

MSMEs' Strategy for Upgrading Through Product Quality and Marketing Improvements

Rizal Perlambang CNAWP

Politeknik Negeri Jember

Email: rizal_perlambang@polije.ac.id

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in driving national economic growth through job creation, increasing community income, and strengthening regional economies. However, most MSMEs in Indonesia still face various obstacles in increasing their competitiveness, preventing them from developing into more productive businesses or upgrading their businesses. This study aims to analyze MSMEs' strategies for upgrading their businesses through product quality and marketing improvements. The study employed a qualitative approach with descriptive methods. Data were obtained through in-depth interviews, observations, and documentation studies. Data analysis was conducted using the interactive model of Miles, Huberman, and Saldaña, which included data reduction, data presentation, and conclusion drawing. Data validity was ensured through source triangulation, method triangulation, and member checking. The results showed that improving product quality through the use of quality raw materials, product innovation, quality standardization, packaging design improvements, and compliance with product certification and legality increased added value and consumer trust. Furthermore, the implementation of digital marketing strategies through social media, marketplaces, websites, and branding enhancements has been shown to expand market reach, enhance customer interaction, and drive sales growth. This study also found that the success of MSMEs in upgrading is influenced by human resource competency, digital technology utilization, access to financing, government support, and partnerships with various stakeholders. However, challenges such as limited capital, low digital literacy, limited innovation, and increasingly fierce market competition remain major obstacles to MSME development. Therefore, an integrated strategy is needed through product quality improvement, digital transformation, continuous innovation, and marketing strengthening so that MSMEs can increase their competitiveness, expand market access, and make a greater contribution to national economic development.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars of the Indonesian economy, contributing significantly to national economic growth, job creation, poverty alleviation, and equitable distribution of income. According to data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, the number of MSMEs in Indonesia has reached more than 65 million, absorbing approximately 97% of the national workforce and contributing more than 60% to Gross Domestic Product (GDP). This substantial contribution demonstrates that MSMEs hold a very strategic position in strengthening national economic resilience, especially when facing various global challenges such as the COVID-19 pandemic, the economic crisis, and changes in consumer patterns due to the development of digital technology. However, the large number of MSMEs has not been fully accompanied by an increase in business quality. Most MSMEs are still micro-scale with relatively low productivity,

limited access to markets, low product innovation, weak business management, and less than optimal use of digital technology. These conditions cause many MSMEs to experience difficulties in developing into more competitive businesses, known as "upgrading." Therefore, a comprehensive strategy is needed so that MSMEs are able to increase business capacity, expand market share, and create sustainable competitiveness (Kristianto et al., 2025).

The concept of upgrading MSMEs is not only interpreted as increasing turnover or business scale, but also reflects a comprehensive transformation in management quality, production capacity, product innovation, marketing, business legality, technology utilization, and the ability to enter national and international markets. In practice, many MSMEs still face various obstacles in reaching this stage (Elfahmi & Jatmika, 2019). One of the main problems is the low quality of the products produced, both in terms of raw materials, production processes, quality standards, packaging design, and product quality consistency. Products that do not meet market standards will struggle to compete with large industrial products and imported products that are increasingly accessible to the public. Furthermore, changes in consumer preferences that increasingly pay attention to quality, safety, sustainability, and added value of a product require MSMEs to continuously innovate. Without improving product quality, MSMEs will struggle to build customer loyalty, increase product sales value, or expand their marketing reach (Soviyana et al., 2022).

In addition to product quality, marketing is a strategic factor determining the success of MSMEs in increasing competitiveness. Shifts in consumer behavior toward the digital era have shifted transaction patterns from conventional systems to information technology-based ones. Consumers now seek more product information through social media, marketplaces, websites, and various other digital platforms before making purchasing decisions (Vikaliana et al., 2021). Unfortunately, most MSMEs still rely on traditional marketing methods that have limited market reach. Lack of skills in digital marketing, branding, product photography, promotional content creation, and customer relationship management result in MSME products being less widely known. Yet, digital marketing offers enormous opportunities for MSMEs to reach consumers across regions and even international markets at a relatively more cost-effective rate compared to conventional marketing. Therefore, strengthening digital-based marketing strategies is a crucial factor in accelerating MSMEs' advancement (Nurani et al., 2025).

