinary industry clusters. The concept of business clusters explains that the concentration of businesses in a region can create economic efficiency through resource sharing, knowledge transfer, and collaboration between businesses (Tambunan, 2009). Research on MSME cluster development shows that a collaborative approach can increase production capacity, strengthen marketing networks, and create more diverse product innovations (Hadi et al., 2022). Therefore, cluster-based MSME development, such as that of Kampung Pempek 26 Ilir, has the potential to be an effective strategy for increasing the competitiveness of the local culinary industry.

Despite its significant potential, MSMEs in the culinary sector still face various challenges in developing their businesses. Some common issues include limitations in business management, access to capital, limited product innovation, and low utilization of digital technology in marketing. Research shows that many MSMEs still rely on conventional marketing methods, thus hindering their ability to reach a wider market (Swartini & Adiatma, 2026). Furthermore, changes in consumer behavior and the development of digital technology also require MSMEs to adapt quickly to remain competitive amidst increasingly fierce market competition.

On the other hand, innovation and business strategy are crucial factors in increasing the competitiveness of MSMEs. A study of culinary MSMEs in Indonesia shows that product innovation, effective marketing strategies, and the use of digital technology can significantly improve business performance (Pusung & Narsa, 2023). Furthermore, strengthening social capital and collaboration between business actors can also enhance MSMEs' competitive advantage, especially when facing competition from larger businesses (Widyawati et al., 2023). Therefore, developing an appropriate strategy is a key factor in driving sustainable MSME growth.

Several previous studies have discussed MSME development strategies, including innovation, competitiveness, and business cluster strengthening. Research by Sutrisno and Mustafa (2025) shows that an integrative strategy combining local entrepreneurial values with business innovation can sustainably increase MSME competitiveness. Meanwhile, research by Wibowo et al. (2024) emphasizes the importance of open innovation and collaboration between business actors in enhancing the sustainability of the small-scale culinary industry. Other research also highlights the role of digital marketing strategies in expanding market access for culinary MSMEs (Swartini & Adiatma, 2026). However, most of this research focuses on general aspects of MSME development and has not specifically examined strategies for developing culinary MSME centers based on regional specialty products, such as the 26 Ilir Pempek Village in Palembang.

Therefore, there is a research gap related to the analysis of MSME development strategies based on local culinary clusters that possess distinctive

regional cultural and economic value. Research on the 26 Ilir Pempek Village is important because this area possesses unique characteristics as a production center for pempek, a culinary icon of Palembang City. An analysis of MSME development strategies in this area is expected to provide a more comprehensive understanding of the factors influencing the competitiveness of local culinary businesses and strategies that can be implemented to improve business sustainability.

Based on this description, this research has both academic and practical urgency. Academically, this research is expected to enrich the study of MSME development strategies based on local culinary clusters from the perspective of development economics and strategic management. Practically, the results of this study are expected to provide strategic recommendations for MSMEs, local governments, and other stakeholders in formulating more effective MSME development policies and programs.

Therefore, the purpose of this study is to analyze and formulate a development strategy for MSMEs in Pempek Village 26 Ilir, Palembang, to make them more competitive, sustainable, and adaptable to the dynamics of the modern economy. This analysis is expected to yield a development strategy that can strengthen the position of Pempek Village 26 Ilir as a center for Palembang's culinary specialties while improving the welfare of the community involved in the region's economic activities.

## LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) are a crucial sector in the economy, particularly in developing countries like Indonesia. MSMEs are generally managed by individuals or business groups with relatively small production scales and capital, yet they make a significant contribution to economic growth, job creation, and income equality. According to [Tambunan \(2022\)](#), MSMEs serve as a key pillar of the national economy due to their large numbers and ability to absorb labor and survive in various economic conditions. Furthermore, the MSME sector also exhibits high flexibility in adapting to market changes and technological developments.

In Indonesia, the definition and classification of MSMEs are regulated in Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. Based on this regulation, MSMEs are divided into three categories: micro, small, and medium enterprises, determined by total assets and annual turnover. This classification aims to facilitate the government's formulation of policies, empowerment programs, and financing support for entrepreneurs. In addition to these classifications, MSMEs can also be categorized based on industrial sectors such as trade, manufacturing, services, and agriculture and fisheries ([Nugraha, 2021](#)).

