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Business strategy formulation: Case study of culinary SMEs

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Abstract: Small and Medium Enterprises (SMEs), which serve as vital pillars of the Indonesian economy, are currently facing significant challenges from macroeconomic pressures such as inflation and diminished consumer purchasing power. This study addresses the issue of declining profitability experienced by a culinary SME, Pecel Saestu, through determining the most effective competitive strategy to ensure its sustainability and growth in an uncertain economic climate. The novelty of this research lies in its application of a comprehensive, structured, multi-stage strategy formulation framework to a real-world SME case study. Employing a qualitative methodology, the study gathered data through in-depth interviews with management, a competitor, and customers, which was subsequently analyzed using a suite of tools including the EFE, IFE, IE, SWOT, and QSPM matrices. Empirical findings reveal a strong internal position (IFE score: 3.080) juxtaposed with a moderate response to significant external threats (EFE score: 2.655), placing the company in the 'grow and build' category. The QSPM analysis identified product development as the superior strategy (Total Attractiveness Score: 5.448). This research concludes that Pecel Saestu should introduce a tiered product portfolio featuring a 'Signature' (traditional) line and a 'Fusion' (lifestyle) line. This approach leverages the company's core R&D strengths to capture new market segments and improve profit margins.
Keywords: *Business strategy, IE matrix, SMEs, Strategy formulation, SWOT matrix.*

1. Introduction

Small and Medium Enterprises (SMEs) are the cornerstone of economic development, constituting approximately 90% of all businesses and generating over half of the world's employment opportunities, a role that is particularly vital in developing nations. Their importance extends beyond significant contributions to Gross Domestic Product (GDP); they are also instrumental in creating jobs, fulfilling societal needs for essential goods and services, and reinforcing the fabric of local communities [1, 2].The immense potential of the SMEs sector as a primary engine for Indonesia's economy is underscored by its contribution of 60.5% to the national GDP [3].This figure is notably higher than the average contribution in other developing nations, which typically hovers around 40% of GDP [4]. Such a substantial contribution not only highlights the Indonesian economy's reliance on the health and vitality of its SMEs but also emphasizes the critical need for sustained initiatives aimed at preserving and enhancing their performance [5].

However, Indonesia's macroeconomic landscape is characterized by the depreciation of the Rupiah against the US dollar, a development that has triggered downturns across various economic sectors. The impact of this currency decline is particularly pronounced in the segment of the economy that is heavily reliant on Small and Medium Enterprises (SMEs). Furthermore, this situation creates a significant risk of triggering an increase in the national inflation rate [6]. The aforementioned macroeconomic shocks instigate a shift in consumer behavior, leading to reduced discretionary spending and a greater focus on essential needs. This erosion of public purchasing power translates directly into lower sales volumes for SMEs products and services, ultimately harming their profitability [7]. A

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similar downturn in profitability was experienced by Pecel Saestu as a Culinary SMEs entity, as the chart below demonstrates:

