Implementation of Digital Transformation in Meatball MSMEs Malang City

Yogi Dwi Lestari[1], Yhadi Firdiansyah[2], Vida Maria Ulfa[3]
[1]Universitas Negeri Malang
[2]UIN Maulana Malik Ibrahim Malang
[3]UIN Sayyid Ali Rahmatullah Tulungagung
Corresponding Author: Yogi Dwi Lestari yogi.dwi.2304139@students.um.ac.id

A R T I C L E I N F O	A B S T R A C T
  	Digital transformation has become an urgent need for Micro, Small and Medium Enterprises (MSMEs) in the food and beverage sector, including meatball MSMEs in Malang City. This article discusses the level of digitalization of meatball MSMEs, factors influencing the adoption of digital technology, as well as the challenges and opportunities faced in the digital transformation process. By focusing on digital literacy, use of e-commerce, social media and delivery applications, this research provides an in-depth understanding of the actual conditions of digital transformation in meatball culinary MSMEs. This research provides an impact on the importance of digital transformation as a crucial step for Bakso MSMEs to remain relevant and competitive in the digital era.

INTRODUCTION

Digital transformation has become an urgent need for all business sectors, including Micro, Small and Medium Enterprises (MSMEs) operating in the food and beverage sector. This sector plays an important role in the Indonesian economy, contributing around 35% of total national MSME sales (Ministry of Industry, 2021). However, manyfood and beverage MSMEs are still lagging behind in adopting digital technology, so they face challenges in increasing their competitiveness and business growth.

One of the main challenges is limited resources, both financial and human resources with digital skills (Rahayu & Day, 2017). Many food and beverage MSMEs are still managed traditionally, making it difficult to invest in new technology and change their operational patterns. Apart from that, a lack of understanding about the benefits and how to implement digital technology is also a significant obstacle (Susanti & Utami, 2020). On the other hand, digital transformation also opens up great opportunities for food and beverage MSMEs. By utilizing technology such as e-commerce, social media and delivery applications, MSMEs can expand their marketing reach and increase sales (Nurhaida et al., 2019). Apart from that, digitalization also allows MSMEs to increase operational efficiency, for example by automating ordering and inventory processes (Ulas, 2019).

Furthermore, digital transformation allows food and beverage MSMEs to develop new business models, such as delivery or subscription-based delivery services (Susanti & Utami, 2020). By utilizing data analytics and artificial intelligence, MSMEs can also gain insight into consumer preferences and behavior, so they can better customize their products and services (Rahayu & Day, 2017). Despite facing challenges, digitalization is an important step for food and beverage MSMEs to remain relevant and competitive in the modern era. Therefore, systematic efforts from various stakeholders are needed to encourage and facilitate digital transformation in this sector.

Meatballs are one of the typical culinary delights of the city of Malang. Therefore, this research aims to explore the level of digitalization of meatball MSMEs in Malang City, as well as identifying factors that encourage or hinder the adoption of digital technology in their business. For this purpose, this research is expected to provide an in-depth understanding of the actual conditions of digital transformation in meatball culinary MSMEs and the challenges they face, as well as solutions and strategies that can be implemented to increase the adoption of digital technology and encourage the growth of this sector in the digital era.

LITERATURE REVIEW
Digital Business Transformation Concept

Digital business transformation refers to the process of integrating digital technology into all aspects of a business to improve performance, provide added value to customers, and create new business models (Hess et al., 2016). This concept involves fundamental changes in organizational strategy,

operations, processes and culture to take advantage of the opportunities offered by digital technologies such as the Internet of Things (IoT), cloud computing, big data, analytics and artificial intelligence (Mazzone, 2014).

Digital transformation also involves changes in organizational culture and mindset. The concept of "Digital Mindset" according to Kane et al. (2015) refers to thinking and perspectives that encourage the exploration of new technologies, taking risks, and innovating to create new value for customers. In addition, digital transformation is also related to the concept of "Digital Capability" which is defined as an organization's ability to utilize digital technology effectively in creating business value (Westerman et al., 2014). These capabilities include IT infrastructure, business processes and human resource skills that support digital transformation.

