Stimbut: Initiation of a Sustainable Business Strategy Model in Improving MSME Capability to Meet Consumer Expectations

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Abstract

A sustainable business strategy is inevitable for 21st-century businesses. Consumers expect MSMEs to adopt sustainable strategies but realizing one’s needs is the only impetus for any consumer. Thus, there is a gap between business sustainability practices and consumer expectations. This research identifies strategic sustainable business strategies to be integrated into business practices. This type of research uses exploratory qualitative methods. The type of data is primary data which is a direct answer from the informant. The data collection technique uses an interview method. The sampling design used non-probability sampling (snowball). The analysis technique is through data collection, data reduction, data presentation, and concluding because it can explain, assess, and visualize superior MSME empowerment modeling. The results of this study indicate that four strategies can be applied by MSMEs, including New vs. returning visitors, Bounce rate, Abandonment rate, and cost per conversion. The results of this study can contribute to the development of a technology-based sustainable business strategy which is expected to become the primary role model in increasing the competitiveness of MSMEs.

**INTRODUCTION**

The Covid-19 pandemic is accelerating an unprecedented economic downturn, and small businesses are likely to bear its brunt. Mandatory restrictions and social distancing forced many small businesses to shut down, costing millions of people their jobs and driving down sales. According to Thaha (2020), various business actors face different problems with a certain loss level, such as decreased demand, supply chain disruptions, cancellation of export orders, shortage of raw materials, and transportation disruptions. The dramatic and sudden loss of demand and income for MSMEs has dramatically affected their business performance. In addition, from the consumer side, they experience loss of income, fear of contagion, and increased uncertainty, which ultimately reduces spending and consumption. MSME actors tend to be more vulnerable to policy restrictions on activities in the community because their conventional-based business performance is hampered due to their lack of ability to adapt to apply technological sophistication. MSME actors have to face many challenges such as logistical disruptions, restrictions on labor mobility, and a decline in market order. Because of dwindling demand, MSME players have been struck (Central Bureau of Statistics & Cooperatives and SMEs Service, 2020). Changes in regional external trade and tourism activity indicate an average growth rate of 5.0% from 2022 nationally. In other words, the economic growth rate in 2023 is predicted to continue to increase more consistently. The most significant economic growth is expected to occur in DKI Jakarta, Bali, Java and Kalimantan, where it is estimated that their GRDP (Gross Regional Domestic Product) will increase to 7.5% or on a growth basis in 2022 of 5.9% on. Meanwhile, the weakest impact will occur in the provinces of Papua and Sumatra, where the economy will only increase by 1.2% from 15.72% in 2021 to 16.92% in 2022. The main contributors to the increase in company performance are almost uniform in various regions in Indonesia, especially in terms of population mobility to work after the Covid-19 pandemic. Meanwhile, the fiscal stimulus allocation is IDR 405 trillion (+/-2.5% of GDP) in the form of social assistance (IDR 110 trillion), the health budget (IDR 75 trillion), industrial incentives (IDR 70 trillion), and economic recovery (Rp.150 trillion) which impacts increasing growth by 15% in public consumption behaviour.

Decision-makers in each company face various situations and trends in multiple sectors, such as the social environment, digital technology, and internet-based creative markets (Ashar’ari & Daud, 2017). The external sector impacts decision-makers doubts about determining an alternative strategy that is accurate and sustainable because it requires high costs compared to the speed of benefits obtained. However, this understanding needs a better perspective. It is far from the ideal conditions that have been designed regarding the implementation of sustainable business strategies to increase competitiveness and the ability to meet market expectations. The contribution of the latest business strategies based on sustainability and social benefits significantly supports company competitiveness in the industry because intelligent markets expect to be increasingly involved in company business processes (Assauri, 2016). Following the "green"-based business philosophy, currently, the term sustainable business strategy is the main focus of every company to invest in increasing the company’s competitiveness in the industry both in terms of profit, concern for the environment, and comprehensively meeting customer expectations so that the company’s existence is difficult to beat by its competitors even though Not all companies can do this, but the initiation and investment of these business strategies will have a more significant impact on the company's value and brand in the eyes of customers (Dirisu, Iyiola, & Ibidenun, 2013). This sustainable business strategy investment aims to meet customer expectations, so companies must increase production capacity, product quality, competitive prices, massive promotions, and digital-based HR competencies.