The existence of MSMEs plays a strategic role in driving economic growth at both the national and regional levels. Various studies show that MSMEs make a significant contribution to Gross Domestic Product (GDP) and employment.

[Tambunan \(2022\)](#) explains that the MSME sector is a major contributor to national economic activity and the largest source of employment for the community. Furthermore, MSMEs also play a role in driving the local economy through the utilization of regional resources and the development of creative industries based on local potential. In the digital era, technological transformation has also encouraged MSMEs to utilize digital platforms, e-commerce, and social media to expand their markets and increase their competitiveness ([Fizzanty & Maulana, 2024](#)).

MSME development can be explained through various theoretical approaches, such as small business management theory, entrepreneurship theory, and business growth theory. From a small business management perspective, Drucker (1985) emphasized that the success of small businesses depends heavily on resource management skills, appropriate business strategies, and operational efficiency. Meanwhile, the entrepreneurship theory proposed by Schumpeter (1934) places innovation as a key factor in business growth. Innovation in products, processes, and marketing strategies enables MSMEs to create a competitive advantage in the market. Furthermore, [Sarasvathy \(2001\)](#), through effectuation theory, explains that entrepreneurs often utilize available resources to create new business opportunities, making flexibility and creativity crucial factors in MSME development.

From a business development perspective, [Greiner \(1972\)](#) proposed an organizational growth model consisting of several stages: creativity, direction, delegation, coordination, and collaboration. This model explains that each stage of business growth faces different challenges, requiring appropriate management strategies for sustainable business growth.

The development of MSMEs is influenced by various internal and external factors. Internal factors include the quality of human resources, management skills, access to capital, and the use of technology in business operations. Meanwhile, external factors include government policies, market conditions, the level of competition, and the increasingly rapid development of digital technology. Research shows that digitalization is a crucial factor in increasing the productivity and competitiveness of MSMEs in the digital economy era ([Dewi & Sahabuddin, 2023](#)).

To increase competitiveness and business sustainability, MSMEs need to implement various development strategies. These strategies include strengthening marketing through digital marketing, developing product innovations, effective financial management, and utilizing digital technology in production and distribution processes. Implementing these strategies allows MSMEs to expand their market reach, improve product quality, and enhance operational efficiency.

Within the context of the creative economy sector, the culinary industry holds significant potential for MSME development in Indonesia. This sector not only contributes to economic growth and employment but also plays a role in preserving culture through various regional specialties. Traditional culinary products such as

pempek, rendang, and gudeg have both economic and cultural value, attracting both local consumers and tourists.

One example of the development of culinary MSMEs can be found in the Pempek 26 Ilir Village in Palembang City. This area is known as a center for pempek production and marketing, having evolved from a home-based business into a renowned culinary destination. The presence of MSMEs in this area not only contributes to the local economy through job creation and trade activities, but also supports the regional tourism sector. Furthermore, the development of digital technology has encouraged businesses in the area to utilize social media and e-commerce platforms to market their products.

Despite their significant potential, MSMEs in the Pempek 26 Ilir Village also face various challenges in their development. Some of the main obstacles often encountered include limited business capital, limited market access, and increasingly fierce competition. Therefore, appropriate development strategies are needed, such as increasing human resource capacity, product innovation, and optimizing digital marketing so that MSMEs in the area can continue to grow and become more competitive.

## RESEARCH METHODS

This research uses a qualitative descriptive approach with a case study method, aiming to gain a deeper understanding of the MSME development strategies in Pempek Village 26 Ilir, Palembang. The research was conducted in Pempek Village 26 Ilir, Ilir Barat I District, Palembang City, over a period of approximately four months, from the preparation stage to the preparation of the research report. The study population included all pempek entrepreneurs in the area, and informants were selected using a purposive sampling technique, selecting respondents deemed relevant based on their business scale, business experience, and involvement in business development activities.

Data collection was conducted through in-depth interviews, direct observation, and documentation studies to obtain primary and secondary data related to business strategies, production activities, marketing, and the support received by MSMEs. The data obtained was then processed through transcription, data reduction, and classification to group the information into specific themes relevant to the research focus.

