



Level of Innovation as a Product Development Strategy for MSME Es Dawet Ayu: A Case Study in Ambarawa

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Abstract: This research explores the role of innovation in the product development strategy of MSME Es Dawet Ayu in Ambarawa. Using a qualitative descriptive approach, the study involved six key informants, including the business owner, suppliers, producers, distributors, employees, and consumers. Data were gathered through interviews, observations, and documentation. The findings suggest that product innovation in Es Dawet Ayu has been successfully implemented by introducing new flavor variations, utilizing natural ingredients, and improving packaging design. The shift from standard plastic cups to modern bottles and premium packaging has enhanced the product's hygiene and exclusivity. Additionally, marketing strategies such as social media promotion and special discounts have significantly contributed to expanding the MSME's market reach and customer base.

Keywords: Product Innovation, MSME, Development Strategy, Consumer Satisfaction.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving economic development, particularly in developing nations like Indonesia. They serve as a fundamental pillar in fostering economic resilience, creating job opportunities, and stimulating local economies (Ginting, 2024). The ability of MSMEs to withstand financial crises has demonstrated their critical role in ensuring economic stability. However, in the face of intensifying market competition, MSMEs must continuously innovate to maintain their competitive edge and meet evolving consumer demands (M. Siregar, 2020).

Innovation has become a crucial strategy for business sustainability, as it allows enterprises to differentiate their products from competitors, enhance market appeal, and improve overall business performance (Rinova & Sepriani, 2024). According to Dalimunthe (2017), companies that focus on product innovation and competitive differentiation tend to gain greater market share and consumer loyalty. In the case of MSME Es Dawet Ayu in Ambarawa, the business has implemented several innovative strategies, including the introduction of new flavor variants, improvements in ingredient selection, and modernized packaging to enhance product attractiveness (Hidayat et al., 2023).

Consumer preferences are increasingly influenced by product quality, branding, and aesthetic appeal. Indrajaya (2024) argues that innovative packaging, such as transitioning from traditional plastic cups to modern, eco-friendly bottles, can significantly enhance consumer perceptions and brand loyalty. Furthermore, the integration of digital marketing strategies, including the use of social media platforms, has become essential in reaching a wider audience and improving business visibility (Salamah et al., 2023).

Moreover, innovation is not limited to product development but extends to business operations and market expansion strategies. (Rinova 2023) emphasizes that MSMEs must adapt to technological advancements and changing consumer behavior by leveraging e-commerce platforms and digital marketing to sustain growth. The increasing reliance on online marketing, influencer collaborations, and promotional campaigns has proven effective in expanding market reach and attracting new customers (Putra & Kusumadewi, 2019).

Despite the advantages of innovation, MSMEs often face challenges such as limited financial resources, lack of technical expertise, and resistance to change. According to Ferdiani et al. (2024), many small businesses struggle with adopting new technologies due to insufficient knowledge and infrastructure. Additionally, the high costs associated with research and development often pose a barrier to continuous innovation. However, businesses that strategically invest in innovation tend to experience long-term benefits, including increased customer satisfaction, improved brand reputation, and sustainable growth (Putri, 2024).

Given these factors, this study aims to examine the role of innovation in the product development strategy of MSME Es Dawet Ayu in Ambarawa. The research focuses on assessing how product innovation influences consumer satisfaction, business performance, and market expansion. Furthermore, this study seeks to identify key challenges faced by MSMEs in implementing innovation and provide recommendations for enhancing innovation strategies to ensure long-term business sustainability.

Research Method

This study applies a qualitative descriptive approach to examine the role of innovation in product development at MSME Es Dawet Ayu in Ambarawa. A qualitative method is chosen because it enables a deeper understanding of how innovation strategies are implemented and their influence on consumer satisfaction and business growth (Sugiyono, 2022).

Research Design

A case study method is utilized to explore the innovation strategies employed by a single MSME. This approach is appropriate for analyzing real-world business practices and identifying factors that drive innovation adoption (Creswell, 2018).

Research Location

The study was conducted at MSME Es Dawet Ayu, situated in Ambarawa, Kabupaten Pringsewu, Lampung. This location was selected due to the business's strong presence in the traditional beverage sector and its implementation of innovative product and marketing strategies.

Data Collection Methods

The research incorporates three primary data collection techniques:

1. Interviews – Semi-structured interviews were carried out with six key participants, including the business owner, suppliers, producers, distributors, employees, and consumers. These interviews aimed to gather insights from various stakeholders regarding product innovation and its impact on business expansion (Moleong, 2021).
2. Observations – Direct field observations were performed to assess the production process, packaging modifications, and marketing approaches. This method provided real-time insights into how innovation was being integrated into the business operations (Patton, 2020).
3. Documentation – Supporting documents, such as sales records, promotional materials, and business reports, were collected to reinforce the analysis. Reviewing these documents helped validate findings from interviews and observations (Yin, 2018).

Data Analysis Techniques

The collected data were analyzed using the Miles and Huberman (1994) framework, which involves three key stages:

1. Data Reduction – Filtering and categorizing relevant data to focus on essential themes related to innovation and product development.
2. Data Display – Structuring the findings into narratives and visual representations, such as charts or tables, to facilitate comprehension.
3. Conclusion Drawing and Verification – Interpreting the findings and cross-checking them through data triangulation to ensure accuracy (Sugiyono, 2022).

Ensuring Data Validity and Reliability

To enhance the reliability of the research, triangulation was employed by comparing data from multiple sources, including interviews, observations, and documentation. Additionally, member checking was conducted by engaging respondents in discussions to verify the accuracy of data interpretations (Lincoln & Guba, 1985).