Phenomena found in the field through the interview process and according to the results of previous research show the results that many business people are not able to explore products to market optimally because they need a forum to express creative ideas so that they are integrated and sustainable so that there is a supervisory function for change and developments in the business world globally and can be evaluated in facing more fierce competition in the future. The following phenomenon is the decline in people's purchasing power due to the situation and economic conditions of the people who are under pressure and changing consumption patterns which usually means that people who have more products for the long term switch to choosing gain experience, besides that formal sector employment is shrinking which causes many to change professions to the informal sector so that it has an impact on their income, as well as the transition to online business.
which causes massive layoffs (Choudri et al., 2016). This raises demands for companies to prioritize tighter competitive advantage in the industry. The business strategy that can be applied in this study was developed from a generic business strategy which includes Cost Leadership Strategy, Differentiation Strategy, Focus Strategy, and Leadership/Differentiation integrated to make it more applicable and comprehensive.

A comparison of research results shown in previous studies shows the conclusion that consumer buying decision behaviour is very dependent on the perceived value and usefulness of the product. This research aims to initiate a sustainable business strategy model based on business value as the ultimate goal to provide multiplier effects for companies such as innovation, collaboration, communication and long-term commitment. The outcome of implementing the sustainable business strategy model also focuses on the product's ability to meet customer expectations without high promotional costs comprehensively. In addition, the sustainable business strategy model is also able to encourage the potential for company competitiveness in the industry to be higher and facilitate companies to influence consumer shopping behaviour, so the urgency of this research is to provide input on the potential for sustainable business strategies by targeting consumer expectations through value creation as a basis. (Dangelico & Vocalelli, 2017). Formulating a company's growth strategy is essential in making decisions to harmonize the external environmental conditions around the company with the resources and capabilities owned, which are core competencies, as well as the expectations and goals the company wants to achieve. In a situation of market competition environment In this accessible and dynamic environment, management is required to create sustainable value for the company that can provide satisfactory contributions to all stakeholders, customers, employees, investors, suppliers, distributors and competitors. This sustainable value is essential, especially when Indonesia’s macroeconomic conditions cannot be separated from the volatility that occurs, such as the weakening of the rupiah, a slowdown in market growth, and uncertain global economic influences.

Kotler (2016) pushes social and ecological issues into business strategy because social business has become an integral part of business rhetoric and scientific literature. Sustainable business is a new addition to comprehensive business development. Sustainable business includes environmental business, green business, and social business. Researchers regard it as a more ethical form of business that advances without straining the environment and still meets the needs of present and future generations. Grubor & Milovanov (2017) define sustainable business as “the process of planning, implementing, and controlling the development, pricing, promotion, and distribution of products in a manner that meets the following three criteria (1) customer needs are met, (2) organizational goals are achieved, and (3) the process is following the ecosystem”. Sustainable business requires a long-term orientation on relationship building rather than the conventional short-term focus on transactions in modern business.

**Figure 1. Triple Bottom Line Model**

**Figure 2. Modern Sustainable Business Scheme**
Consumers’ interest in choosing alternative environmentally friendly products has increased drastically, accompanied by their expectations of improving entrepreneur services. Although there is an attitude-behavior gap, there is an inconsistency between consumer attitudes and buying behavior (Grubor and Milovanov, 2017). Any indoctrination cannot mislead Maury (2018), the new generation of consumers. However, Osman et al. (2016) consumers look for companies and brands that they feel have a genuine commitment to environmental and social issues. Companies can only create business value by bringing together their vision of sustainability and the expectations of 21st-century consumers. Millennial consumers growing up economically and empowered by new technology and social media are driving new hopes for all institutions in society, especially industry. Today’s consumers expect immediate benefits from products and services, but they also want to improve people's health and well-being. In addition, due to the global recessionary economic cycle, consumers are becoming more ‘Mindful’.