Data analysis was conducted using a SWOT (*Strengths, Weaknesses, Opportunities, Threats*) analysis to identify internal and external factors influencing MSME development. The results of this analysis were used as a basis for formulating MSME development strategies that are appropriate to the real conditions in Kampung Pempek 26 Ilir. Furthermore, the data were analyzed qualitatively through the process of organizing data, grouping into categories, presenting them in narrative form, and interpreting the findings by comparing them with relevant theories and literature.

## RESULT AND ANALYSIS

### Research Location Overview

Pempek Village 26 Idir is a renowned culinary area in Palembang, South Sumatra Province, known as the center for the production and sale of pempek—a regional specialty that is the culinary identity of Palembang. This area is not only a destination for local residents but also attracts domestic and international tourists who want to enjoy pempek directly from the production center. Its strategic location facilitates easy access for consumers and provides significant economic opportunities for entrepreneurs.

Economic activity in this area is dominated by Micro, Small, and Medium Enterprises (MSMEs) that produce various types of pempek, such as pempek kapal selam (submarine), lenjer (fry), adaan (fry), kulit (skin), and grilled pempek. Most businesses are still micro-scale, with home-based production systems passed down through generations, thus maintaining the taste and quality of their products. Despite limited capital and human resources, entrepreneurs are able to survive through product quality and customer loyalty. Marketing methods are generally conventional, although some entrepreneurs are beginning to utilize social media and digital platforms to expand their market.

From a socio-economic perspective, the existence of Pempek Village 26 Idir provides a significant contribution to the local community, providing a primary source of income and creating jobs in production, distribution, and sales. Historically, the area has developed as a center for pempek (a local specialty food) since the 1980s and continues to grow to this day. Government support in establishing it as a culinary tourism destination further strengthens the role of Pempek Village 26 Idir as a center for the creative economy based on MSMEs and local wisdom in Palembang.

**Table 1. Description of Research Respondents**

No	Store Name	Length of Business	Business Scale	Production Method	Marketing Method
1	Pempek Edy	12 Years	Small	Traditional + staff assistance	Offline and personal WhatsApp & Facebook
2	Pempek Rayhan	12 Years	Small	Traditional + employee assistance	Offline and souvenir shop partners + marketplaces (GoFood, GrabFood, ShopeeFood)
3	Pempek Cek Ida 26	30 Years	Small	Traditional + employee assistance	Offline and Online (Instagram & Whatsapp)

4	Pempek Wak Aba	± 2 Years	Small	Traditional + employee assistance	Offline, Online (Instagram), and marketplace (Gofood)
5	Pempek Dayat	6 Years	Micro	Traditional	Offline
6	Pempek Arya	± 5 Years	Micro	Traditional	Offline
7	Pempek Salman	± 3 Years	Small	Traditional	Offline and Online (Instagram, TikTok & Whatsapp)
8	Pempek Cece 26	± 6 Years	Micro	Traditional	Offline

(Source: Primary Data, 2025)

The majority of MSMEs in Pempek Village 26 Ilir operate as family-owned businesses that have been passed down through generations. This characteristic reflects traditional business practices passed down from generation to generation, with a strong commitment to preserving the authentic taste of Palembang pempek. In their operations, most MSMEs still rely on manual or traditional production processes with limited labor involvement, both from family members and local workers.

On the other hand, the implementation of digital-based marketing strategies has not been optimally implemented. Only a small number of businesses have begun utilizing social media as a promotional and sales tool. The main obstacles faced in this regard include limited business capital and a lack of understanding and skills in using digital technology to support business development. This presents a unique challenge that requires attention in efforts to encourage the transformation and competitiveness of MSMEs in the modern era.

### Interview Findings

In-depth interviews conducted with Micro, Small, and Medium Enterprises (MSMEs) in Pempek Village 26 Ilir, Palembang, indicate that MSMEs in this area have significant economic potential for further development. This is evidenced by the high consumer demand, both from local residents and domestic and international tourists, for pempek, a regional culinary specialty. Furthermore, Pempek Village has long been an icon of Palembang, strengthening the branding of local culinary products.

However, despite this significant potential, MSMEs face a number of crucial challenges that hinder their growth. The most prominent challenges include limited business capital, minimal product innovation, low digital literacy, and limited access to technology-based marketing. These findings directly address the first and second research questions of this study, namely the condition and potential of MSMEs, as

well as the factors supporting and inhibiting their development. This demonstrates the need for a development strategy that not only maintains the distinctive characteristics of local products but also responds to market changes and developments in digital technology.