The Role of Digital Technology in MSMEs

Digital technology plays an important role in driving the growth and competitiveness of MSMEs. The use of digital technology can provide various benefits for MSMEs, including:

1. Increased Operational Efficiency

Digital technologies such as inventory management systems, process automation, and cloud computing can help MSMEs improve operational efficiency, reduce costs, and increase productivity (Rahayu & Day, 2017).

2. Expansion of Marketing Reach

By utilizing e-commerce, social media and digital marketing, MSMEs can reach a wider market, both locally and globally (Nurhaida et al., 2019).

3. Improved Service Quality

Digital technology allows MSMEs to improve the quality of service to customers, such as through mobile applications, online services, and customer relationship management systems (Susanti & Utami, 2020).

4. New Business Model Development .

MSMEs can develop new business models that utilize digital technology, such as delivery services, subscriptions (subscription based), or digital platform-based business models (Ulas, 2019). e. Increasing competitiveness by utilizing digital technology, MSMEs can increase their competitiveness through operational efficiency and greater marketing reach area, better service, and innovative business models (Rahayu & Day, 2017).

However, the adoption of digital technology by MSMEs also faces

several challenges, such as limited resources, lack of digital skills, and resistance to change. Therefore, systematic efforts are needed from various stakeholders to encourage and facilitate digital transformation in MSMEs (Nurhaida et al., 2019).

Factors Encouraging and Inhibiting Digital Transformation of MSMEs

1. Competitive Pressure

   Competitive pressure, both from local and global competitors, encourage MSMEs to adopt digital technology to increase competitiveness and efficiency(Rahayu & Day, 2017).

2. Customer Requests

   Changes in consumer preferences and behavior that increasingly demand digital services, such as e-commerce and mobile applications, are driving MSMEs to carry out digital transformation (Susanti & Utami, 2020).

3. Government support

   Government policies and programs that support the digitalization of MSMEs, such as digital skills training, incentives and IT infrastructure, can accelerate the digital transformation process (Nurhaida et al., 2019).

4. Affordable Technology Availability

   The development of digital technology that is increasingly affordable and easily accessible, such as cloud computing and mobile applications, facilitates technology adoption by MSMEs (Ulas, 2019)

Factors Inhibiting MSME Digital Transformation:

a. Limited Resources

   Limited financial resources and human resources with adequate digital skills are the main obstacles to digital transformation in MSMEs (Rahayu & Day, 2017).

b. Resistance to Change

   Lack of understanding of the benefits of digital technology and resistance to change from MSME owners or employees can hinder the digital transformation process (Susanti & Utami, 2020).

c. Lack of IT Infrastructure

   Limited IT infrastructure and internet connectivity, especially in rural or remote areas, can be an obstacle for MSMEs in adopting digital technology (Nurhaida et al., 2019).

d. Data Security and Privacy

Concerns about data security and privacy in a digital environment can make MSMEs hesitant to adopt digital technology (Ulas, 2019).

METHODOLOGY

The research approach used is qualitative methods. The population in this research is all Micro, Small and Medium Enterprises (MSMEs) operating in the food and beverage sector in the Malang City area. By using a qualitative approach, the research sample can be determined using a purposive sampling technique or purposive sampling. Sample criteria that can be used include:

a. -Meatball MSMEs that have been established for at least 2 years
b. MSMEs that have adopted at least one digital technology (e.g. social media, website, delivery application, etc.)
c. MSMEs who are willing to be interviewed in depth regarding the digital transformation process.
d. The number of samples selected was 4 meatball MSMEs

Data collection techniques that can be used include:-In-depth interviews with MSME owners/managers regarding the digital transformation process, driving and inhibiting factors, and their impact on business.

a. Direct observation of MSME operations to observe the implementation of digital technology.
b. Study documentation related to MSME profiles, financial reports and other supporting documents. To analyze the qualitative data obtained, data analysis techniques such as:
c. Thematic analysis to identify patterns, themes and categories that emerge from interview and observation data.
d. Data triangulation to validate findings from various data sources (interviews, observations, documentation).
e. Coding and concept mapping to organize and interpret data systematically.
f.   Cross-case analysis to compare and contrast findings among the MSMEs studied.

