

SWOT Analysis of Digital MSMEs in Jakarta: Opportunities and Challenges Toward the Global Market

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Abstract

Increasing numbers of Jakarta's digital micro, small, and medium-sized enterprises (MSMEs) have increased competition in the market, necessitating the need for more consumer-sensitive and responsive company strategies. With digital platforms emerging as the main channel of customer interaction and transactions, knowing how customers feel is even more important to remain competitive. This study intends to examine the SWOT of Jakarta's digital MSMEs from the viewpoint of digitally aware customers. A descriptive quantitative method was used in collecting data using systematic questionnaires that were given to 400 active digital customers in Jakarta, representing the city's adopting population on the internet (BPS, 2024; APJII, 2024). The findings determine the major internal and external drivers determining MSME competitiveness in urban digital environments, uncovering significant gaps between customer wants and existing MSME practices. The findings are set to deliver actionable insights to MSME owners, policymakers, and digital ecosystem enablers for crafting more relevant and effective company strategies that converge with consumer wants and market realities.

Keywords: Digital MSMEs; SWOT Analysis; Consumer perceptions; Competitiveness

1. Introduction

Electronic small, micro, and small-to-medium enterprises (MSMEs) are now a main catalyst of the growth in Indonesia's economy, particularly in urban areas like Jakarta. Digital MSMEs use digital platforms and technology to optimize operation efficiency, gain new customers, and improve relations with consumers. This digital revolution has created new chances for local firms to compete locally and globally, as well as new patterns of competition and customer expectations requiring adaptability, innovation, and vision (Anatan & Nur, 2023).

These are in contrast to the conventional MSME business models, which had been highly reliant on physical presence and local networks. Digital MSMEs are involved in highly dynamic environments created by rapid technological change and shifting consumer behavior. Consumers who are digitally savvy increasingly expect online transactions to be convenient, personalized, and interactive. In order to remain competitive in this ever-changing market, MSMEs must not only adopt digital channels but also have their business models positioned strategically (Sri Hariyanti & Kristanti, 2022). According to Sari et al. (2023), the ability of digital MSMEs to adapt based on consumer responses and changes in markets in real-time is reliant significantly on their ability to blend data analytics, social media engagement, and customer-centric innovation in harmony.

The increasing number of digital MSMEs in Jakarta is both a sign of how easy it is to access markets via online platforms and a reflection of the city as the digital economy capital of Indonesia. Jakarta will have around 10.68 million inhabitants in 2024, with an 86.96% internet penetration rate (BPS, 2024; APJII, 2024), which is a high proportion of active digital

users. This expanding consumer base not only offers potential for digital MSMEs to grow but also causes competition between them to become increasingly intense, so that their uniqueness and strategic positioning are more important. While many MSMEs are leveraging digital platforms to reach new consumers, some of them continue to struggle with strategic planning and capability building due to a lack of human resources, technology adoption barriers, and financial limitations (Kurnia et al., 2024). These internal obstacles frequently prevent MSMEs from fully enjoying the benefits of digitalization.

The digital transformation process is opportunity and risk. First, digitalization makes it possible for MSMEs to reach new markets, cut transactional costs, and engage with customers more effectively. At the same time, it exposes them to greater competition, more rapidly changing technology standards, and more exacting digital consumers. These forces call for the creation of dynamic business plans that efficiently capitalize on internal capabilities and external prospects and circumvent weaknesses and reduce threats (Da Rocha et al., 2024).

From this background, in turn, the current research tries to examine the internal and external drivers of digital MSMEs in Jakarta from the perspective of digitally conscious consumers. The findings are projected to offer practical recommendations to MSME entrepreneurs, policymakers, and players in the digital ecosystem who would want to develop good business models. The research aims are as follows.

1. Identify and analyze internal environmental factors (strengths and weaknesses) of digital MSMEs in Jakarta from the perspectives of digitally educated consumers.
2. Determine and analyze external environmental elements (opportunities and threats) influencing digital MSMEs in Jakarta.
3. Develop business strategies to promote the competitiveness of Jakarta's digital MSMEs based on customer insights.