The use of the term sustainable strategy is often to describe and determine the goals to be achieved by the company through the number of businesses it wants to enter, produce decisions and policies to achieve these goals and define the scope of business through the business portfolio selected by the company. A sustainable strategy is overall long-term planning regarding what businesses the company wants to have by purchasing various businesses and what is desired in the business as part of sustainability, as well as how the company creates configuration value in creating synergies from its multi-business activities. Formulating a sustainable strategy for the company is carried out by relentlessly focusing on the core business: improving product quality, increasing product value, reducing environmental impact, and increasing customer brand awareness. The considerations that drive companies to carry out this strategy are the desire to guarantee production by increasing the stability and certainty of supply in terms of quantity, quality and continuity (Papadas et al., 2019). Each sustainable business strategy also aims to help MSMEs build and take advantage of certain competitive advantages within the scope of industrial competition. How MSMEs integrate the activities they carry out in each of the different business-level strategies shows how the results of their business performance differ. The effectiveness of a sustainable business-level strategy is highly dependent on the opportunities and threats in the external environment and the strengths and weaknesses emanating from the MSME’s internal resource portfolio. Therefore, MSMEs need to choose a sustainable business-level strategy based on a match between the availability of opportunities and threats in the external environment with their internal organizational strength as indicated by their core competencies (Pappas et al., 2018).

1) Leadership Strategy: The cost of a cost leadership strategy is a set of integrated actions taken to produce goods or services at a price acceptable to customers at the lowest when compared to competitors. MSMEs using a cost leadership strategy usually sell standardized goods or services to the industry’s most distinctive customers. Process innovation, which are newly designed production and distribution methods and techniques that enable companies to operate more efficiently, is critical to successfully using a cost leadership strategy. 2) Differentiation Strategy: A differentiation strategy is an integrated set of actions taken to produce goods or services (at an acceptable cost) that customers find different in ways that are important to them. While a cost leader serves ordinary customers in an industry, a differentiator targets customers whose value is created by how MSMEs’ products differ from products manufactured and marketed by competitors. Product innovation, namely generating new ways to solve customer problems - through the development of new products or services - that benefit customers.

3) Focus Strategy: A focus strategy is a series of integrated actions undertaken to produce goods or services that serve the needs of a particular competitive segment. Thus, MSMEs employ a focus strategy as they leverage their core competencies to serve the needs of a particular industry segment or niche to exclude others. Examples of specific market segments that a focus strategy can target include (a) certain groups of buyers (youth or older people); (b) different product segments; or (c) different geographic markets. 4) Integrated Leadership / Differentiation Strategy: The purpose of using this strategy is to produce products with several different features efficiently. Efficient production is the source of maintaining low costs, while differentiation creates unique value. Companies that successfully use an integrated cost leadership/differentiation strategy usually adapt quickly to new technologies and rapid changes in their external environment. Simultaneously concentrating on developing the two sources of competitive advantage (cost and differentiation) increases the number of key and support activities in which a firm must become competent. Such companies often have strong networks with outsiders that complete some of the key activities and support. In turn, having skills in a more significant number of activities makes the company more
flexible. The generic strategy concludes that companies can combine and implement various generic strategies. Competitive advantage grows from the value or benefits that MSMEs can create for their customers through one of the four sustainable strategies that have been presented. They hope to increase their skills and resources and provide more value than their competitors. The implementation of which level of business strategy can be carried out by MSMEs must follow market conditions, community needs, and available resources through a point of view approach that is seen from a causal relationship with the dimensions of competitive advantage, including (a) Product Excellence; (b) Service Quality Excellence; (c) Personnel Excellence; (d) Image Excellence; and (e) Advantages of Distribution Channels (Putra et al., 2020).