Improving product quality and marketing are two interrelated and inseparable aspects of MSME development. High-quality products are easier to market, while effective marketing strategies increase their economic value. The combination of the two can create a sustainable competitive advantage, enabling MSMEs to win market competition. In this context, product innovation, halal certification, distribution permits, quality standardization, attractive packaging design, product differentiation, and the implementation of digital branding are all part of a strategy that needs to be developed in an integrated manner (Hermawan, 2023). Furthermore, utilizing social media platforms such as Instagram, Facebook, TikTok, WhatsApp Business, and various marketplace platforms can expand marketing networks while building a stronger brand image. Thus, MSMEs are not only able to increase sales volume but also increase consumer trust in the products they offer (Nordianto & Purwanto, 2024).

The Indonesian government has launched various programs to encourage MSMEs to upgrade through training, mentoring, business digitalization, access to financing, product certification, and the development of an entrepreneurial ecosystem. Various ministries and institutions, including local governments, universities, financial institutions, and the private sector,

also play an active role in strengthening MSME capacity through cross-sector collaboration (Hidayati & Dwiridotjahjono, 2024). However, the effectiveness of these programs remains challenging, primarily due to differences in MSME characteristics based on business sector, location, entrepreneur education level, technological capabilities, and readiness to embrace change. Therefore, MSME development strategies need to be designed more adaptively to the needs of each entrepreneur so that the programs implemented can truly increase productivity, competitiveness, and business sustainability (Tanzaga & Kusuma, 2025).

On the other hand, the development of the Industrial Revolution 4.0 and the transformation towards Society 5.0 presents both new opportunities and challenges for MSMEs. Digitalization has opened up broader market access, but also increased competition because products from various regions and even other countries can be marketed through the same platform (Maula et al., 2023). This condition demands MSMEs to have high adaptability through product innovation, improving service quality, brand management, the use of digital technology, consumer behavior analysis, and the development of data-driven marketing strategies. Furthermore, issues of sustainability, the green economy, the use of environmentally friendly materials, and social responsibility are also starting to gain consumer attention, thus becoming factors that can increase the added value of MSME products (Syailendra et al., 2024). Therefore, developing strategies for MSMEs to upgrade is no longer solely oriented towards increasing sales, but also creating businesses that are adaptive, innovative, and sustainable in the face of changes in the business environment (Suleman, 2022).

Based on these various descriptions, it can be understood that the success of MSMEs in upgrading is greatly influenced by the ability of business actors to improve product quality while developing effective and innovative marketing strategies. These two aspects are the main foundation in building competitiveness, expanding market share, increasing product added value, and strengthening business sustainability amidst increasingly competitive competition. Research on MSME strategies for upgrading through product quality and marketing is important to identify various supporting factors, challenges faced, and the most effective strategies in increasing MSME capacity. The results of this research are expected to provide academic contributions to the development of management and entrepreneurship science, as well as provide practical recommendations for the government, business actors, supporting institutions, and other stakeholders in formulating more targeted MSME development policies and programs so as to be able to create Indonesian MSMEs that are more productive, competitive, innovative, and ready to compete in the global market.

METHODS

This study uses a qualitative approach with a descriptive approach, aiming to deeply understand the strategies implemented by Micro, Small, and Medium Enterprises (MSMEs) in improving product quality and strengthening marketing as an effort to move up the market. The qualitative approach was chosen because it is able to describe phenomena comprehensively based on real conditions occurring in the field. The research focuses on identifying strategies for improving product quality, product innovation, packaging, quality standardization, digital marketing implementation, branding, and various supporting and inhibiting factors faced by MSMEs in increasing competitiveness. The research data consists of primary data obtained through in-depth interviews with MSMEs, business assistants, and related parties, as well as direct observation of production and marketing activities. Secondary data were obtained from official

documents, government reports, scientific articles, books, and publications relevant to MSME development, product quality, and marketing strategies. This approach is widely used in research on MSME strategy development because it is able to produce a contextual understanding of business practices and the challenges faced by business actors.

