



COMPETITIVE ADVANTAGE STRATEGY BASED ON PRODUCT DIFFERENTIATION: A QUALITATIVE CASE STUDY OF A BAKERY MSME IN BANDAR LAMPUNG, INDONESIA

STRATEGI KEUNGGULAN BERSAING BERDASARKAN DIFERENSIASI PRODUK: STUDI KASUS KUALITATIF SEBUAH MSME RUMAH MAKANAN DI BANDAR LAMPUNG, INDONESIA

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Abstract

Small and Medium Enterprises (SMEs) play a crucial role in strengthening local and national economies, particularly in developing countries such as Indonesia. Increasing market competition, digital transformation, and changing consumer preferences have forced SMEs to continuously develop competitive strategies in order to survive and grow sustainably. This study aims to analyze a competitive advantage strategy based on product differentiation implemented by Roti Kaisar, a bakery micro-enterprise located in Kemiling District, Bandar Lampung. Using a descriptive qualitative approach, data were collected through in-depth interviews, direct observation, and documentation. SWOT analysis was employed to identify internal strengths and weaknesses as well as external opportunities and threats affecting business competitiveness. The findings reveal that Roti Kaisar's competitive advantage is driven by consistent product quality, independent production processes, diverse product variations, and strong customer loyalty. However, the enterprise also faces challenges such as limited production capacity, suboptimal digital marketing, and fluctuating raw material prices. The results indicate that product differentiation strategies—supported by innovation, improved packaging, digital marketing utilization, and local brand strengthening are effective in enhancing competitive positioning and supporting sustainable business growth for bakery MSMEs.

Keywords : competitive advantage, product differentiation, SWOT analysis, MSMEs, bakery industry, Indonesia.

Abstrak

Usaha Kecil dan Menengah (UKM) memainkan peran penting dalam memperkuat ekonomi lokal dan nasional, terutama di negara berkembang seperti Indonesia. Peningkatan persaingan pasar, transformasi digital, dan perubahan preferensi konsumen telah memaksa UKM untuk terus mengembangkan strategi kompetitif agar dapat bertahan dan tumbuh secara berkelanjutan. Studi ini bertujuan untuk menganalisis strategi keunggulan bersaing berdasarkan diferensiasi produk yang diterapkan oleh Roti



Kaisar, sebuah usaha mikro roti yang terletak di Kecamatan Kemiling, Bandar Lampung. Menggunakan pendekatan kualitatif deskriptif, data dikumpulkan melalui wawancara mendalam, observasi langsung, dan dokumentasi. Analisis SWOT digunakan untuk mengidentifikasi kekuatan dan kelemahan internal serta peluang dan ancaman eksternal yang mempengaruhi daya saing bisnis. Temuan tersebut mengungkapkan bahwa keunggulan kompetitif Roti Kaisar didorong oleh kualitas produk yang konsisten, proses produksi yang mandiri, variasi produk yang beragam, dan loyalitas pelanggan yang kuat. Namun, perusahaan juga menghadapi tantangan seperti kapasitas produksi yang terbatas, pemasaran digital yang kurang optimal, dan fluktuasi harga bahan baku. Hasilnya menunjukkan bahwa strategi diferensiasi produk—didukung oleh inovasi, peningkatan kemasan, pemanfaatan pemasaran digital, dan penguatan merek lokal—efektif dalam meningkatkan posisi kompetitif dan mendukung pertumbuhan bisnis berkelanjutan untuk UMKM roti.

Kata Kunci : keunggulan bersaing, diferensiasi produk, analisis SWOT, UMKM, industri roti, Indonesia.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are universally acknowledged as a fundamental pillar of economic development, particularly in emerging economies such as Indonesia. MSMEs contribute significantly to employment creation, income distribution, and regional economic resilience. In the post-COVID-19 period, their role has become even more critical, as MSMEs demonstrated greater adaptability and flexibility compared to large-scale enterprises. Indonesia's economic recovery strategy has therefore placed MSMEs at the center of national development policies, emphasizing innovation, competitiveness, and digital transformation.