### Table 1. Differences between Traditional Business Mix and Sustainable Business Mix

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<thead>
<tr>
<th>Traditional Business Mix</th>
<th>Sustainable Business Mix</th>
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<tbody>
<tr>
<td>Product</td>
<td>Customer Solution</td>
</tr>
<tr>
<td>Price</td>
<td>Customer Price</td>
</tr>
<tr>
<td>Promotion</td>
<td>Convinience</td>
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<tr>
<td>Place</td>
<td>Communication</td>
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According to Qashou & Saleh (2018), Overall, the dimensions of the cost leadership strategy are included in the “high” category because it has high product quality with low production costs. For the dimensions of the differentiation strategy, it is classified as a “high” category because it provides a different quality of service from competitors and products that are difficult to imitate. The “high” sort includes the focus strategy dimension because it focuses on its target market supported by a unique and sophisticated product identity. In comparison, the integrated differentiation strategy is included in the “high” category because it maintains good relations between customers and suppliers to impact achieving the target market. However, the side effect is that most MSMEs feel comfortable and do not expand. Rao & Rajeswari (2020) The assisted MSMEs in West Java Province, which are engaged in the creative industry, have been able to apply their business strategy, which means that this strategy is due to an image advantage through a good reputation for customers, service quality excellence that meets customer needs, innovative product advantages, low production costs through applying the observe, imitate, modify method (ATM method) and the selling price given can be affordable according to the quality of the product it sells. However, it is not optimal and still follows the average market price, so it is similar to competitors. In addition, the superiority of human resources is relatively high even though it has yet to maximize employee competence as a whole, with a lack of creativity and knowledge about entrepreneurship.

Verma (2021) seeks to explore the impact of sustainable business practices on brand equity and consumer behavior. The level of competitive advantage in the fostered MSMEs is classified as the “high” category. However, there are still indicators that need to be improved, namely price and product advantages. Thus, this finding means that, on average, the MSMEs assisted by West Java Province do not have differentiators or do not compete in price and product but excel in service quality, image, and distribution channels. Setiowati et al. (2015) explain that when companies enjoy an ethical form of business, consumers feel valued and develop brand loyalty. The company’s concern for society and the environment has indeed changed consumer behavior, leading to an increase in brand equity. Consumers choose products based on available information. Sustainable business plays an essential role in strengthening awareness about society. Evidence shows that consumers are willing to pay a premium when they recognize the importance of sustainable products and services.

### METHOD

This type of research uses exploratory qualitative. Qualitative research is intended to gather information about the status of an existing symptom, namely the state of symptoms according to what they were at the time of the study. Therefore, qualitative research can reveal phenomena in a subject one wants to study (lgwenagu, 2016). The data type is primary data with data collection techniques using the interview method. The sampling design uses non-probability sampling (snowball), a method used to identify, select and take samples in a network or continuous chain of relationships. The samples were 64 MSMEs to provide an alternative solution more effectively.
MSMEs are defined to include micro firms (<10 employees), small firms (10–49 employees) and medium-sized firms (50–249 employees). This research interviews MSME owners assessed and classified by SME departments as having technological infrastructure readiness, stable financial conditions, availability of employees according to operational standards, and the ability to implement sustainable digital business programs. They were also selected to ensure the provinces serve as a role model to other provincial governments in implementing immediate economic recovery plans. Our interview questions were designed to give more prominence to the case than the interviewee while acknowledging that the way the interviewee sees the case operating is essential knowledge, and we found out the interviewee’s background to understand their interpretations as well. The collecting data method was through face-to-face and in-depth online interviews. The list of interview questions asked included: 1) What social media accounts does your business have? 2) How does technology affect your business performance? 3) How does technology support the sustainability of your business? 4) Do you want to apply the latest technology in your business? 5) What are your reasons for implementing technology in your business for the long term? 6) How do you use technology to attract millennial consumers? 7) How does the environment affect your ability to meet consumer expectations?.