In conducting qualitative data analysis, researchers can also utilize qualitative data analysis software such as NVivo to assist the process of coding, categorizing and visualizing data.

RESEARCH RESULT AND DISCUSSION
Implementation of Digital Transformation for Meatball MSMEs

a. Malang Meatballs Cak Sudar

The Malang Cak Sudar meatball business is now starting to be supported by taking advantage of technological advances by registering the business e-commerce so that customers can order Cak Sudar meatballs

wherever the buyer is. Payments are not only made using cash but also using Qris which can make it easier for consumers to make purchase transactions. The use of technology can make it easier for entrepreneurs to develop their products and make transactions.

b. Malang Presidential Meatballs

Bakso President has been around since 1977 and was initially sold on a shoulder and then replaced with a cart. The location of the presidential meatballs is next to the train tracks, which is the attraction of the presidential meatballs and gives it a special sensation. Meatballs have many variations ranging from various pentol, fried to grilled meatballs and are offered at varying prices. Bakso President has social media Instagram, which provides information and can be an effective promotional tool. The payment system is not only via cash but is developing over time using non-cash, both Qris and debit. This can make transactions easier for consumers.

c. Bakso Solo Kidul Pasar

The culinary meatballs kidul market has been around since 1965 in MALANG CITY, meatballs solo kidul market. This Bakso Solo Kidul market is now managed by the 3rd generation and has 3 branches. around 2000 sales portion of Solo KidulPasae meatballs in all outlets. Selling Kidul Pasar meatballs is not only through 3 existing outlets, but the owner is starting to develop his business by registering with an online food buying and selling platform. Payments are made not only via cash, but each outlet also provides Qris to make it easier for consumers to make payments. Not only service and payment, but the owner also develops his business by providing product delivery services outside the city for his customers.

Level of Digital Technology Adoption in MSMEs

a. Availability of Resources: MSMEs are often limited in financial resources, technological knowledge, and access to the infrastructure needed to adopt digital technologies

b. Awareness and Education: The level of awareness of the benefits of digital technology and the education level of MSME owners can influence the willingness and ability to adopt digital technology.

c. Regulatory and Policy Support: Government policies that support the development of digital technology infrastructure and provide incentives

for MSMEs to adopt technology can accelerate digital technology adoption.

d. Perception of Risks and Benefits: MSMEs' perception of the risks and benefits associated with adopting digital technology also plays an important role in technology adoption decisions.

Benefits of Digital Business Transformation for MSMEs

1. Use of Qris
a. The benefit of using QRIS in the payment system in the meatball culinary business is that it facilitates consumers who make non-cash payments
b. Utilizing the use of QRIS can increase sales turnover
c. Sellers are able to take part in existing events (because some events pay non-cash)
d. Reduce marketing financing
e. Able to attract potential consumers.

2. Use of social media to promote productsa. Utilization of social media in marketing products b. Able to create interesting content and upload it to social media c. Challenges and implementation of digital transformation.

Challenges in Implementing Digital Transformation

1. In practice, many MSME entrepreneurs still don't know how to use QRIS
2. Sellers still don't understand the rules for using QRIS
3. Limited resources, both financial and human resources who have digital skills
4. The challenges for MSMEs in Indonesia to develop are related to innovation and technology, digital literacy, productivity, regulations,financing, business branding and marketing, human resources, business standardization and certification.

