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Brand Strengthening and Product Diversification: A Development Strategy Assistance for Micro Enterprises

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ABSTRACT

In Indonesia Micro, Small, and Medium-Sized Enterprises (MSMEs) is still growing up. However, MSMEs continue to confront several challenges, the government and academic community are working to develop answers to these issues. One of the prospective business areas in the surrounding university is microbusiness in the field of serving breakfast. "Warung Lontong Ni Yul" is one of the breakfast vendors in the Kapalo Koto district, which surrounds the Andalas University at Padang campus. Because there are so many comparable booths, the Warung Lontong Ni Yul has to have an advantage in order to attract more customers. Community service activities are carried out from November to December 2022 at the Warung Lontong Ni Yul by assisting them in efforts to strengthen brands and product diversification. After discussions with owner, the shop's name was changed to "Lapau Minun Pagi." The consideration is that the name has a traditional Minangkabau impression, let alone incorporates the term 'lapau,' which distinguishes it from its competitors. Products are also diversified by adding new potential menus as breakfast, such as from the existing menu *pical*, and new *bubur kampiun* combination; the brand new menu such as *lontong gulai paku*, *lontong gulai tauco*, *sate*, *lontong pical kuah sate*, *kerupuk kuah* and add new menu for drinks such as tea, coffee, milk tea, milk coffee, and other instant drinks. Assisting methods and processes are discussed.

1. Introduction

Micro, Small, and Medium-Sized Enterprises are also seeing increased growth in Indonesia's economic. Micro, Small & Medium Enterprises (MSMEs) are productive businesses owned by individuals and/or individual business entities with a maximum total asset of 50 million rupiah and a turnover of up to 300 million rupiah, according to Law Number 20 of 2008 concerning MSMEs (Republik Indonesia, 2008; Republik Inodonesia, 2013).

MSMEs are taken into account in government policies. This can be seen in the empowerment of various people's economic institutions, the convenience of various procedures in financing for MSMEs and also the many trainings for MSMEs. This proves that there is priority given to MSMEs. Various kinds of troubleshooting efforts for problems or obstacles faced by MSMEs. One of the obstacles in developing from UMKM itself (Wilantara & Susilawati, 2016). This happens because there are still many MSMEs that focus on operational activities only so that their development strategy is often neglected (Primiana, 2009).

In Indonesia, MSMEs are always described as a sector that has an important role, because most of the population has low education and lives in small business activities, both in the traditional and modern sectors. The role of MSMEs is a prioritized part in every stage of development planning which is managed by two ministries, namely: (1) Ministry of Industry and Trade; (2) The Ministry of Cooperatives and Micro, Small & Medium Enterprises, The progress made by MSMEs is actually relatively slow in comparison to the growth made by large scale business, therefore the development efforts that have been made to far are still not adequate (Dindin, 2020).

The issues that small and medium-sized business owners frequently encounter are such as limited working capital and investment capital, difficulty obtaining raw materials of good quality and affordable prices, limited technology, good quality human resources (management and production techniques), market information, as well as difficulties in marketing including brand and product diversification (Morris, 1996).

MSMEs develop throughout a variety of geographies with a variety of regional features. In the area around university campuses, businesses such as house rentals, bookstores, photocopying, printing, laundering, and food stalls have sprung up (Ilham, 2021). This food stall is the most developed micro business in the area around the campus or student area. Not only food stalls that provide lunch and dinner such as restaurants, but no less are the stalls that provide food for breakfast. Breakfast is something that many students need before starting a busy day's activities.

The “*warung lontong*” – vegetable rice cake business is the morning food stand that is now growing in Limau Manis, Padang City's Pauh District's Kapalo Koto neighborhood. It is well known that the campus of Andalas University is situated in the Limau Manis region. One of the breakfast food stall businesses in the Kapalo Koto area is “Warung Lontong Ni Yul”.