Recent national economic data indicate that MSMEs account for more than 60 percent of Indonesia's Gross Domestic Product (GDP) and absorb over 97 percent of the national workforce. These figures underline the strategic importance of MSMEs not only as complementary economic actors but as primary drivers of sustainable economic growth. However, despite their resilience and contribution, MSMEs face increasingly complex challenges, including market saturation, rapid technological change, evolving consumer behavior, and intensified competition from both local and national brands.

One of the sectors experiencing particularly intense competition is the food and beverage industry, especially bakery products. Urban areas such as Bandar Lampung have witnessed rapid growth in bakery businesses over the past decade, marked by the expansion of national franchise brands alongside the emergence of numerous local MSMEs. This situation creates a highly competitive market environment in which MSMEs must compete not only on price, but also on product quality, uniqueness, branding, and customer experience. Consumers today tend to prioritize products that offer distinctive value, emotional attachment, and consistent quality rather than merely low prices.

In strategic management literature, competitive advantage is defined as a firm's ability to achieve superior performance relative to competitors by implementing effective strategies. Porter's competitive strategy framework identifies cost leadership, differentiation, and focus as the main sources of competitive advantage. For MSMEs with limited capital, technology,



and production scale, cost leadership strategies are often difficult to implement sustainably. Consequently, product differentiation emerges as a more realistic and strategic option, allowing MSMEs to compete by offering unique attributes that are difficult for competitors to imitate.

Product differentiation in the context of MSMEs extends beyond physical product attributes. It includes variations in taste, quality consistency, packaging design, service delivery, brand identity, and emotional value perceived by consumers. In food-based MSMEs, differentiation through local flavors, originality, and authenticity is particularly effective in attracting and retaining customers. Previous studies have demonstrated that MSMEs adopting consistent product differentiation strategies are more likely to build customer loyalty, strengthen brand image, and maintain market relevance amid competitive pressure.

Furthermore, the acceleration of digitalization has transformed the competitive landscape for MSMEs. Digital platforms enable broader market access but simultaneously intensify competition by reducing geographical barriers. MSMEs are now required to integrate product innovation with effective digital marketing strategies to communicate their unique value propositions. Without clear differentiation and strategic positioning, MSMEs risk being overshadowed by larger competitors with stronger branding and marketing capabilities.

Roti Kaisar, a bakery MSME located in Kemiling District, Bandar Lampung, represents a relevant case for examining competitive advantage strategies based on product differentiation. Established in 2017, Roti Kaisar focuses on grilled bread products with distinctive local flavors and independently managed production processes. Despite operating in a highly competitive environment dominated by national bakery brands, Roti Kaisar has managed to sustain its business through product variety, consistent quality, and strong relationships with local consumers.

This study aims to analyze how product differentiation strategies contribute to competitive advantage in a bakery MSME context. Specifically, the research seeks to identify internal and external factors influencing competitiveness through SWOT analysis and to evaluate how differentiation strategies can enhance sustainable business performance. By providing empirical insights from a local MSME, this study is expected to contribute to the academic literature on competitive strategy and offer practical implications for MSME development in emerging markets.

a. Competitive Advantage

Competitive advantage refers to a firm's ability to create superior value compared to its competitors. Porter (1985) defines competitive advantage as a position of superiority achieved through effective strategy implementation. In the context of MSMEs, competitive advantage is not solely determined by low cost but also by the ability to deliver unique value that meets specific customer needs.

Modern marketing perspectives emphasize that competitive advantage is closely linked to customer perception. Kotler and Keller (2021) argue that businesses gain competitiveness by understanding and fulfilling customer expectations better than competitors. For MSMEs,



adaptability, innovation, and close relationships with customers are critical sources of advantage.

b. Product Differentiation

Product differentiation is a strategic effort to distinguish a product from competitors by emphasizing unique attributes. These attributes may include design, quality, features, taste, packaging, service, or brand image. Differentiation creates perceived value, enabling firms to build customer loyalty and reduce price sensitivity.