2. Literature Review

SWOT analysis is one of the most popular strategic formulation analysis tools that consider both internal (strengths, weaknesses) and external (opportunities, threats) factors. Businesses can improve their competitive stance by meticulously mapping these factors. In the case of digital MSMEs, integrating consumer views into SWOT analysis is especially important since consumers control market forces and competitive success in digital settings (Chandler, 1962; Sulistiani, 2014).

Other researchers have used SWOT analysis in an effort to know more about MSME strategies in Indonesia and the world. Sri Hariyanti and Kristanti (2022) investigated MSMEs' strategy alignment with digital customer behavior, whereas Anatan and Nur (2023) explored internal readiness variables in digital transformation. Sari et al. (2023) emphasized the importance of customer feedback loops in strategic adaptation. Da Rocha et al. (2024) provided a worldwide perspective by investigating how small businesses use digital platforms to expand internationally, whereas Kurnia et al. (2024) investigated capability gaps and strategic responses among Indonesian SMEs in competitive digital markets. Table 1 summarizes key previous research relevant to this study.

Table 1. Summary of Previous Studies

Researcher & Year	Focus Area	Key Findings
Sri Hariyanti & Kristanti (2022)	Conceptual and empirical research on digital customer behaviour towards MSMEs in Indonesia	Investigated customer attitudes, digital literacy, and trust factors that influence MSME competitiveness. The increased influence of digitally informed customers was emphasised, but these findings were not explicitly linked to strategic tools such as SWOT analysis.
Anatan & Nur (2023)	Qualitative assessment of organisational readiness for digital transformation.	Leadership, digital literacy, and infrastructural preparation were all highlighted as crucial variables. Internal organization variables were emphasized over market insights.
Sari et al. (2023)	Literature research and SWOT analysis of digital transformation initiatives for SMEs.	Highlighted that successful digital transformation required utilising internal strengths while reducing risks from external technical and business changes. Strategic planning was emphasised as a means of optimising digital adoption.
Da Rocha et al. (2024)	A comparative analysis of SME digital transformation methods in emerging markets.	Identified external potential (market expansion, digital ecosystems) as well as risks (infrastructure shortages, regulatory difficulties). Consumer expectations were examined as part of the external environment, but not as the primary analytical focus.
Kurnia et al. (2024)	Quantitative survey of 507 MSMEs in East Java; SWOT analysis was used to assess digital competency and financial literacy.	Gaps in digital competence and financial literacy have been identified as internal vulnerabilities, while technology developments and stakeholder support are important potential. Provided strategic recommendations to help MSMEs prepare for digital transformation.

Thus, digital MSMEs in Jakarta can build strategies that maximize strengths, minimize weaknesses, capitalize on opportunities, and mitigate threats.

3. Material and Method

3.1 Design Study

This study used a descriptive quantitative approach to examine the strengths, weaknesses, opportunities, and threats of Jakarta's digital MSMEs from the digitally literate customers' point of view. According to BPS (2024) figures, the population of Jakarta consisted of active internet users, including 10.68 million individuals with an internet penetration of 86.96%. The sample was computed using the Slovin formula at 5% error, and 400 responses were the outcome.

3.2 Data Analysis

Structured online questionnaires were used to collect data on attitudes of consumers with regard to the quality, competitiveness, and market potential of MSME digital services. SWOT analysis was then used to categorize principal internal and external factors based on survey responses, which were analyzed to form strategic insights. After methodically integrating these variables, four types of strategic decisions emerge: SO (Strengths-Opportunities), ST (Strengths-Threats), WO (Weaknesses-Opportunities), and WT (Weaknesses-Threats). These other strategies offer several ways to improve MSME performance through balancing both internal capability and external market elements. A SWOT matrix (Figure 1) can be used to theoretically represent such combinations of strategies, to guide the identification of actual-world strategies for Jakarta's digital MSMEs.