Warung Lontong Ni Yul (the Warung) is a small company that specializes on breakfast and creates a variety of West Sumatran traditional breakfast dishes. The beginning of this company, which was founded in 2003, was fraught with ups and downs. Mrs. Yul made the decision to open a breakfast company since she is skilled in preparing a variety of morning foods. The value of the assets possessed by Mrs. Yul's company, excluding the building, is about IDR. 10,000,000.

Before the epidemic, the Warung had an average daily revenue of around IDR. 500,000, while during the pandemic, her daily income was roughly IDR. 300.000. The relatively quick business turnover is a plus for the micro business sector, like the Warung, while the weakness is that small capital causes a lack of budget and financing options (Ilham, 2021).

Furthermore, challenge that micro-businesses like the Warung must deal with is that they can leverage current technological advancements to create new items, evaluate existing products, or boost sales in the future. Currently, the rise of social media such as Facebook, Instagram, and TikTok is the opportunity

for the future. They will eventually be able to leverage social media for business growth and media marketing.

The number of similar breakfast stalls located around this business environment requires that a business must have its own advantages in order to be able to win the competition among its competitors. One of the efforts to win the competition is by strengthening the brand and diversifying the products of the Warung.

Because there are so many breakfast joints that are identical to one another near this workplace, a company has to have unique advantages in order to beat off its rivals. By enhancing the brand and expanding the Warung's product line, one of the strategies for competing successfully is to win.

SWOT analysis is one of the analysis tools for determining strategy at the formulation stage by identifying internal strengths and weaknesses, as well as external challenges and opportunities (Hunger & Wheelen, 2003). Some of these methods as a tool for comprehensively analyzing the strengths, weaknesses, opportunities, and threats of each issue alternative strategies for each relationship (Rangkuti, 2016). A study was conducted by Ilham (2021), using SWOT analysis approach to identify the strengts and weaknesses as well as opportunities and threats for the Warung, as summarized in Table 1.

Table 1. SWOT Analysis for the Warung.

INTERNAL EXTERNAL	Strengths (S)	Weaknesses (W)
	<ul style="list-style-type: none"> ▪ The product manufacturing process is still done manually (handmade) to keep the quality ▪ Relatively high turnover of business ▪ The establishment of a good relationship with customers ▪ Strategic location facilitates access for customers ▪ There are a lot of product types. 	<ul style="list-style-type: none"> ▪ Lack of human resources ▪ The production process takes a long time ▪ Limited business capital ▪ Lack of production tools and supporting facilities ▪ There is no financial management
Opportunities (O)	Strategy SO	Strategy WO
<ul style="list-style-type: none"> ▪ Market opportunities are still wide open ▪ Raw materials availability ▪ Increasingly sophisticated technological developments ▪ Good business image ▪ There is a government program (KUR) for capital ▪ There is an entrepreneur training program conducted by the government 	<ul style="list-style-type: none"> ▪ Improving product quality and quality to gain consumer trust (S1-O4) ▪ Increasing production volume to take advantage of broad market opportunities (S2-O1) ▪ Participate in training to increase creativity and innovation in product development (S5-O6) 	<ul style="list-style-type: none"> ▪ Utilizing government programs (KUR) to overcome the lack of capital (W3-O5) ▪ If it is really necessary to have better production equipment, the company may buy some equipment to increase the production (W4-O3)
Threats (T)	Strategy ST	Strategy WT
<ul style="list-style-type: none"> ▪ Uncertain raw material prices ▪ Business location close eac other to competitors ▪ Relatively high level of business competition ▪ Changing consumer needs and wants ▪ The bargaining position of consumers is still low. 	<ul style="list-style-type: none"> ▪ Conduct consumer research to determine consumer desires and behavior. For example, consumer characteristics that often change include consumer tastes, desires, and income (S3-T4). ▪ Create a distinctive feature of the company such as a brand or superior product (S4-T3) 	<ul style="list-style-type: none"> ▪ Conducting consumer research, to find out the willingness of consumers to attract buying interest in products (W1-T5) ▪ Develop production tools by keeping up to date (W4-T3)

Using the results of [Ilham \(2021\)](#) study, it can be determined that the strengthening of store names and product variety are the areas that still need improvement.