Differentiation can be classified into vertical differentiation (differences in quality levels) and horizontal differentiation (differences based on consumer preferences such as taste or style). For food-based MSMEs, horizontal differentiation through flavor variation and localized taste preferences is particularly relevant.

c. Product Differentiation Strategy in MSMEs

Product differentiation strategies in MSMEs are often driven by creativity, innovation, and local resource utilization. Previous studies indicate that MSMEs that consistently innovate and adapt products to local preferences are more likely to achieve sustainable competitiveness. Differentiation does not require large-scale investment but relies on continuous improvement, authenticity, and customer-oriented innovation.

d. SWOT Analysis

SWOT analysis is a strategic tool used to evaluate internal strengths and weaknesses as well as external opportunities and threats. By aligning internal capabilities with external conditions, businesses can formulate effective strategies to enhance competitiveness and mitigate risks. In MSME research, SWOT analysis is commonly used to assess strategic positioning and development potential.

2. RESEARCH METHOD

a. Research Design

This study employs a descriptive qualitative research design to gain an in-depth understanding of competitive strategies implemented by a bakery MSME. A qualitative approach is suitable for exploring managerial perspectives, operational practices, and contextual factors influencing strategic decision-making.

b. Research Object and Location

The research object is Roti Kaisar, a bakery MSME located in Kemiling District, Bandar Lampung, Indonesia. The enterprise specializes in grilled bread products with various local flavors and operates several small outlets in residential and educational areas.

c. Data Collection Techniques

Data were collected through:

- ✓ In-depth interviews with the business owner and key employees to explore strategic practices and challenges.
- ✓ Direct observation of production processes, product offerings, and customer interactions.



- ✓ Documentation, including business records, promotional materials, and visual documentation.

d. Data Analysis

Data analysis was conducted using SWOT analysis to identify internal strengths and weaknesses as well as external opportunities and threats. The analysis was used to evaluate the effectiveness of product differentiation strategies in achieving competitive advantage.

3. RESULT AND DISCUSSION

a. Profile of the Case Study MSME

Roti Kaisar is a micro-scale bakery enterprise established in 2017 and located in Kemiling District, Bandar Lampung. The business specializes in grilled bread products that combine soft bread textures with a variety of fillings, such as chocolate, cheese, banana chocolate, and other locally preferred flavors. In addition to selling ready-to-consume grilled bread, Roti Kaisar independently produces several basic bread types, including white bread, burger buns, steamed bread, and hotdog buns. These internally produced bread products are primarily used to support its core menu and partially supplied to local partners such as small cafés and street vendors.

This independent production system allows Roti Kaisar to maintain quality consistency, control raw material selection, and ensure product freshness. Such operational autonomy represents an important internal strength, particularly in an industry where quality consistency strongly influences customer satisfaction and repeat purchases. The business operates several small outlets located near residential areas and educational centers, enabling close interaction with local consumers and fostering strong customer relationships.

b. SWOT Analysis Results

Based on data collected through interviews, observations, and documentation, a SWOT analysis was conducted to identify internal and external factors influencing Roti Kaisar's competitiveness.

Strengths identified include consistent product quality, diverse product variations, independent production processes, use of locally sourced raw materials, competitive pricing for the middle-income segment, and strong customer loyalty. These strengths enable Roti Kaisar to differentiate its products and sustain market presence despite intense competition.

Weaknesses include limited production capacity, relatively simple packaging design, and underutilization of digital marketing platforms. These weaknesses constrain business expansion and reduce visibility in the increasingly digital-oriented marketplace.

Opportunities arise from growing consumer interest in local food products, increasing digital platform adoption, supportive government programs for MSME development, and expanding urban demand for ready-to-eat bakery products. These external conditions create favorable prospects for business growth if effectively leveraged.



Threats consist of intense competition from national bakery franchises, rapidly changing consumer preferences, and fluctuations in raw material prices. These factors pose challenges to price stability, innovation continuity, and long-term sustainability.

c. Product Differentiation Strategy Implementation

The findings indicate that product differentiation is the core competitive strategy adopted by Roti Kaisar. Differentiation is primarily implemented through product variety, flavor customization aligned with local tastes, and consistent product quality. Unlike standardized bakery franchises, Roti Kaisar emphasizes flexibility in adapting flavors and product combinations based on customer feedback and market trends.