RESULT AND DISCUSSION
Sustainable Digital Business Strategy: Creating Value for Customers

The sustainable business strategy to create customer value combines three main elements: brand, operations and employees. The MSMEs use profitable volume growth, cost and efficiency advantages, innovation and marketing investment to increase profits. MSMEs achieved growth and strengthened their position in the market by focusing on improving people’s welfare, reducing environmental impact, and expanding the use of technology. The advantage of assisted MSMEs to create more value for their customers can also obtain higher profits. The value generated from a competitive strategy can explain a position in an industry as a cost leader or leader in terms of uniqueness. The value that must be created in the context of competition is something that consumers, such as low prices, quality products, well-known brands, unique features and distinctive product attributes, and after-sales service seek. Value creation can increase the business value of the MSMEs by increasing market share and sales and can impact rising share prices. The sustainable value obtained by MSMEs through strength in innovation has been proved by launching a series of innovative products. This demonstrates that the MSMEs have achieved excellence in various ways, including strengthening their distribution partners and aggressively developing new markets (Hardilawati, 2020). For this reason, it is important to discuss sustainable strategies in realizing sustainable value, which is a form of strategy to achieve premium margins related to creating and accepting customers for new products or services. Innovation is also a way to create new resources, produce a competitive advantage or utilize existing resources by increasing their potential to generate above-average profits.

Sustainable competitive advantage is everything that is done very well by MSMEs compared to what is done by their competitors. Sustainable competitive advantage can be achieved by continuously adapting to follow trends in the market, adjusting competition issues and increasing capabilities, and increasing core competencies and internal resources (Müller, 2019). MSMEs can formulate and develop strategies that competitors cannot implement, doing things that competitors cannot do in the long run. In realizing sustainable growth, MSMEs should directly involve stakeholders, such as collaborating with several major suppliers to improve control over the supply of raw materials, resources or services. The contribution of MSMEs in avoiding negative environmental impacts by reducing waste and factory waste, reducing operational costs, and increasing positive social impact through collaboration with key suppliers to improve their livelihoods. MSMEs’ commitment to realizing sustainable value through programs to increase welfare and assistance, digitizing business operational systems, and reducing environmental impact by committing to reduce the greenhouse gas effect of their product portfolio. Sustainable competitive advantages possessed by SMEs to meet customer expectations, namely differentiation advantage and cost advantage. A sustainable competitive advantage arises when MSMEs can produce the same products as their competitors but have lower production costs or produce products/services that are different and better than those produced by their competitors.
Figure 3. Sustainable Digital Business Strategy Initiation Model To Improve MSME Capability Meet Consumer Expectations

Table 2. Four Dimensions of the MSME Sustainable Digital Business Strategy Model

<table>
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<th>Dimension</th>
<th>Indicators</th>
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<tbody>
<tr>
<td>Innovation</td>
<td>Product/Process/Business (with advanced technology)</td>
</tr>
<tr>
<td>Collaboration</td>
<td>NGOs/Government/other organizations; Environmental protection campaign</td>
</tr>
<tr>
<td>Communication</td>
<td>Continuous communication with stakeholders and upholding transparency</td>
</tr>
<tr>
<td>Commitment</td>
<td>Constant involvement with consumers and business division</td>
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Digital businesses can be used to achieve their vision of sustainable practices in competitive advantage, brand loyalty, risk mitigation, and cost reduction. Researchers prove that the sustainability practices adopted by MSME actors can attract more investors to MSME actors. This can also lead to an increase in the market value of MSMEs. The social performance of an MSME actor still tends to reduce the financial performance of an MSME actor. More research is needed to prove a positive correlation between the two. The recent economic, financial, and environmental crises demand more sustainable social development than economic growth. Businesses can direct this sustainable development with social responsibility, environmental mitigation, and targeted strategies. With public concerns, growing environmental concerns, stricter regulations, and sustainable business practices are unavoidable. Marketers must adopt sustainable practices to avoid stakeholder criticism but must still determine consumer purchasing decisions.