Strategy to Accelerate Digital Transformation of MSMEs

1. Technology training for sustainable Meatball MSMEs.
2. Business actors adapt to online marketing trends, for example
   Just create content and upload it on social media or advertise on social media which is the current trend.
3. Business actors also sell in e-commerce, for example go food, shopee food, grab food and other e-commerce.
4. Digital literacy as an effort to change and develop activities based on skills and knowledge by utilizing technology.

CONCLUSIONS AND RECOMMENDATIONS

The application of digital transformation to meatball MSMEs in Malang City concluded that digital transformation has an important role in increasing the competitiveness of meatball MSMEs, especially meatball MSMEs in Malang City. Meatball MSMEs that have adopted digital technology, such as e

commerce, social media, and delivery applications, have the opportunity to expand marketing reach and increase operational efficiency. The main challenge faced by MSMEs in adopting digital transformation is limited resources, both financial and human resources who have digital skills. The importance of digital literacy for MSME entrepreneurs is an effort to adapt to technological developments and take advantage of the convenience of digitalization.

Suggestions for MSMEs include openness to accelerated digitalization, the ability to adapt quickly to developments in digitalization, and taking advantageof the convenience of digitalization.Suggestions for thegovernment/stakeholders include simplifying regulations for MSMEs, as well as holding training related to the use of technology. Further research with broader variables is needed to support the understanding and development of digital transformation in food and beverage MSMEs. Thus, this article provides an overview of the importance of digital transformation for meatball MSMEs in Malang City, as well as highlighting challenges, opportunities and suggestions that can be implemented to increase the adoption of digital technology in MSME businesses.

ADVANCED RESEARCH

Each study has limitations, thus, it is recommended that future researchers expand the scope of research to involve MSMEs from other food and beverage sectors in Malang City or other areas, so as to provide a more comprehensive understanding of digital transformation in various types of MSMEs and examine the impact of digital transformation. on the operational performance, marketing and business models of MSMEs in more detail, including analysis of operational efficiencies obtained through digitalization. Each study has limitations, thus, it is recommended that future researchers expand the scope of research to involve MSMEs from other food and beverage sectors in Malang City or other areas, so as to provide a more comprehensive understanding of digital transformation in various types of MSMEs and examine the impact of digital transformation. on the operational performance, marketing and business models of MSMEs in more detail, including analysis of operational efficiencies obtained through digitalization.

REFERENCES

Adoption of digital technology for MSMEs in Indonesia. Journal of Management & Economics, 11(2), 39-48.

Hess, T., Matt, C., Benlian, A., &Wiesböck, F. (2016). Options for formulating a digital transformation strategy. MIS Quarterly Executive, 15(2), 103-119.

Kane, G. C., Palmer, D., Phillips, A. N., Kiron, D., & Buckley, N. (2015).

Matt, C., Hess, T., &Benlian, A. (2015). Digital transformation strategies. Business & Information Systems Engineering, 57(5), 339-343.

Mazzone, D. M. (2014). Digital or death: Digital transformation - The only choice for businesses to survive smash and conquer.

Ministry of Industry. (2021). Contribution of Food and Beverage MSMEs to the National Economy.

Rahayu, R., & Day, J. (2017). Determinant factors of e-commerce adoption by SMEs in developing country: Evidence from Indonesia. Procedia Computer Science, 110, 60-68.

Smash Box Consulting LLC. Nurhaida, I., Puspitasari, N. B., Sulisti, W. E., & Mustika, C. (2019).

Strategy, not technology, drives digital transformation. MIT Sloan Management Review, 57(1), 27-32.

Susanti, V., & Utami, H. N. (2020). Strategy to increase the competitiveness of MSMEs through digitalization. Journal of Economics and Business, 23(1), 1-16.

Ulas, D. (2019). Digital transformation process and SMEs. Procedia Computer Science, 158, 662-671.

Westerman, G., Bonnet, D., & McAfee, A. (2014). Leading digital: Turning technology into business transformation. Harvard Business Press.

Westerman, G., Bonnet, D., & McAfee, A. (2014). Leading digital: Turning

technology into business transformation. Harvard Business Press.