Through these research methods, the study aims to comprehensively analyze how MSME Es Dawet Ayu utilizes innovation in product development and the implications of these strategies on business sustainability and consumer satisfaction.

Result and Discussion

Product Innovation and Its Impact on Consumer Behavior

Innovation in product variations has played a significant role in increasing consumer interest in MSME Es Dawet Ayu. According to the owner, the introduction of new flavors such as pandan, coconut sugar, and durian has broadened the target market, attracting younger customers who prefer unique taste experiences. Additionally, topping variations such as avocado, mango, and jackfruit provide a premium touch to the traditional drink.

A customer interviewed during the study expressed that the availability of different flavors and toppings increased their purchasing frequency. They stated, "I used to drink Es Dawet only occasionally, but with the new flavors and toppings, I feel like I always want to try something new" (Customer Interview, 2025). Another respondent highlighted that the use of natural ingredients, such as organic coconut sugar, influenced their decision to switch from competing products (Consumer Feedback Survey, 2025).

Product packaging innovation has also been a key factor in increasing consumer appeal. Initially, MSME Es Dawet Ayu used basic plastic cups for serving. However, based on customer suggestions, the packaging was upgraded to modern bottles and eco-friendly cups. A distributor interviewed mentioned that "The new packaging not only looks more attractive but also helps preserve the freshness of the drink longer" (Distributor Interview, 2025).

Digital Marketing Strategies and Business Growth

With the growing influence of social media, MSME Es Dawet Ayu has successfully leveraged digital marketing to expand its reach. The owner reported that Instagram and WhatsApp Business have been the most effective platforms for promotion and sales (Rivanda, 2025). Regular updates, engaging visual content, and interactive campaigns have contributed to increased customer engagement.

One of the strategies that yielded positive results was the use of limited-time promotions and giveaways. A marketing consultant interviewed explained that "Small businesses that actively engage with their customers on social media tend to have stronger brand loyalty. The interactive content such as 'tag a friend and get a free drink' has proven to be very effective in boosting online engagement" (Marketing Consultant Interview, 2025).

Collaborations with local cafés and restaurants have further strengthened brand awareness. A café owner shared their experience working with MSME Es Dawet Ayu, stating that "By adding their drinks to our menu, we saw a 25% increase in beverage sales. Customers love that they can pair their favorite Es Dawet with our snacks" (Café Owner Interview, 2025).

Moreover, consumer loyalty programs have been introduced, where repeat customers receive special discounts. A frequent buyer mentioned that "The rewards program encourages me to keep coming back, and it feels like I'm valued as a customer" (Loyal Customer Interview, 2025).

Consumer Preferences and Market Adaptation

Understanding consumer preferences has been essential for business adaptation. A survey conducted among 50 customers revealed that 85% preferred Es Dawet with natural sweeteners over artificial syrups, while 72% stated that packaging plays a role in their purchasing decision (Consumer Feedback Survey, 2025).

A consumer highlighted that “I used to buy from street vendors, but now I prefer brands that use eco-friendly packaging because it aligns with my values” (Eco-conscious Consumer Interview, 2025). This shift in preference indicates an opportunity for MSMEs to integrate sustainable business practices into their operations.

However, despite positive feedback, some customers noted challenges in consistency. A returning customer expressed concern over occasional flavor inconsistencies, stating that “Sometimes the sweetness level varies. I hope they can standardize it better” (Customer Interview, 2025). This suggests the need for stricter quality control measures.

Challenges in Innovation and Business Sustainability

While MSME Es Dawet Ayu has seen growth, it faces several challenges in maintaining innovation. According to the owner, ingredient price fluctuations and supply chain disruptions have impacted production costs (Rivanda, 2025). Sourcing high-quality coconut sugar, for example, has become increasingly expensive, leading to pricing adjustments.

A supplier interviewed mentioned that “The demand for organic ingredients is rising, but small businesses struggle to secure them at stable prices” (Supplier Interview, 2025). This challenge highlights the importance of developing long-term supplier partnerships to ensure steady material availability (Busthanul, 2023).

Financial constraints also limit large-scale marketing efforts. A business consultant suggested that “Instead of relying on costly advertising, MSMEs should explore cost-effective collaborations and influencer marketing” (Business Consultant Interview, 2025).

Additionally, workforce management remains a concern. The business owner noted difficulties in hiring skilled staff for production and customer service. A newly recruited employee shared that “Training takes time, and there’s pressure to meet high standards quickly” (Employee Interview, 2025). This suggests that structured employee training programs could enhance operational efficiency.

Conclusion

This study highlights the crucial role of innovation in product development, packaging, and marketing strategies in enhancing the competitiveness of MSME Es Dawet Ayu. The introduction of new flavors, the use of natural ingredients, and modern packaging have successfully attracted a wider customer base and improved consumer satisfaction. Additionally, the adoption of digital marketing through social media platforms such as Instagram and WhatsApp has proven effective in expanding market reach and fostering customer engagement.

The findings suggest that consumer preferences are shifting towards healthier and more sustainable options, with a strong emphasis on natural sweeteners and eco-friendly packaging. However, maintaining consistency in product quality remains a challenge that requires stricter quality control measures. Furthermore, financial constraints, fluctuating raw material costs, and workforce management pose significant challenges to sustaining innovation and business growth (Porter, 2022).

To ensure long-term sustainability, MSME Es Dawet Ayu should strengthen partnerships with reliable suppliers, implement structured employee training programs, and explore cost-effective marketing strategies such as influencer collaborations and community-based promotions (Gonera, 2024). Future research could examine long-term consumer behavior trends and the impact of sustainable business practices on MSME competitiveness.

By continuously adapting to market demands and leveraging innovation, MSME Es Dawet Ayu can solidify its position in the industry while maintaining its traditional essence and appeal.

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