The data analysis technique uses an interactive model that includes data reduction, data presentation, and conclusion drawing/verification as proposed by Miles, Huberman, and Saldaña. The analysis is carried out continuously from the data collection process until the research is completed to obtain a complete picture of the MSME strategy in improving product quality and marketing effectiveness. Data validity is maintained through source triangulation, method triangulation, and member checking techniques, so that the information obtained has a high level of credibility. The results of the analysis are then interpreted to formulate effective strategies to support MSMEs to move up in class, increase competitiveness, expand market access, and create business sustainability in the era of digital transformation.

RESULTS AND DISCUSSION

Improving Product Quality as a Key Strategy for MSMEs to Move Up a Class

The research results show that improving product quality is a key factor in determining the success of MSMEs in increasing competitiveness and achieving "upgraded" status. MSMEs realize that today's consumers consider not only price, but also quality, safety, design, and product added value. Therefore, various efforts are made to improve product quality, ranging from selecting better raw materials, implementing production operating standards (SOPs), quality control, and innovation in the production process. MSMEs that consistently maintain their product quality tend to achieve higher levels of customer satisfaction, increase repeat purchases, and receive positive recommendations from consumers.

Quality improvements are also realized through innovations in product design and packaging. Attractive, informative, and environmentally friendly packaging can enhance the product's perceived value in the eyes of consumers. Several MSMEs have begun using modern packaging with clear brand identities, product composition information, expiration dates, halal certification, and distribution permit numbers. This step increases consumer trust and expands product opportunities in supermarkets, minimarkets, and e-commerce platforms. Furthermore, product innovation is carried out through the development of product flavors, sizes, and shapes to meet changing market needs (Hakim & Lubis, 2023).

The findings of this study align with the theory of competitive advantage, which states that product quality is a key source of business differentiation. High-quality products are more readily accepted by the market, have greater sales value, and are able to build customer loyalty. Therefore, improving product quality not only increases sales but also strengthens the position of MSMEs in the face of increasingly competitive business conditions (Haikal et al., 2025).

Product Innovation as an Effort to Increase Added Value

Research results show that product innovation is a crucial strategy for encouraging the growth of MSMEs. Innovation is not only about creating new products but also encompasses improvements in quality, design, packaging, production processes, and customer service models. MSMEs that actively innovate are better able to adapt to changing consumer preferences and market dynamics than those that maintain conventional business models.

Product innovation provides added value that directly impacts selling prices and product

competitiveness. Products with unique characteristics, attractive designs, and clear differentiation are more likely to attract consumers. Furthermore, innovation enables MSMEs to enter broader market segments, including premium and export markets. In the digital era, innovation also encompasses the use of technology in production processes, increasing business efficiency without compromising product quality (Ramadhani & Hana, 2024).

Theoretically, innovation is a crucial factor in creating sustainable competitive advantage. MSMEs that are able to continuously innovate will have a greater opportunity to maintain their business existence and increase long-term growth.

Digital Marketing Strategies to Expand Market Share

Research shows that digital marketing is one of the most effective strategies for supporting MSMEs' growth. Changing consumer behavior, leading to an increasing reliance on the internet, has encouraged MSMEs to utilize various digital platforms such as social media, marketplaces, websites, and instant messaging apps for promotion and sales. The use of digital marketing allows MSMEs to reach a wider audience without incurring significant promotional costs.

Social media platforms like Instagram, Facebook, TikTok, and WhatsApp Business have become key tools for building customer relationships. Through engaging visual content, short videos, customer testimonials, and interactive promotions, MSMEs can increase engagement and strengthen their brand image. Furthermore, the presence of products on marketplaces makes it easy for consumers to conduct transactions quickly and securely (Srimulyani et al., 2026).

Research also shows that digital marketing success is influenced by a business's ability to create creative content, understand social media algorithms, utilize digital advertising, and provide prompt customer service. Therefore, digital marketing is not only a promotional tool but also a strategy for building long-term relationships with consumers.

Strengthening Branding and Product Identity

Research results show that branding plays a crucial role in increasing the competitiveness of MSMEs. Many businesses that previously sold products without a brand identity are now starting to build strong brands through logos, slogans, packaging designs, and product stories. Branding helps consumers recognize products easily and creates a positive image that differentiates MSME products from competitors.