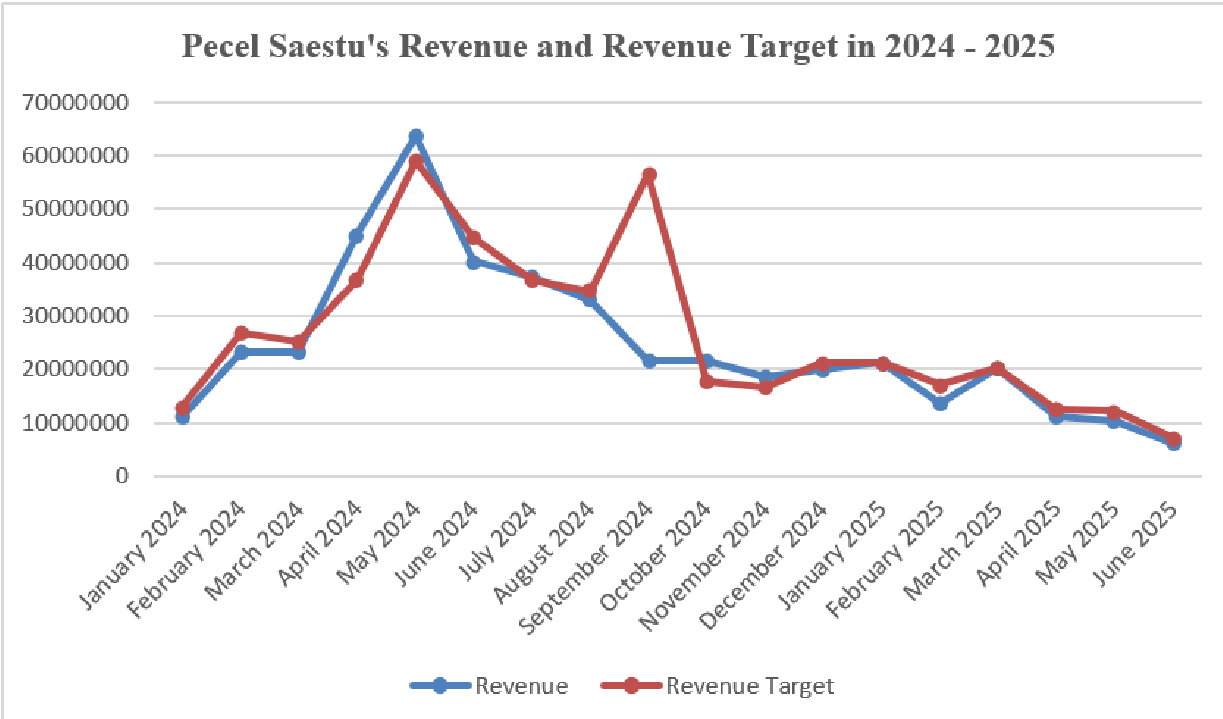

Figure 1.
Pecel Saestu's Revenue and Revenue Target in 2024 – 2025.

SMEs hold the dominant role in the national GDP [3] enhancing their competitiveness and ensuring their sustainability is paramount for achieving inclusive and long-term economic growth for the nation [8]. Indonesian SMEs confront deteriorating economic conditions and entering a challenging phase that necessitates strategic responses to external pressures [9]. To navigate these conditions, Pecel Saestu as a Culinary SMEs must possess a robust adaptive capacity underpinned by strong competitive strengths and mitigating internal weaknesses while simultaneously capitalizing on external opportunities and preempting threats [5, 10].

2. Purpose of Study

Pecel Saestu, a firm currently facing declining profitability, needs to develop a competitive strategy to effectively navigate its industry and broaden its business horizons. The current weakening of Indonesia's Small and Medium Enterprise (SME) sector, a result of a worsening economy, highlights a broader national issue that this particular challenge reflects. In this climate, having a well-defined competitive strategy is absolutely essential for survival, especially since the sector contributes a significant 60,5% to the nation's GDP. Therefore, this research aims to formulate a strategy precisely tailored to Pecel Saestu's unique conditions and needs by first conducting a thorough identification of its internal and external environments using a comprehensive suite of analytical tools: the EFE Matrix, IFE Matrix, IE Matrix, SWOT Matrix, and QSPM Matrix.

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3. Objective of Study

- To identify the external business conditions using the EFE Matrix approach, and second,
- To identify the internal business conditions with the IFE Matrix approach.
- The insights gathered from both of these analyses will then provide the basis for the final strategy formulation, which will be carried out using the IE Matrix, SWOT Matrix, and QSPM Matrix.

4. Theory and Literature Review

4.1. Business Strategy

To achieve long-term objectives and a sustainable competitive advantage, organizations employ strategy, its an approach that is considered both art and science. This involves a holistic process of creating, executing, and assessing key decisions that span across organization's various functional areas, including marketing, finance, and operations. The entire framework for this process is broken down into three primary stages: (1) Strategy Formulation, (2) Strategy Implementation, and (3) Strategy Evaluation [11].

4.2. Strategy Formulation

The entire process of formulating strategy is a sequence of deliberate activities aimed at charting organization's future course. It is fundamentally built upon a through analysis that looks both outwardly at the market to find opportunities and threats, and inwardly to understand the company's own strengths and weaknesses [11]. This comprehensive understanding forms the principal for decision-making. Following this analysis, the final stage involves generating a variety of strategic options and then carefully selecting the one that aligns with the organization's position and goals. According to David, et al. [11] these are stages of strategy formulations:

Table 1.
The Strategy-Formulation Analytical Framework.

Stage 1: The Input Stage	External Factor Evaluation (EFE) Matrix
	Internal Factor Evaluation (IFE) Matrix
	Competitive Profile Matrix (CPM)
Stage 2: The Matching Stage	Internal-External (IE) Matrix
	Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix
	Strategic Position and Action Evaluation (SPACE) Matrix
	Boston Consulting Group (BCG) Matrix
	Grand Strategy Matrix
Stage 3: The Decision Stage	Quantitive Strategic Planning Matrix (QSPM)

The method used for this formulation in the present study is a proven framework, recognized for its versatility and effectiveness in guiding companies of all sizes to identify, evaluate, and commit to the most fitting strategies [11].

4.3. EFE and IFE Matrix

The External Factor Evaluation (EFE) Matrix is employed as a primary analytical tool for strategically assessing and responding to the external variables that influence an organization's performance. The construction of this matrix is predicated on a comprehensive external audit. According to David, et al. [11] must investigate a wide spectrum of forces, including those that are competitive, economic, political-legal, technological, and socio-environmental. For a more granular analysis specifically focused on the level of industry competition, David, et al. [11] recommend integrating Porter's Five-Forces Model into the evaluation. This complementary analysis furnishes a deeper understanding of an industry's competitive dynamics by assessing a series of key pressures, such

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as the threat of new competitors, the risk from substitute products, and the relative influence wielded by both customers and suppliers.