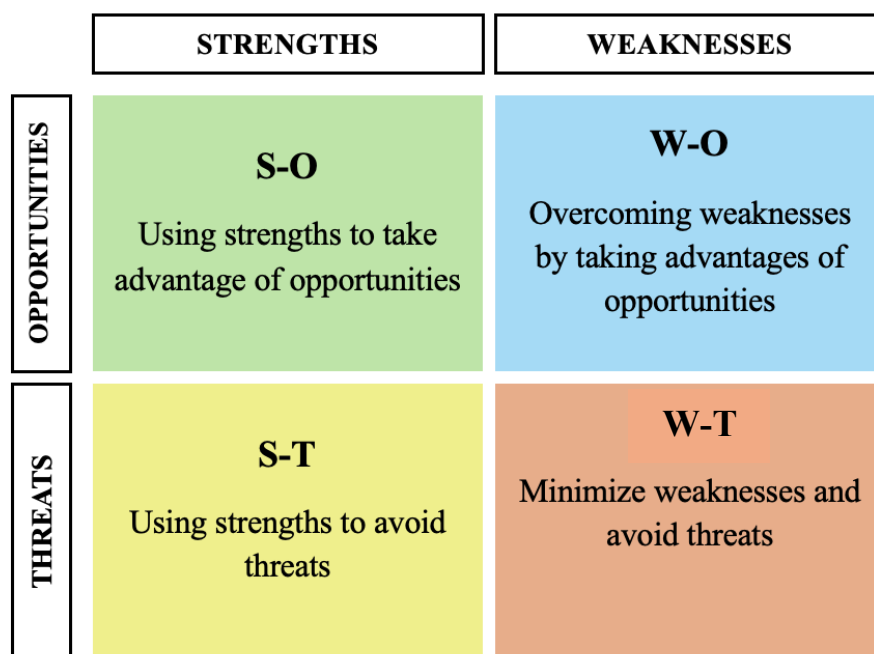


Figure 1. SWOT Matrix

4. Result

A descriptive analysis was done using data from 400 respondents (active digital consumers of Jakarta) to determine internal and external determinants of digital MSME performance. Respondents rated all items on a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The mean and standard deviation values were applied to identify the factors that were considered to dominate.

Table 1. Descriptive Statistics of Digital MSME Performance Factors (n = 400)

Category	Indicator	Mean (M)	Standard Deviation (SD)
Strengths	Strong online presence (active websites, social media, e-commerce pages)	4.56	0.62
	Product or service diversity	4.43	0.67

Category	Indicator	Mean (M)	Standard Deviation (SD)
	Quick response to customer inquiries (chatbots, digital channels)	4.48	0.65
	Positive online reviews and ratings	4.52	0.60
	Flexible payment and delivery options	4.39	0.69
	Knowledge of digital marketing (ads, promotions, influencer collab)	4.41	0.66
	Ability to adapt based on consumer feedback	4.44	0.64
Weaknesses	Limited financial resources	3.85	0.81
	Low brand awareness	3.79	0.84
	Dependence on specific digital platforms	3.88	0.78
	Limited analytics capabilities	3.83	0.80
	Human resource limitations	3.91	0.75
Opportunities	High number of active digital consumers in Jakarta	4.63	0.55
	Growing adoption of e-commerce and digital payments	4.58	0.59
	Technological advancements (automation, logistics, analytics tools)	4.47	0.63
	Partnership opportunities with logistics/fintech/MSMEs	4.42	0.68
	Government programs supporting MSME digitalization	4.49	0.60
Threats	Intense competition from MSMEs and larger retailers	3.87	0.77
	Rapid changes in consumer preferences and trends	3.92	0.74
	Platform dependency risks (algorithm or policy changes)	3.90	0.76
	Economic uncertainty reducing consumer spending	3.84	0.80
	Cybersecurity and data privacy risks	3.89	0.78

As shown in Table 2, the greatest mean scores occurred in "high number of active digital consumers in Jakarta" (M = 4.63) and "strong online presence" (M = 4.56), signifying that digital MSMEs had wide exposure and market potential within Jakarta. These factors signify a high level of correlation between MSME capabilities and market growth for digital markets.