At least MSMEs need to be prepared to think about several challenges, such as: 1. In the context of a value proposition, namely the implementation of the triple bottom line and the integration of technological innovation with business model innovation; 2. In the context of value creation, namely changing mindsets, resource management, and methods and tools; 3. In the context of value capture, namely relations with externals. Then the same thing also allows MSMEs to capture economic value by providing social and environmental benefits through the company’s key activities, resources, partners, and technology. MSMEs carry out value creation through cost and income structure activities to minimize the risk of unsuccessful implementation of a sustainable business model, and it is necessary to categorize a sustainable business model in which all business activities lead to this category, namely: 1. Maximize material and energy efficiency; 2. Create value from ‘throw away’ (zero waste); 3. Substitute with renewable energy and natural processes; 4. Provide functionality, not ownership; 5. Adopt the role of service administrator; 6. Encouraging adequacy; 7. Redirecting business to society/environment; 8. Develop upgrade solutions. A sustainable business model should integrate various aspects to enable transformation and organizational activities related to sustainability, bringing economic and competitive advantages to the company.

MSMEs that commit to driving the spirit of business sustainability not only pursue profit but also supply chain balance between business people means smart and shining consumers. Concerning the value proposition, the main requirements for the traded products are quality and marketable products. The MSME consumer segment should also be analyzed from the start so that the value created is in line with what is expected, such as consumers who care about the welfare of society, consumers who care about the environment, and consumers who can use sophisticated technology. The hope is that with the "STIMBUT" sustainable business strategy, consumers can meet direct producers who have quality products and can meet expectations as expected. Concerning value
In conclusion, MSMEs are always committed to providing sustainable social benefits based on the use of digital technology through a continuous mentoring process so that they can move up to a higher level. This mentoring process is also facilitated by the Department of Industry and Trade, fellow members of the assisted MSME community, and even consumers who provide input on their products. Another key activity is training for MSMEs related to business development and works SOPs so that their businesses experience quality improvement. Regarding capturing value, MSME financial reports are still simple but have been published periodically so that the business processes are transparent. Judging from its internal strength, MSMEs in developing their products align with the triple bottom line aspect because it is not easy and must be gradual. However, MSMEs can solve this limitation by implementing the "STIMBUT" sustainable business strategy, which is comprehensively able to accommodate the needs of MSMEs to meet consumer expectations.

CONCLUSION AND RECOMMENDATION

The "STIMBUT" sustainable business strategy based on the triple bottom line concept influences economic, social, and environmental sustainability. A sustainable business strategy helps economic sustainability by building credibility for sustainable business efforts and solutions. Areas of credibility that must be obtained include MSME brands and products offered, responsible use of products, and disposal practices. Another form of support provided by the "STIMBUT" sustainable business strategy consists of developing and marketing higher quality products based on digital technology with social impact based on continuous innovation, durable products, and sustainable brand development, which offers practical benefits such as better ratio quality/price and costs/undesirable effects on resources and the environment. Social sustainability is enhanced by teaching consumers how to solve problems critical to maintaining and strengthening sustainable development. Another contribution of the "STIMBUT" sustainable business strategy is reflected in creating jobs and a significant increase in operating income. Production and consumption of sustainable products and services that have qualified for more extended use can increase labor capacity and people’s welfare. By implementing digital technology-based strategies, consumers are stimulated by providing products with added value in futuristic and environmental preservation. The synergy between the "STIMBUT" sustainable business strategy and sustainable development does not appear as an expression but as a necessity, which means that the "STIMBUT" sustainable business strategy must continuously review its place and role and organizational activities in the sustainable development function. This can be done by utilizing comprehensive industrial control and establishing a metric system based on applicable regulations. It is crucial for MSMEs to continually evaluate development management methods and governance, which should include creative economic processes, business concepts, and adaptive living philosophies in the digital era. This research's limitation is the data collection, which is quite challenging to identify due to the non-existent company administration, low technological capabilities, and limited market coverage. In addition, the sample studied is still general, it is necessary to study a specific sample group. So future research needs to be checked more comprehensively in developing a sustainable business strategy that can support the development of MSMEs to a higher level.

REFERENCES