A strong brand identity increases consumer trust and streamlines the marketing process. Products with a well-known brand tend to be more readily selected than those without a clear identity. Furthermore, consistent branding across various marketing channels strengthens customer loyalty and increases the product's economic value (Munawaroh, 2024).

From a modern marketing perspective, a brand is an intangible asset that holds strategic value for business continuity. Therefore, branding needs to be continuously strengthened through consistent marketing communications, maintained product quality, and satisfactory customer service.

Utilization of Digital Technology in MSME Development

Research results show that digitalization has had a positive impact on the development

of MSMEs. The use of technology extends beyond marketing to digital financial record-keeping, inventory management, cashless payments, customer service, and sales data analysis. The use of digital applications helps MSMEs improve operational efficiency, reduce administrative errors, and accelerate business decision-making.

MSMEs that have embraced digital technology have a better understanding of market trends and consumer behavior. This information forms the basis for determining production, promotion, and product development strategies. Digitalization also expands access to financing through digital financial services, giving businesses greater opportunities to grow their businesses (Hendrawan & Nasution, 2026).

These findings demonstrate that digital transformation is a crucial requirement for MSMEs to advance. Therefore, improving digital literacy is a necessity that must be met so that all MSMEs can utilize technology optimally.

Supporting Factors and Challenges for MSMEs to Upgrade

Research has found that the success of MSMEs in improving product quality and marketing is influenced by various supporting factors, including human resource competency, government support, access to financing, business mentoring, business partnerships, and the use of information technology. Training programs, product certification, capital assistance, and digital mentoring are factors that accelerate the business development process.

On the other hand, MSMEs still face various challenges, such as limited business capital, low digital literacy, limited innovation capabilities, increasingly fierce market competition, fluctuating raw material prices, and changing consumer preferences. Furthermore, some MSMEs still face obstacles in obtaining halal certification, distribution permits, intellectual property rights, and access to modern markets (Farizki et al., 2025).

Based on these findings, the strategy for MSMEs to upgrade requires synergy between business actors, the government, universities, financial institutions, and the private sector. This collaboration is crucial for creating a business ecosystem that supports sustainable capacity building for MSMEs. With an integrated strategy that encompasses product quality improvement, innovation, branding, digitalization, and effective marketing, MSMEs have a significant opportunity to increase competitiveness, expand markets, increase revenue, and develop into more productive and sustainable businesses (Noviyanti et al., 2025).

CONCLUSION

Based on the research results, it can be concluded that the strategy of MSMEs to move up the market is largely determined by the ability of business actors to improve product quality and develop effective marketing strategies. Product quality improvement is achieved through the use of better raw materials, the implementation of quality standards, product innovation, improved packaging design, and compliance with product legality and certification requirements. These efforts have been proven to increase consumer trust, strengthen product image, and create a competitive advantage amidst increasingly fierce market competition. Furthermore, continuous innovation is a crucial factor in generating added value for products, thereby meeting evolving consumer needs and preferences.

On the marketing side, the use of digital technology through social media, marketplaces, websites, and various e-commerce platforms provides significant opportunities for MSMEs to expand their market reach, enhance customer interaction, and strengthen product branding. Digital transformation not only increases promotional effectiveness but also supports operational

efficiency through the use of business management applications, digital payments, and consumer data analysis. However, the process of MSMEs upgrading still faces various challenges, such as limited capital, low digital literacy, limited innovation, and access to certification and modern markets. Therefore, ongoing synergy is needed between the government, universities, financial institutions, the business world, and the community in providing mentoring, training, access to financing, and strengthening the business ecosystem that supports MSME development.

Overall, this study confirms that improving product quality and strengthening marketing strategies are two key pillars in sustainably promoting MSMEs' advancement. The success of these two strategies will enhance competitiveness, expand market share, increase business revenue, and strengthen MSMEs' contribution to national economic growth. With an integrated strategy that adapts to technological developments and is oriented towards market needs, Indonesian MSMEs have a greater opportunity to develop into innovative, resilient businesses capable of competing nationally and internationally.

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