On the other hand, the lowest mean scores were recorded in "low brand awareness" (M = 3.79) and "economic uncertainty reducing consumer spending" (M = 3.84), which are issues that can limit long-term competitiveness. Generally, mean scores above 4.0 for most of the internal strengths and opportunities indicate that digital MSMEs are relatively well-positioned to compete in Indonesia's digital economy, but with structural limitations in terms of resources, branding, and platform dependency.

According to descriptive data, both internal and external factors were divided into the following:

A. Strengths

1. Online strength: MSMEs have a robust online presence via dynamic websites, social media handles, and e-store pages.
2. Product or service variety: Provide a diverse set of products and services to cater to different consumer tastes.
3. Rapid customer response: Employ chatbots and digital platforms to respond speedily to client queries
4. Positive online reviews and ratings: Positive online reviews and ratings create trust and credibility.
5. Easy payment and delivery options: Convenient payment and delivery options benefit customers who find them easy to access.
6. Digital marketing skills: MSMEs use targeted ads, social media advertising, and influencer collaborations.
7. Capability of changing product/service offerings based on customer feedback.

B. Weaknesses

1. Inadequate financial resources: limit expenditures in technology, marketing, and logistics.
2. Poor brand recognition: MSMEs tend to have low visibility in competitive markets.
3. Dependence on digital platforms might be vulnerable to policy modifications or increasing expenses.
4. Poor analytics competencies: make it more challenging to optimize strategies using customer data.
5. Human resource limitations: can make it challenging for small teams to manage a large number of operational tasks.

C. Opportunities

1. Largest number of active digital consumers in Jakarta
2. Consumers increasingly using e-commerce and digital payment channels.
3. Technological advances: for marketing automation, logistics, and analytics.
4. Potential collaboration with logistics providers, finance institutions, and other MSMEs.
5. Government support for MSME digitalization and financial alternatives.

D. Threats

1. Intense competition from other digital MSMEs and big online players.
2. Rapidly changing customer preferences and trends.
3. Dangers of platform dependence: such as rapidly changing algorithms or visibility limitations.
4. Economic uncertainty can reduce consumer spending.
5. Cyber threats and data privacy concerns.

SWOT matrix was employed to design strategies that connect internal strengths and weaknesses with external opportunities and threats, as indicated in Figure 2.

	Strengths (S) <ol style="list-style-type: none"> 1. Strong online presence 2. Product/service diversity 3. Quick response to customers 4. Positive online reviews 5. Flexible payment/delivery 6. Knowledge of digital marketing 7. Adaptive to feedback 	Weaknesses (W) <ol style="list-style-type: none"> 1. Limited financial resources 2. Low brand awareness 3. Dependence on specific digital platforms 4. Limited analytics capability 5. Human resource limitations
Opportunities (O) <ol style="list-style-type: none"> 1. High number of active digital consumers in Jakarta 2. Growing adoption of e-commerce and digital payments 3. Technological advancements 4. Partnership opportunities with logistics, fintech, and other MSMEs 5. Government programs supporting MSME digitalization 	SO (Strength–Opportunity) Strategies <ol style="list-style-type: none"> 1. Use online presence to target digital consumers. 2. Expand diverse offerings to tap into e-commerce growth. 3. Form partnerships leveraging good reputation. 4. Apply new tech tools to enhance response and delivery. 5. Join digitalization programs to scale adaptive MSMEs. 	WO (Weakness–Opportunity) Strategies <ol style="list-style-type: none"> 1. Access government grants to overcome financial limits. 2. Partner with other MSMEs or fintech to offset HR gaps. 3. Use affordable analytics tools to enhance data use. 4. Boost visibility via influencer marketing to fix low awareness. 5. Join new marketplaces to reduce platform dependency.
Threats (T) <ol style="list-style-type: none"> 1. Intense competition 2. Rapid changes in consumer preferences 3. Platform dependency risks 4. Economic uncertainty 5. Cybersecurity and privacy risks 	ST (Strength–Threat) Strategies <ol style="list-style-type: none"> 1. Personalize engagement to stand out amid competition. 2. Maintain brand trust to handle shifting trends. 3. Diversify channels to reduce platform risks. 4. Offer flexible promotions during economic uncertainty. 5. Adopt secure systems to protect data. 	WT (Weakness–Threat) Strategies <ol style="list-style-type: none"> 1. Build financial efficiency to survive uncertainty. 2. Create backup platforms to prevent losses from policy changes. 3. Upskill employees to stay competitive. 4. Improve cybersecurity measures to reduce data risks. 5. Focus on niche or loyal customers to face market volatility.