For the purpose of internal analysis, he Resource-Based View (RBV) is that a sustainable competitive advantage originates from a firm's exclusive set of resources and capabilities that are inimitable by competitors [11]. This perspective establishes the RBV as an essential framework for conducting internal analysis. The application of this perspective involves a deep dive into the core functional areas of the organization. According to David, et al. [11] the key components to be examined through the RBV lens include: (1) Integrating Strategy and Culture; (2) Management; (3) Marketing; (4) Finance/Accounting; (5) Production/Operation; (6) Research and Development; and (7) Management Information Systems.

The process transitions to the input stage immediately following the identification of all relevant external and internal factors. This phase is dedicated to the formal calculation of these identified elements [11]. This is accomplished through two specific instruments designed to guide strategic choices: the External Factor Evaluation (EFE) Matrix is used to process the external elements, and the Internal Factor Evaluation (IFE) Matrix performs a parallel calculation for the internal elements. The methodology for conducting these matrix calculations involves the following stages:

1. List key internal factors.
2. Assign a weight (0.0 to 1.0) to each factor.
3. Rate each factor (1 to 4) based on its importance.
4. Multiply the weight by the rating to get the weighted score.
5. Sum the scores to determine the total weighted score.

4.4. IE Matrix

A division's strategic position is mapped on the Internal-External (IE) Matrix using two primary coordinates: the total weighted score from the Internal Factor Evaluation (IFE) Matrix (x-axis) and the total weighted score from the External Factor Evaluation (EFE) Matrix (y-axis). A standardized three-level classification is applied to both axes for interpretation, categorizing scores from 1.0 to 1.99 as weak, 2.0 to 2.99 as average, and 3.0 to 4.0 as strong. It is imperative that each division within a company first develops its own distinct IFE and EFE analyses to provide these essential data points for the matrix [11].

4.5. SWOT Matrix

The SWOT (Strengths, Weaknesses, Opportunities, Threats) Matrix is a cornerstone analytical tool in strategic management, widely employed to gain a comprehensive understanding of an organization's operating landscape. Its primary purpose is to systematically identify a firm's internal attributes (strengths and weaknesses) in relation to the external opportunities and threats it confronts. The ultimate goal of this analysis is to formulate four specific types of strategies by creating logical pairings: SO (Strengths-Opportunities) Strategies, WO (Weaknesses-Opportunities) Strategies, ST (Strengths-Threats) Strategies, and WT (Weaknesses-Threats) Strategies [11].

4.6. QSPM Matrix

The Quantitative Strategic Planning Matrix (QSPM) provides an analytical framework for objectively determining the most suitable course of action from a range of feasible options [11]. Its functionality is predicated on integrating outputs from prior analytical stages, synthesizing foundational data from Stage 1 analyses (IFE and EFE Matrices) with the alternative strategies formulated in the Stage 2 (SWOT Matrix through reference to company positions in IE Matrix). The core process involves assessing the relative attractiveness of each strategic alternative when evaluated against the organization's critical internal and external factors. This assessment yields a Total Attractiveness Score (TAS) for each alternative, calculated with the formula: TAS = ∑(Factor Weight × Attractive Score

Rating). The extent of the disparity in the Total Attractiveness Scores (TAS) across a set of strategic alternatives indicates the relative superiority of one option, thereby guiding management's decision in selecting the most feasible and advantageous strategy to implement [11].

4.7. Theoritical Framework

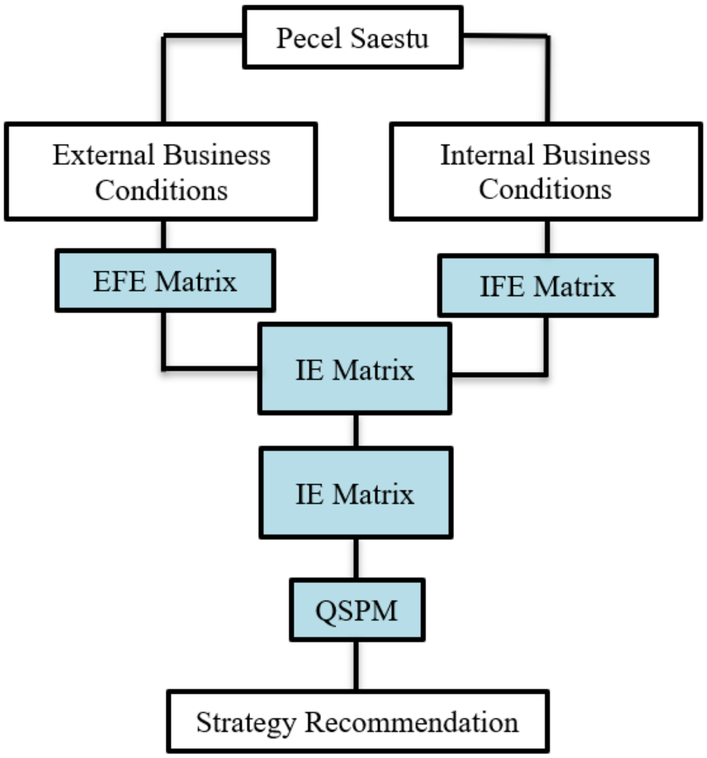

Figure 2.
Theoritical Framework.