2. Methods

The community services were conducted in Limau Manis, Padang City's near to Andalas University from November to December 2022. Based on the discussions mentioned above in the previous session, the challenges include brand-strengthening and the diversification of breakfast offerings for the Warung. Among the steps made to resolve the problems partners encountered were:

Brand Strengthening

One of the factors influencing customers' choices to purchase products or utilize the services provided by producers is a brand. Brand equity refers to the idea that brands have inherent strengths ([Kotler, Armstrong, Harris, & He, 2020](#)). According to theory, brand equity refers to a brand's ability to provide value to any product that a business sells, even those with a large market share. Developing brand equity involves coming up with inventive ideas that make customers happy to use the given goods or services. Consumer loyalty, competitive pricing, consumer reputation, and new customer acquisition are all boosted by strong brand equity ([Primiana, 2009](#)).

“Warung Lontong Ni Yul” is the trademark that has so far been utilized by the Warung. A brand that is straightforward, as it is, produced quickly and in keeping with the company location's setting. The use of the brand in stores by writing it on billboards is also not due to a strategy, but rather to requests to be claimed not to be out of date. So, at that time straightforward signboard bearing the name Warung Lontong Ni Yul was created.

Based on the solutions chosen to overcome the problems faced by the Warung, the steps for the community service activity in term of brand strengthening can be explained as follows:

1. Discuss the community service project with the team (5 person) and stakeholders such as the Warung's owners (and family), and shop manager with total participant 7 person.
2. Investigating potential new names for the Warung
3. The team decided to choose "Lapau Minun Pagi" as the new name for the Warung after hearing different perspectives.
4. Create a new brand design as a outcome of this community service project.

Product Diversification

Product diversification is a strategy for producing new goods, such as by launching new product lines to get a larger market share ([Kotler, Armstrong, Harris, & He, 2020](#)). Product diversification enables a business to keep up with changes in the environment where the business is located with the goals of growing and adding value to a business, leveling/sharing risks over other products, preventing competitor monopolies, achieving synergies, controlling suppliers and distributors, and achieving the business owners' and managers' needs ([Murdifin, Nurnajamuddin, & Hayati, 2014](#)). In essence, brand enhancement and product diversity go hand in hand.

The products thus far offered by the Warung are common breakfast items such *lontong gulai*, *lontong pical*, *kampiun*, *bubur kacang hijau*, *bubur hitam*, and *bubur kanji*. In fact, kiosks in nearby areas provide the same breakfast meals ([Ilham, 2021](#)).

The Warung is given assistance to diversify product as an effort to help they grow the business. The process of product diversification involves the addition and modification of items. While product modifications aim to create novel combinations of current items, product additions aim to create new products that are distinct from existing products. Furthermore, in addition to brand building and product diversification assistance, the Warung also receive new resources signboards and new menus board.

Based on the solutions chosen to overcome the problems faced by the Warung, the steps for the community service activity in term of product diversification can be explained as follows:

1. Discuss the community service project with the team and stakeholders such as the Warung's owners (and family), and shop manager
2. Determine potential new menus to be developed into new menus, by diversifying with existing products and adding new products
3. Suggesting new meal menu: from the existing menu such as *pical*, and new *bubur kampiun* combination; the brand new menu such as *lontong gulai paku*, *lontong gulai tauco*, *sate*, *lontong pical kuah sate*, *kerupuk kuah*
4. Suggesting new menu for drinks such as tea, coffee, milk tea, milk coffee, and other instant drinks
5. Create a new, consumer-friendly menu board for food and drink that is attractive and easy to read.
6. The new menu board is also the outcome of the community service project.