The details of the findings are presented in several main themes as follows:

### 1. Current Business Strategy

Most MSMEs in Kampung Pempek 26 Ilir still operate their businesses using conventional and traditional strategies. Their business models tend to focus on direct sales to consumers in physical stores without much use of digital media for promotion and distribution. Their strategies still emphasize their core strengths: the authentic taste of pempek and personalized, direct customer service.

From the perspective of classical entrepreneurship theory proposed by Schumpeter (1934), innovation should be at the core of entrepreneurial activity. Innovation should not only take the form of new products, but also how to reach the market and interact with consumers. However, the reality on the ground shows that most MSMEs in Kampung Pempek have not yet fully utilized this opportunity.

This aligns with research by [Suprayitno and Martanti \(2023\)](#), which found that many MSMEs in traditional sectors, such as batik, still rely on conventional business strategies and have not prioritized innovation. Therefore, although current business strategies are sufficient to maintain business continuity, a more modern, technology-based strategic transformation is still needed to increase MSME competitiveness.

### 2. Obstacles and Barriers to Business Development

In their efforts to develop their businesses, MSMEs face a number of complex obstacles. These obstacles include limited capital, which makes it difficult to expand production scale and improve product quality. Furthermore, limited knowledge and skills in operating digital technology also hinder expanding market access and implementing effective marketing strategies.

Limited innovation, both in terms of products and packaging, makes it difficult for MSMEs to compete in an increasingly competitive and dynamic market. This issue aligns with Greiner's (1972) theory of organizational growth, which states that at certain stages of growth, organizations or businesses experience crises that require adjustments to their structure and management systems.

Research by [Dewi et al. \(2023\)](#) also confirms that the main challenges faced by MSMEs in the Kalikidang area are a lack of managerial capacity and limited access to technology. This indicates that the pattern of obstacles faced by MSMEs is both general and systemic, requiring comprehensive interventions, including training, mentoring, and access to microfinance.

### 3. Technology Utilization and Product Innovation

Based on the interview results, it can be concluded that the use of digital technology by MSMEs is still in its early stages and is not yet optimal. Although some businesses are beginning to recognize social media such as Instagram and Facebook as promotional tools, not all are able to utilize them strategically and consistently. Furthermore, product innovation has not been widely implemented; most businesses still rely on traditional pempek products without introducing variations that can attract new consumers, especially the younger generation.

However, according to the effectuation theory developed by [Sarasvathy \(2001\)](#), entrepreneurs should be able to utilize existing resources to create opportunities and added value. This low level of innovation and technology utilization indicates that MSMEs have not fully implemented these principles.

Research by [Ranjani et al. \(2024\)](#) demonstrated that the implementation of digital marketing has a significant impact on the competitiveness of MSMEs. Therefore, encouraging MSMEs to adopt digital technology and continuously innovate products is an essential strategy to drive their business growth.

#### 4. Government and Community Support

Support from the government and local communities has been provided in the form of training, equipment assistance, and business capital, but its distribution remains limited and uneven across all MSMEs. Some entrepreneurs stated that the assistance received was short-term and has not significantly impacted overall business growth.

From the perspective of Drucker's (1985) small business management theory, MSME development requires ongoing support, not only in the form of funding, but also managerial guidance, access to market networks, and supportive regulations. This finding is reinforced by a study by Handayani [Dewi et al. \(2023\)](#), which states that the success of MSMEs is greatly influenced by the quality and continuity of support provided by local stakeholders.

Therefore, efforts are needed to improve the effectiveness of government assistance programs and strengthen collaboration between MSMEs and communities or educational institutions to create a healthy and mutually supportive business ecosystem.

#### 5. MSME Owners' Hopes for Business Development

The majority of MSME owners in Pempek Village 26 Ilir have high hopes for their businesses to grow more rapidly, reach a wider market, and survive amidst increasingly fierce competition. They hope to receive digital marketing training, product development, working capital assistance, and promotional support from the local government and the private sector.