5. Research Metodology

To understand the external environment of opportunities and threats, alongside the internal environment of strengths and weaknesses, this study employed a qualitative methodology. The principal methods for data gathering in this study were in-depth interviews and participant observation, as these techniques were selected specifically to facilitate direct interaction between the researcher and the sources of information [12]. The selection of informants for these observations and interviews was executed using a purposive sampling method. This approach involves the deliberate selection of data sources based on predetermined criteria, specifically targeting individuals who demonstrate mastery of the subject area and are anticipated to provide insights that align with the research's specific requirements [12]. Consequently, the interviewees from Pecel Saestu's top management included the General Manager, Operational Manager, and R&D Manager. For an external perspective, the owner of a key competitor, Nasi Pecel Tulungagung, was interviewed, supplemented by insights from two Pecel Saestu customers.

6. Results and Discussion

6.1. Input Stage

6.1.1. EFE Matrix

Table 2.
EFE Matrix of Pecel Saestu.

Pecel Saestu's EFE Matrix			
Opportunities	**Weight**	**Rating**	**Weighted Score**
Market domination due to the limited number of SMEs currently selling Pecel products	0.073	3.00	0.219
Expand business reach through a distinct value proposition (specializing in both fusion and traditional pecel	0.067	3.00	0.201
Increased efficiency in business processes. supported by ongoing technological advancements	0.062	3.00	0.186
The development of business operations through adaptation to the evolution of digital technology	0.051	3.00	0.153
The development of unique fusion products and the cultivation of a strong brand image	0.056	2.00	0.112
Become a lifestyle symbol and a popular hangout spot for young people.	0.051	2.00	0.102
			0.973
Threats	Weight	Rating	Weighted Score
Weakening Indonesia economic conditions. inflation. and increasing prices of raw materials	0.079	4.00	0.316
Lack of support from the government and unstable policies	0.090	3.00	0.270
Decline in the public's purchasing power	0.079	3.00	0.237
Intense competition resulting from the high growth rate of the SME sector	0.073	3.00	0.219
Efficiency-related regulations that could potentially lower customer demand for products/services	0.079	2.00	0.158
Changes in customer consumption patterns driven by Indonesia's deteriorating economic conditions	0.073	2.00	0.146
Consumer preferences shifting that are influenced by seasonal trends	0.067	2.00	0.134
Weak bargaining position with suppliers	0.056	2.00	0.112
The ease of entry for new competitors from different business models.	0.045	2.00	0.090
			1.682
Total			2.655

The External Factor Evaluation (EFE) Matrix presents the results of an analysis of the external environment, which encompasses both opportunities and threats. Based on the interviews conducted, several opportunities for Pecel Saestu were identified, including the following; (1) Market domination due to the limited number of SMEs currently selling Pecel products; (2) Expand business reach through a distinct value proposition (specializing in both fusion and traditional pecel); (3) Increased efficiency in business processes, supported by ongoing technological advancements; (4) The development of business operations through adaptation to the evolution of digital technology; (5) The development of unique fusion products and the cultivation of a strong brand image; (6) Become a lifestyle symbol and a popular hangout spot for young people.

On the other hand, Pecel Saestu also confronts a number of significant threats, such as; (1) Weakening Indonesia economic conditions, inflation, and increasing prices of raw materials (2) Lack of support from the government and unstable policies; (3) Decline in the public's purchasing power; (4) Intense competition resulting from the high growth rate of the SME sector; (5) Efficiency-related regulations that could potentially lower customer demand for products/services; (6) Changes in customer consumption patterns driven by Indonesia's deteriorating economic conditions; (7) Consumer preferences shifting that are influenced by seasonal trends; (8) Weak bargaining position with suppliers; (9) The ease of entry for new competitors from different business models.

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6.1.2. IFE Matrix

Table 3.
IFE Matrix of Pecel Saestu.

Pecel Saestu's IFE Matrix			
Strengths	**Weight**	**Rating**	**Weighted Score**
Strong commitment to innovation. driven by a high frequency of market research and product evaluations	0.080	4.00	0.320
Possesses a diverse range of hit products resulting from innovation by the R&D department	0.080	4.00	0.320
information system that accelerates the database collection process	0.072	4.00	0.288
Family-like work environment supported by a target-based bonus system to motivate employees	0.064	4.00	0.256
Highly customer-oriented marketing strategy. bolstered by a very competitive (low-cost) price advantage	0.056	4.00	0.224
Clear strategic approach demonstrated through products that are aligned with the brand's identity (distinctly East Javanese)	0.072	3.00	0.216
Combining quantitative (product sales statistics) and qualitative (lifestyle observation and direct customer surveys) analysis methods to understand the market	0.072	3.00	0.216
Consistently and proactively soliciting feedback from customers regarding new products and other aspects for continuous improvement	0.072	3.00	0.216
High employee loyalty fostered by a flexible work culture and an effective incentive system	0.048	4.00	0.192
Lean and efficient organizational structure	0.064	3.00	0.192
Efficient production capacity that prioritizes product quality.	0.048	3.00	0.144
			2.524
Weaknesses	Weight	Rating	Weighted Score
Low level of profitability and financial conditions that are relatively stagnant	0.096	2.00	0.192
The presence of both short-term (event-based) and long-term (revamp-focused) strategic initiatives. but with lack of attention to post-implementation efficiency	0.080	2.00	0.160
Information system that has not been fully integrated	0.048	2.00	0.096
Production technology comprehension is still limited to layout and basic facility management.	0.048	1.00	0.048
			0.496
Total			3.080