Figure 2. SWOT Matrix of Digital MSMEs in Jakarta

5. Discussion

This study demonstrates that Jakarta’s digital MSMEs have remarkable strengths when it comes to online presence and business opportunity, influence by a huge foundation of digitally educated consumers and practical digital involvement. It highlights the digital MSMEs preparedness to survive in the highly growing digital environment. But their weaknesses like limited financial, low brand awareness, and human resources, also overdependence on third-party platforms still hold back the competitiveness. Talking about external threats, including economic volatility, cyber risks, and tight competition from larger players in the industry showing the need for diversification, building brand, and enhancement in decision making.

6. Conclusion, Implication, and Recommendation

This study provides the following conclusions that can be utilized in framing competitive advantage strategies for digital MSMEs in Jakarta using SWOT analysis.

Marketing & Promotion Strategies: Strengthening digital promotion and marketing activities is crucial in the issue of improving the professional image of MSMEs as professional, dependable, and responsive business entities in the digital space. MSMEs may reach Jakarta's new digital consumers with excellent impact through efficient use of a robust online reputation, superior consumer feedback, and digital marketing tool mastery. Targeted advertising, influencer promotion, and social networking will increase visibility and brand awareness. Cooperation with logistics, fintech, and fellow MSMEs can certainly result in win-win collaborations that yield better market reach and increased operational efficiency.

Product and Service Strategies: MSMEs in the digital space need to keep diversifying their products to keep pace with changing consumer tastes and requirements. By converting customer feedback into product innovation, MSMEs can provide customized and trend-based offerings. Technical innovations such as marketing automation, analytics, and AI-based solutions can facilitate MSMEs in making their businesses more efficient and providing faster and easier services.

Operational and Financial Strategies: To address financial challenges, MSMEs can be motivated towards utilizing government funding and digitalization initiatives that support small businesses' transition. Sharing of resources and cooperation among MSMEs would be in a position to address human resource constraints. Effective cost control and use of low-cost digital technologies are vital in a way to make their future viable in an uncertain economy. MSMEs can further create cross-platform approaches that reduce dependence on individual e-commerce sites and incorporate any potential regulatory or algorithmic adjustments.

Risk Management and Strategies to Foster Trust: In order to address cybersecurity and data privacy concerns, MSMEs ought to improve their online protection methods and create transparent data protection policies. Having customers trust them through secure payment methods, guaranteed quality of service, and positive engagements is critical in sustaining long-term loyalty.

Based on the argument above, overall Jakarta's digital MSMEs can achieve long-term growth and competitiveness through enhanced adaptive marketing, innovation-driven product development, effective utilization of resources, and robust digital security procedures. Strengthened teamwork and utilizing government assistance programs will further improve their ability to compete in the rapidly competitive digital economy.

7. Acknowledge

This research was carried out with the help of the Master in Management Program, Faculty of Digital Business and Law, Universitas Kristen Maranatha, Bandung, Indonesia.

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