These hopes reflect MSME owners' awareness of the importance of increasing business capacity and adapting to market changes. This finding aligns with research by [Idayu et al. \(2021\)](#), which shows that training, business mentoring, and community-based empowerment are highly effective in increasing the competitiveness of MSMEs in rural areas.

Therefore, the development strategy developed must consider the aspirations and real needs of business owners. A participatory and collaborative approach will be more effective in creating sustainable solutions that are relevant to conditions on the ground.

### **SWOT Analysis of MSMEs in Pempek Village 26 Ilir**

A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is a strategic tool used to identify internal and external factors that influence the success of a business. In the context of this research, the SWOT analysis was conducted based on data from in-depth interviews with pempek MSMEs and direct field observations. The goal is to understand the overall business position and formulate development strategies appropriate to the actual conditions.

The following table summarizes the results of the SWOT analysis of MSMEs in Pempek Village 26 Ilir, Palembang:

<b>No</b>	<b>Category</b>	<b>Key Findings</b>
1	<i>Strengths</i>	The products have an authentic Palembang flavor, are strategically located near the city center and tourist attractions, and are widely recognized by both locals and tourists from outside the city.
2	<i>Weaknesses</i>	Limited business capital, low digital literacy and limited use of online marketing media, and a lack of innovation in both products and packaging.
3	<i>Opportunities</i>	Increasing public interest in local culinary tourism, the growing trend of digitalization and e-commerce, and support from local government and MSME support institutions for training and promotional programs.
4	<i>Threats</i>	Increasing competition among similar businesses, changing consumer trends toward fast food and convenient packaging, and fluctuating prices of raw materials such as fish and sago.

(Source: Primary Data, 2025)

The SWOT analysis shows that MSMEs in Kampung Pempek 26 Ilir possess key strengths, including the distinctive taste of pempek and strategic business locations. However, limited capital and low digital technology utilization remain obstacles to expanding market reach.

On the other hand, significant opportunities exist through increasing public interest in local products, the use of digital media, and government support in the form of training, promotion, and market access. Nevertheless, MSMEs still face threats in the form of intense competition and changing consumer behavior.

By understanding these strengths, weaknesses, opportunities, and threats, MSMEs can formulate more appropriate and adaptive strategies to increase competitiveness and business sustainability amidst the evolving culinary industry.

## **MSMEs Development Strategy**

Based on the SWOT analysis outlined in the previous subchapter, the MSME development strategy in Kampung Pempek 26 Ilir is formulated by combining strengths, weaknesses, opportunities, and threats. This strategy aims to strengthen MSME competitiveness, increase production capacity, expand market reach, and maintain business sustainability amidst the increasingly competitive culinary industry.

The strategy is formulated through four main approaches:

### **1. SO (*Strengths–Opportunities*) Strategy**

This strategy combines internal strengths with external opportunities to create a competitive advantage. Pempek MSMEs in Kampung 26 Ilir excel in authentic taste and strategic business locations. Therefore, strategies that can be developed include:

- a. Increasing digital promotion through social media platforms such as Instagram, Facebook, and TikTok by highlighting the distinctive flavors and traditional production processes.
- b. Attractive and practical product packaging, such as frozen pempek or premium packaging for the souvenir market, to reach a wider consumer base and increase product appeal.
- c. Partnerships with travel agents or culinary tourism bureaus to make MSME locations part of Palembang's culinary tourism destinations.

### **2. ST (*Strengths-Threats*) Strategy**

This strategy aims to use internal strengths to anticipate external threats. In this case, the well-known taste and historical value of pempek must be maintained to compete against similar products from outside the region:

- a. This strategy aims to use internal strengths to anticipate external threats. In this case, the well-known taste and historical value of pempek must be maintained to compete against similar products from outside the region.
- b. Maintaining taste quality and product consistency as key selling points to remain competitive amidst increasing market competition.
- c. Strengthening local branding, such as including the "Pempek 26 Ilir" identity on packaging or promotional media as a form of product history and authenticity.
- d. Developing product variants that suit modern market tastes (e.g., low-oil pempek, cheese-filled pempek, or ready-to-eat pempek) without losing the authenticity of traditional recipes.