The Internal Factor Evaluation (IFE) Matrix summarizes the analysis of the internal environment, detailing the company's strengths and weaknesses. Based on the interviews conducted, the key strengths of Pecel Saestu are as follows; (1) Strong commitment to innovation, driven by a high frequency of market research and product evaluations; (2) Possesses a diverse range of hit products resulting from innovation by the R&D department; (3) Information system that accelerates the database collection process; (4) Family-like work environment supported by a target-based bonus system to motivate employees; (5) Highly customer-oriented marketing strategy, bolstered by a very competitive (low-cost) price advantage; (6) clear strategic approach demonstrated through products that are aligned with the brand's identity (distinctly East Javanese); (7) Combining quantitative (product sales statistics) and qualitative (lifestyle observation and direct customer surveys) analysis methods to understand the market; (8) Consistently and proactively soliciting feedback from customers regarding new products and other aspects for continuous improvement; (9) High employee loyalty fostered by a flexible work culture and an effective incentive system; (10) Lean and efficient organizational structure; (11) Efficient production capacity that prioritizes product quality. Alongside these strengths, several weaknesses were also identified within Pecel Saestu, which include; (1) Low level of profitability and financial conditions that are relatively stagnant; (2) The presence of both short-term (event-based) and long-term (revamp-focused) strategic initiatives, but with lack of attention to post-implementation efficiency; (3) Information system that has not been fully integrated; (4) Production technology comprehension is still limited to layout and basic facility management.

6.2. Matching Stage
6.2.1. IE Matrix

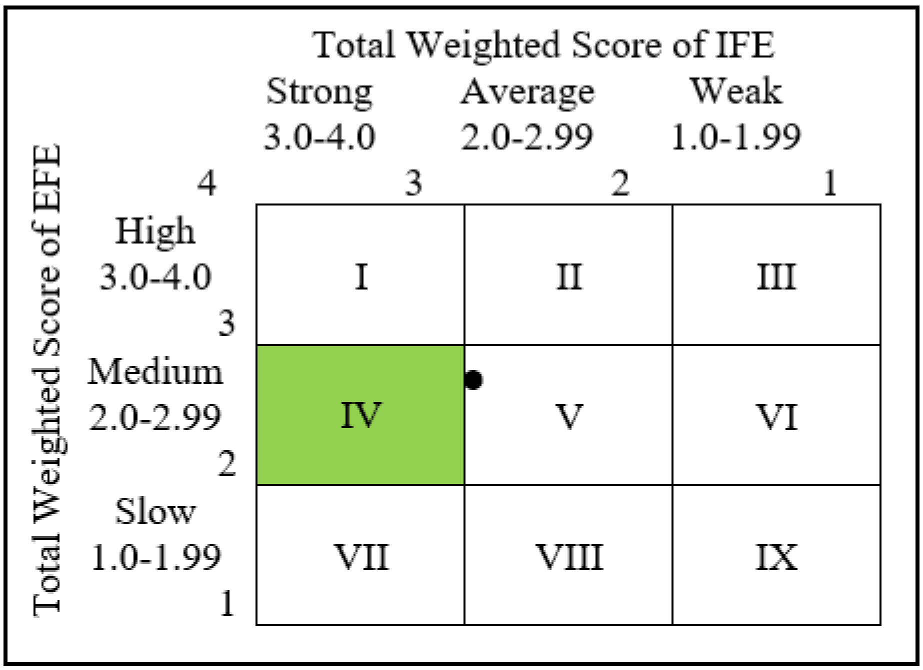

Figure 3.
IE Matrix of Pecel Saestu.

The Internal-External (IE) Matrix functions as a strategic mapping tool that dictates the appropriate course of action for a business by integrating its internal and external analysis scores. By plotting Pecel Saestu's total IFE Matrix score of 3.080 on the x-axis and its EFE Matrix score of 2.655 on the y-axis, the company is placed squarely in Quadrant IV. This position is categorized as 'grow and build,' indicating a scenario where the company possesses a strong competitive stance but competes in an industry with less than significant growth. According to Click or tap here to enter text., suitable strategies for divisions in this quadrant can be Intensive, which includes market penetration, market development, and product development, or they can be Integrative, such as backward, forward, and horizontal integration.

6.2.2. SWOT Matrix

Table 4.
SWOT Matrix of Pecel Saestu.