In this activity, the team received support from the Warung's owner and manager. Among the participation include:

1. Strong motivation to diversify and revitalize the Warung brand.
2. Enthusiastic in suggesting new names and new products.
3. Willingness to become an activity partner and support the provision and procurement of activity administrative requirements.
4. Willingness to provide the necessary information for the implementation of the project.
5. Willingness to fill in the evaluation sheet of the project as a reference for the future activities/projects.

3. Results and Discussions

The expansion of several identical booths offering various improvements to draw potential clients is a current development in the business area. The Warung has lagged behind due to the expansion of several breakfast stands, including inexpensive cafés in the Kapalo Koto neighborhood. As a result, brand strengthening is necessary. By seeking a brand that stands out from other breakfast stands in general, the Warung is attempting to improve its identity and brand and raise consumer recognition.

After discussing and conducting a qualitative analysis, it was decided to change the name of the "Warung Lontong Ni Yul" to "Lapau Minun Pagi".

The following criteria were utilized to select the new brand:

1. The usage of names that still evoke the sound of classic Minang names, like Minang people refer to breakfast as "minun".
2. Changing "warung" to "lapau" to strengthen its traditional impression
3. No longer referring to the company by its owner's name, Mrs. Yul, as many families will be involved, turning this company into a large family business.
4. attempting to distinguish themselves from the nearby similar stands or cafés that frequently use contemporary names that people may find challenging to recall and comprehend.

It was decided to rename the brand "LAPAU MINUN PAGI" in order to support brand-strengthening initiatives for the Warung. The "warung" was changed to "lapau" and "minun pagi," which both indicate breakfast, in order to maintain the image of the classic Minang name. The use of this new name is also intended to appear different from similar businesses in the area around the partner's business. This new brand is also expected to attract consumers to distinct the Warung with unique, easy to remember and easy to understand name.

For product diversification activities, several new menus are proposed that come from modifying menus from existing ingredients and creating new menus. From the modification of the menu, the “*pical*” menu is proposed, and a new combination of ingredients for the *bubur kampiun*. From the new menu *lontong gulai paku*, *lontong gulai tauco*, *sate*, *lontong pical kuah sate*, and *kerupuk kuah*. Additionally, the new menu for drinks product diversification such as tea, coffee and other brewed drinks.



Figure 1. The New Brand Name for the Warung



MENU

LAPAU MINUN PAGI

Aneka Lontong

Lontong Sayur Cubadak, Lontong Sayur Paku, Lontong Sayur Tauco, Lontong Pical, Pical, Lontong Pical Kuah Sate

Aneka Bubur

Bubur Hitam, Bubur Putih, Bubur Kacang Padi, Bubur Kanji, Bubur Kampiun

Aneka Makanan Ringan

Kerupuk Kuah, Gorengan Tahu, Gorengan Tempe, Gorengan Bakwan

Aneka Minuman

Teh Manis, Kopi Hitam Kampung, Cappucino, Nutri Sari - Panas dan Dingin

Figure 1. The New Menu for the Warung

4. Conclusions

A brand is one of the characteristics that influence customers' decisions to purchase items or use the services given by manufacturers. Brand equity refers to a brand's capacity to provide value to any product sold by a company, including those with a big market share. That is why an effort should be made to strengthen the brand. Furthermore, product variety is essential for winning the competition. Product diversification is a method for creating new items, such as establishing new product lines in order to get a greater market share. Product variety allows a company to adapt to changes in the environment in which it operates. The community service program is implemented to assist the Warung in strengthening its brand and diversifying its product offerings. As a consequence, the new Warung brand was released as "Lapau Minun Pagi," the Minangkabau vibe names that set it apart from the competition. A new breakfast food menu, as well as a new beverages menu, have been added to the existing menu.

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6. Authors Note

The authors declare that there is no conflict of interest regarding the publication of this article. Authors confirmed that the paper was free of plagiarism.

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