Product differentiation is also reflected in the business's decision to independently produce its bread base. This strategy ensures greater control over texture, freshness, and ingredient composition, which enhances perceived product quality. Customers interviewed during the study highlighted taste consistency and product uniqueness as the main reasons for repeat purchases, indicating that differentiation effectively strengthens customer loyalty.

However, differentiation efforts are currently concentrated mainly on product attributes, while non-product dimensions such as packaging design, brand storytelling, and digital engagement remain underdeveloped. This finding suggests that while core differentiation is effective, its full competitive potential has not yet been maximized.

d. Discussion of Competitive Advantage

From a strategic management perspective, the results confirm Porter's differentiation strategy as a viable approach for MSMEs operating in highly competitive markets. Roti Kaisar's ability to offer unique products with consistent quality allows it to avoid direct price competition with large bakery franchises. Instead, the business competes on perceived value, authenticity, and local identity.

The results also align with the Resource-Based View (RBV) theory, which emphasizes the role of unique internal resources in achieving sustainable competitive advantage. Roti Kaisar's production expertise, customer relationships, and localized market knowledge represent valuable and difficult-to-imitate resources that contribute to its competitive position. Nevertheless, the findings indicate that competitive advantage remains vulnerable without continuous innovation and strategic adaptation. Limited production capacity restricts the scalability of differentiation strategies, while weak digital marketing reduces market reach and brand visibility. In an increasingly digitalized business environment, the absence of strong online engagement may weaken long-term competitiveness.

e. Strategic Implications for MSME Development

The findings suggest several strategic implications for bakery MSMEs. First, product differentiation should be supported by complementary strategies, including attractive packaging, consistent branding, and digital marketing integration. Second, gradual investment in production capacity is necessary to support innovation without compromising quality. Third, leveraging digital platforms to communicate product uniqueness can significantly enhance competitive positioning.



Overall, the results demonstrate that product differentiation, when implemented consistently and strategically, can serve as an effective foundation for sustainable competitive advantage in MSMEs. However, differentiation must evolve beyond product features to encompass branding, customer experience, and digital presence in order to remain effective in the long term.

4. CONCLUSION

This study examined the role of product differentiation strategies in creating competitive advantage within a bakery MSME context, using Roti Kaisar in Bandar Lampung, Indonesia, as a qualitative case study. The findings demonstrate that product differentiation serves as a critical strategic mechanism for MSMEs operating in highly competitive and resource-constrained environments.

The results reveal that Roti Kaisar's competitive advantage is primarily derived from its ability to maintain consistent product quality, offer diverse product variations aligned with local consumer preferences, and exercise operational independence through in-house production processes. These internal strengths enable the enterprise to deliver unique value that distinguishes it from national bakery franchises and other local competitors. Customer loyalty emerges as a key outcome of this differentiation strategy, reinforcing the importance of perceived value and authenticity in sustaining market competitiveness.

Furthermore, the study confirms that differentiation-based strategies allow MSMEs to avoid direct price competition and instead compete on value, quality, and local identity. From a theoretical perspective, the findings support Porter's differentiation strategy and are consistent with the Resource-Based View, which emphasizes the strategic role of unique, valuable, and difficult-to-imitate internal resources in achieving sustainable competitive advantage.

However, the findings also indicate that competitive advantage in MSMEs remains dynamic and vulnerable if differentiation strategies are not continuously adapted to environmental changes. Limitations in production capacity, underdeveloped digital engagement, and external pressures such as fluctuating raw material prices pose ongoing challenges to long-term sustainability. These conditions highlight that product differentiation must evolve beyond core product attributes and be supported by broader strategic alignment.

Overall, this study contributes to the literature on MSME competitive strategy by providing empirical evidence from a developing country context, particularly within the bakery industry. It demonstrates that well-executed product differentiation can serve as a viable and effective foundation for sustaining competitive advantage in MSMEs. The findings underscore the importance of aligning internal capabilities with market demands to ensure business resilience and long-term competitiveness in increasingly dynamic market environments.

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