	Strengths	**Weaknesses**
	1. Strong commitment to innovation, driven by a high frequency of market research and product evaluations 2. Possesses a diverse range of hit products resulting from innovation by the R&D department 3. Information system that accelerates the database collection process 4. Family-like work environment supported by a target-based bonus system to motivate employees 5. Highly customer-oriented marketing strategy, bolstered by a very competitive (low-cost) price advantage 6. Clear strategic approach demonstrated through products that are aligned with the brand's identity (distinctly East Javanese) 7. Combining quantitative (product sales statistics) and qualitative (lifestyle observation and direct customer surveys) analysis methods to understand the market 8. Consistently and proactively soliciting feedback from customers regarding new products and other aspects for continuous improvement 9. High employee loyalty fostered by a flexible work culture and an effective incentive system 10. Lean and efficient organizational structure 11. Efficient production capacity that prioritizes product quality.	1. Low level of profitability and financial conditions that are relatively stagnant 2. The presence of both short-term (event-based) and long-term (revamp-focused) strategic initiatives, but with lack of attention to post-implementation efficiency 3. Information system that has not been fully integrated 4. Production technology comprehension is still limited to layout and basic facility management.
Opportunities 1. Market domination due to the limited number of SMEs currently selling Pecel products 2. Expand business reach through a distinct value proposition (specializing in both fusion and traditional pecel) 3. Increased efficiency in business processes, supported by ongoing technological advancements 4. The development of business operations through adaptation to the evolution of digital technology 5. The development of unique fusion products and the cultivation of a strong brand image 6. Become a lifestyle symbol and a popular hangout spot for young people.	SO Strategy 1. (S1, S2, S6, O2, O5,O6) 2. Introduce a tiered product portfolio composed of the 'Pecel Saestu Signature' (traditional) line and the 'Saestu Fusion' (lifestyle) line, aimed at targeting distinct market segments and improving profit margins. (Product Development Strategy)	WO Strategy 1. (W1, W3, W4, O3, O4) Execute a digitally-driven expansion into new customer segments (e.g., corporate catering) and service models (e.g., online delivery platforms), which will be made possible by foundational investments in information system technology integration. (Market Development Strategy)
Threats 1. Weakening Indonesia economic	ST Strategy 1. (S5, S9, S10, T1, T3, T4)	WT Strategy 1. (W1, W2, T1, T3)

conditions, inflation, and increasing prices of raw materials 2. Lack of support from the government and unstable policies 3. Decline in the public's purchasing power 4. Intense competition resulting from the high growth rate of the SME sector 5. Efficiency-related regulations that could potentially lower customer demand for products/services 6. Changes in customer consumption patterns driven by Indonesia's deteriorating economic conditions 7. Consumer preferences shifting that are influenced by seasonal trends 8. A weak bargaining position with suppliers 9. The ease of entry for new competitors from different business models.	Implement a defensive pricing strategy and loyalty programs to grow market share among the current customer base, leveraging a low-cost advantage sustained by strict operational efficiencies to protect margins. (Market Penetration Strategy)	Rigorously rationalize the menu and operations in order to shield margins from rising costs and declining purchasing power, while concurrently building a stable financial foundation to underpin future growth initiatives.. (Market Penetration Strategy)

The SWOT Matrix represents a crucial stage for considering alternative strategies, building upon the company's position and the strategic direction mapped out by the IE Matrix. This process involves systematically combining the previously identified internal and external factors. This combination results in four distinct strategic groupings: SO (Strengths-Opportunities), ST (Strengths-Threats), WO (Weaknesses-Opportunities), and WT (Weaknesses-Threats).

6.2.2.1. SO Strategy

The recommended strategy is to develop and launch a tiered product portfolio featuring two distinct lines: a 'Pecel Saestu Signature' line that leverages the company's strong traditional identity, and a 'Saestu Fusion' line designed to target opportunities within the youth and lifestyle markets. This approach directly activates the company's most potent strength—its R&D engine—to capture the most significant opportunities for growth and brand enhancement. By establishing a premium, lifestyle-oriented 'Fusion' line, Pecel Saestu can command higher price points and achieve healthier margins, which directly counteracts the core weakness of low profitability (W1). This move ensures that innovation translates not only into new products but also into tangible financial value.

6.2.2.1. WO Strategy

This strategy centers on a digitally-led market expansion into new customer segments, such as corporate catering and community events, and new service models, like full integration with online delivery platforms, all of which is enabled by foundational investments in technology. The core purpose of this initiative is to leverage technological opportunities (O3, O4) to rectify the internal weaknesses that most severely impede scalability: a non-integrated information system (W3) and limited technological expertise (W4). A significant gap currently exists at Pecel Saestu between its digital potential and operational reality. Although the company possesses a strength in its system for rapid database collection (S3), this is directly contradicted by the weakness that this system is "not yet fully integrated" (W3). This lack of integration acts as a critical bottleneck, preventing the business from scaling efficiently by making it impossible to gain a single customer view, track inventory in real-time against online orders, or accurately measure profitability across different sales channels. As a direct contributor to the problem of "low profitability" (W1), fixing this issue is therefore not just an IT project, but an absolute prerequisite for successful market development.