### **3. WT (*Weaknesses-Threats*) Strategy**

This strategy focuses on defensive measures to minimize weaknesses and avoid the negative impact of external threats. This strategy is important for MSMEs that are not yet fully prepared to face rapid market changes:

- a. Strengthening collaboration between MSMEs in the form of cooperatives or joint venture communities to share resources and information.
- b. Establishing collective distribution networks, such as collaboration between MSMEs for larger-scale production and efficient distribution costs.
- c. Strategic partnerships with online souvenir platforms (local or national e-commerce) that can help expand product marketing reach with more efficient promotional costs.

Through the implementation of these strategies, it is hoped that MSMEs in Kampung Pempek 26 Ilir can continue to grow and adapt dynamically to face market challenges. This approach also supports the strengthening of a sustainable local culinary business ecosystem oriented towards increasing competitiveness in the digital era.

Research findings from eight MSMEs in Pempek Village 26 Ilir, Palembang, indicate that business development is significantly influenced by various internal and external factors. This finding aligns with the theoretical framework for MSME development, particularly Drucker's (1985) theory of small business management, which emphasizes the importance of effective resource management, strategic planning, and adaptation to market dynamics. In this context, pempek MSMEs in 26 Ilir demonstrate strengths in product quality and business experience, but face challenges in terms of capital, modern management, and mastery of digital technology.

From the perspective of entrepreneurial theory, particularly Schumpeter (1934), innovation is a key factor in driving business growth. However, MSMEs in Pempek Village 26 Ilir still tend to maintain traditional production and marketing methods without significantly innovating their products or packaging. This tendency indicates a barrier to adopting an entrepreneurial approach based on innovation and creativity. The SWOT analysis used in this study serves as a strategic tool to identify the strengths, weaknesses, opportunities, and threats faced by MSMEs. These findings support research by [Shinta et al. \(2023\)](#), which states that MSME development needs to be supported by strategies based on internal potential and external market dynamics. Research by [Ranjani et al. \(2024\)](#) also confirms that the use of digital marketing is a crucial element in increasing MSME competitiveness in the digital era.

The development strategies formulated in this study, such as active promotion through social media, developing attractive packaging designs for the souvenir market, collaboration between MSMEs, and training and mentoring in innovation and digitalization, represent a response to real challenges on the ground. These strategies are applicable and can be implemented gradually by MSMEs with support from the government, financial institutions, and the local business community.

These findings are important because they provide a factual picture of the condition of MSMEs in the traditional culinary sector, which still requires significant intervention, including policy, development, and capacity building. Strategies

developed based on the SWOT approach not only provide clear direction for business development but also help MSMEs understand the potential and risks they face in running their businesses.

Thus, this research makes a tangible contribution to formulating strategic solutions based on the local context, which not only benefit MSMEs in Kampung Pempek 26 Ilir but can also serve as a reference for developing culinary MSMEs in other areas with similar characteristics.

## CONCLUSION

Based on research conducted on eight pempek MSMEs in Pempek Village 26 Ilir, Palembang, it can be concluded that most entrepreneurs have a fairly organized work structure, with a shift system and family-based internal coordination. Their businesses are run with a passion for maintaining distinctive traditional flavors and prioritizing product quality to maintain customer loyalty. Some entrepreneurs also maintain financial records, either manually or with the help of simple applications, and conduct regular business evaluations, although these are not yet standardized.

In terms of innovation and development strategies, some MSMEs have begun adapting to digital technology, such as utilizing social media and online ordering services. However, many entrepreneurs still have not optimized digitalization as a primary development strategy. Limitations in promotion, financial management, and a lack of entrepreneurship training are common obstacles encountered. Furthermore, the lack of synergy between entrepreneurs and external parties such as local governments, financial institutions, and training institutions also hinders sustainable business development.

A SWOT analysis revealed that the main strengths of the pempek MSMEs in 26 Ilir are their superior taste, business experience, and strategic location as a typical Palembang culinary area. Their weaknesses are the lack of innovation and comprehensive use of digital technology. Opportunities that can be maximized include the trend of local food consumption through digital platforms and government MSME strengthening programs. The most significant threats come from the large number of similar competitors, fluctuating raw material prices, and the lack of regeneration of young entrepreneurs. Therefore, a holistic and sustainable development strategy is needed so that the pempek MSMEs in 26 Ilir can survive and thrive in today's digital economy.

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