6.2.2.2. ST Strategy

This market penetration strategy is centered on using defensive pricing and loyalty programs to grow market share within the existing customer base and geographic areas. In an economic climate of decreasing consumer purchasing power (T3), the company's "low-cost price advantage" (S5) serves as a potent defensive weapon to position Pecel Saestu as the undisputed value leader and prevent customer churn. The primary challenge, however, is executing this while raw material costs are increasing due to inflation (T1). Therefore, a simplistic price-cutting approach is not viable. The strategy must instead be about perceived value, enabled by radical efficiency. This strategy's success hinges on the mobilization of key internal strengths. To achieve strict cost controls, the company must leverage its "lean and efficient organizational structure" (S10) and "efficient production capacity" (S11). This financial discipline is precisely what protects profit margins while simultaneously defending the company's price advantage. Furthermore, this entire effort is critically enabled by "high employee loyalty" (S9), given that a committed and motivated workforce is essential for the effective implementation of any cost-saving measures.

6.2.2.3. WT Strategy

In a challenging economic environment, adopting a defensive posture through the meticulous rationalization of menu and operational processes is essential for safeguarding profit margins. The critical need for such a strategy is highlighted by the compounding impact of stagnant internal financials (W1), rising external costs (T1), and declining consumer demand (T3)—a combination that makes the threat of business failure particularly severe. By compelling a strict, data-based review of all products and processes, this strategy directly rectifies the "lack of attention to post-implementation efficiency" (W2). Ultimately, the goal is to proactively strengthen the most profitable core of the business, thereby minimizing its exposure and vulnerability to adverse market conditions.

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6.3. Decision Stage

6.3.1. QSPM Matrix

Table 5.
QSPM Matrix of Pecel Saestu.

		Strategy 1		**Strategy 2**		**Strategy 3**		**Strategy 4**	
		Product Development		**Market Development**		**Market Penetration**		**Market Penetration**	
		Introduce a tiered product portfolio composed of the traditional line and the lifestyle line		**Execute a digitally-driven expansion into new customer segments**		**Implement a defensive pricing strategy and loyalty programs to grow market share**		**Rigorously rationalize the menu and operations**	
Opportunities	**Weight**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**	**AS**	**TAS**
Market domination due to the limited number of SMEs currently selling Pecel products	0.073	4	0.292	3	0.219	2	0.146	1	0.073
Expand business reach through a distinct value proposition (specializing in both fusion and traditional pecel)	0.067	4	0.268	4	0.268	1	0.067	1	0.067
Increased efficiency in business processes. supported by ongoing technological advancements	0.062	2	0.124	4	0.248	3	0.186	3	0.186
The development of business operations through adaptation to the evolution of digital technology	0.051	3	0.153	4	0.204	2	0.102	1	0.051
The development of unique fusion products and the cultivation of a strong brand image	0.056	4	0.224	2	0.112	1	0.056	1	0.056
Become a lifestyle symbol and a popular hangout spot for young people.	0.051	4	0.204	2	0.102	1	0.051	1	0.051
Threats	Weight	AS	TAS	AS	TAS	AS	TAS	AS	TAS
Weakening Indonesia economic conditions. inflation. and increasing prices of raw materials	0.079	2	0.158	2	0.158	4	0.316	4	0.316
Lack of support from the government and unstable policies	0.090	-	-	-	-	-	-	-	-
Decline in the public's purchasing power	0.079	1	0.079	2	0.158	4	0.316	3	0.237
Intense competition resulting from the high growth rate of the SME sector	0.073	4	0.292	3	0.219	3	0.219	2	0.146
Efficiency-related regulations that could potentially lower customer demand for products/services	0.079	2	0.158	3	0.237	3	0.237	4	0.316
Changes in customer consumption patterns driven by Indonesia's deteriorating economic conditions	0.073	3	0.219	3	0.219	2	0.146	2	0.146
Consumer preferences shifting that are influenced by seasonal trends	0.067	3	0.201	2	0.134	1	0.067	2	0.134
Weak bargaining position with suppliers	0.056	1	0.056	2	0.112	1	0.056	3	0.168

The ease of entry for new competitors from different business models	0.045	4	0.180	3	0.135	2	0.090	1	0.045
Total	1.000								
Strengths	Weight	AS	TAS	AS	TAS	AS	TAS	AS	TAS
Strong commitment to innovation. driven by a high frequency of market research and product evaluations	0.080	4	0.320	2	0.160	1	0.080	1	0.080
Possesses a diverse range of hit products resulting from innovation by the R&D department	0.080	4	0.320	2	0.160	1	0.080	1	0.080
Information system that accelerates the database collection process	0.072	2	0.144	4	0.288	3	0.216	2	0.144
Family-like work environment supported by a target-based bonus system to motivate employees	0.064	2	0.128	2	0.128	3	0.192	3	0.192
Highly customer-oriented marketing strategy. bolstered by a very competitive (low-cost) price advantage	0.056	1	0.056	2	0.112	4	0.224	3	0.168
Clear strategic approach demonstrated through products that are aligned with the brand's identity (distinctly East Javanese)	0.072	4	0.288	3	0.216	2	0.144	2	0.144
Combining quantitative (product sales statistics) and qualitative (lifestyle observation and direct customer surveys) analysis methods to understand the market	0.072	4	0.288	3	0.216	2	0.144	3	0.216
Consistently and proactively soliciting feedback from customers regarding new products and other aspects for continuous improvement	0.072	4	0.288	3	0.216	3	0.216	2	0.144
High employee loyalty fostered by a flexible work culture and an effective incentive system	0.048	2	0.096	2	0.096	4	0.192	4	0.192
Lean and efficient organizational structure	0.064	2	0.128	2	0.128	4	0.256	4	0.256
Efficient production capacity that prioritizes product quality.	0.048	2	0.096	3	0.144	4	0.192	4	0.192
Weaknesses	Weight	AS	TAS	AS	TAS	AS	TAS	AS	TAS
Low level of profitability and financial conditions that are relatively stagnant	0.096	4	0.384	3	0.288	2	0.192	4	0.384
The presence of both short-term (event-based) and long-term (revamp-focused) strategic initiatives. but with lack of attention to post-implementation efficiency	0.080	2	0.160	2	0.160	2	0.160	4	0.320
Information system that has not been fully integrated	0.048	2	0.096	4	0.192	1	0.048	1	0.048
Production technology comprehension is still limited to layout and basic facility management.	0.048	1	0.048	3	0.144	1	0.048	2	0.096
Total	1.000		5.448		5.173		4.439		4.648

According to the Quantitative Strategic Planning Matrix (QSPM) analysis, a clear hierarchy of strategic options emerged based on their Total Attractiveness Scores. The Product Development strategy (Strategy 1) was identified as the most favorable path forward, achieving a leading score of 5.448. The second most attractive alternative was Market Development (Strategy 2) with a score of 5.173, while Strategy 4 and Strategy 3 garnered lower scores of 4.648 and 4.439. Therefore, the analysis concludes that the most viable strategy is the first option, Product Development, specifically defined as the initiative to "Introduce a tiered product portfolio composed of the 'Pecel Saestu Signature' (traditional) line and the 'Saestu Fusion' (lifestyle) line, aimed at targeting distinct market segments and improving profit margins."

7. Conclusion

Based on the insights gathered from interviews with informants deemed competent to discuss the Pecel Saestu case study, the following conclusions can be drawn:

1. An analysis of Pecel Saestu's strategic environment reveals a distinct contrast between its external challenges and internal capabilities. The external assessment shows that the company faces a landscape where threats are the dominant factor, holding a total score of 2.655, which significantly overshadows the opportunities scored at 0.973. Conversely, the internal analysis presents a much more favorable position, with the company's strengths being overwhelmingly dominant at a total score of 2.524, compared to a relatively minimal score of 0.496 for its weaknesses.
2. The comprehensive strategic analysis for Pecel Saestu, which positioned the company in the 'grow and build' category of the IE Matrix's Quadrant IV based on its IFE score of 3.080 and EFE score of 2.655, points toward either Intensive or Integrative strategies as the most suitable path.
3. The subsequent SWOT analysis generated four specific strategic alternatives that align with these categories; (1) Introduce a tiered product portfolio composed of the traditional line and the lifestyle line; (2) Execute a digitally-driven expansion into new customer segments; (3) Implement a defensive pricing strategy and loyalty programs to grow market share; (4) Rigorously rationalize the menu and operations.
4. The Quantitative Strategic Planning Matrix (QSPM) analysis concluded that the most favorable strategic option is the first alternative, which involves introducing a tiered product portfolio. This recommended strategy calls for the development and launch of two distinct product lines: a 'Pecel Saestu Signature' line to capitalize on the brand's strong traditional identity, and a 'Saestu Fusion' line specifically created to target opportunities within the youth and lifestyle markets. The core rationale for this approach is that it directly mobilizes the company's most potent strength—its research and development (R&D) engine—to seize significant opportunities for brand enhancement and growth, which will ultimately support an increase in the company's profitability.

While this study offers valuable insights, it is subject to several limitations. First, the analysis relies on qualitative interviews and internal company data, which introduces the potential for subjectivity or the incomplete perspectives of the selected informants. Second, the assessment of external factors (such as market trends, regulations, and economic conditions) is a point-in-time evaluation; these factors are dynamic and can shift rapidly, potentially diminishing the long-term relevance of the findings. Third, the research is confined to strategic analysis and does not extend to a detailed financial feasibility assessment or a simulation of the proposed strategies' implementation. Future research could enhance the robustness of the strategic recommendations by incorporating input from a wider array of stakeholders, utilizing longitudinal data, and including detailed financial projections.

Transparency:
The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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