

The Role of Digitalization in the Internationalization of MSMEs in Malang Regency: A Case Study of Coffee Business in Dampit

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Abstract

This study aims to analyze the role of digitalization in supporting the internationalization of Micro, Small, and Medium Enterprises (MSMEs) in Kabupaten Malang, especially in coffee businesses in the Dampit area. In the era of globalization and digitalization, MSMEs have increasingly opportunities to expand their markets to the international level by utilizing digital technology. This study uses a qualitative approach with a case study method to explore the experiences and challenges faced by coffee entrepreneurs in Dampit who have adopted digital technology in running their businesses. The results of the study show that digitalization, through social media and e-commerce platforms, provides easy access to global markets, increases product exposure, and opens up new opportunities for Dampit coffee entrepreneurs to introduce their products abroad. However, obstacles related to understanding technology and export regulations are challenges that must be overcome.

Key words: Digitalization, Internationalization, MSMEs, Coffee

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, including in Kabupaten Malang. MSMEs are the largest contributors to GDP (Gross Domestic Product) and job providers in Indonesia. One of the rapidly growing sectors in Kabupaten Malang is the coffee industry, especially robusta coffee which is known for its quality. Dampit, a sub-district in Kabupaten Malang, is known as one of the coffee producing areas that has great potential to be introduced to the international market. However, to enter the global market, coffee MSMEs in Dampit face various challenges, including limited market access and low understanding of technology.

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Amidst these challenges, digitalization emerges as a solution to overcome these obstacles. With the development of digital technology, MSMEs can utilize online platforms such as social media, e-commerce, and web-based applications to introduce their products to the international market. Digitalization opens wider and more efficient access to market products without being limited by geographical distance. Therefore, it is important to understand how digitalization can play a role in the internationalization process of coffee MSMEs in Dampit, as well as its impact on their business development.

Digitalization is not only related to marketing, but also to improving operational efficiency, financial management, and consumer relations. For coffee businesses in Dampit, digital technology can help them manage international orders, monitor global market demand, and establish easier communication with customers from various countries. On the other hand, digitalization also allows coffee SMEs to market their products more creatively and attractively on social media, which is a very effective marketing tool in this digital era.

However, although digitalization offers many opportunities, MSMEs in Dampit face a number of challenges. Many coffee entrepreneurs still have limited technical knowledge regarding the use of digital platforms, and have difficulty understanding export procedures and international regulations. Another challenge faced is the still inadequate infrastructure, especially in terms of shipping products abroad which requires high costs and complicated processes. Therefore, although digitalization provides great opportunities for internationalization, its implementation at the coffee MSME level in Dampit is not without obstacles.

This study aims to analyze the role of digitalization in the internationalization of coffee MSMEs in Kabupaten Malang, especially in Dampit. This case study will explore how coffee entrepreneurs in Dampit utilize digital technology to expand their markets, as well as the challenges and opportunities they face in the process. It is hoped that the results of this study can provide useful insights for MSME entrepreneurs in the coffee sector and other sectors in Indonesia in utilizing digitalization to support their business expansion into the international market.

LITERATURE ANALYSIS AND METHODOLOGY

Digitalization in MSMEs

Digitalization refers to the application of digital technology in various aspects of business, from marketing, operations, to financial management. In the context of MSMEs, digitalization is the key to increasing efficiency and expanding market reach. According to Kurniawan (2021), digitalization provides many benefits for MSMEs, including ease in marketing products, more effective data management, and increased access to global

markets. The use of digital technology not only increases the competitiveness of MSMEs but also opens up opportunities to reach consumers beyond local geographic boundaries. In this case, digitalization gives MSMEs the ability to compete in the international market without being hampered by limited resources or physical location.

In addition, digitalization allows MSMEs to optimize the use of social media and e-commerce platforms, which are very effective in marketing products to the global market. Platforms such as Instagram, Facebook, and Tokopedia allow MSMEs to introduce their products to a wider audience at a relatively low cost. This was expressed by Junaedi and Suryanto (2019), who examined the role of social media in helping MSMEs to increase product visibility and expand their markets.

Internationalization of MSMEs

Internationalization of MSMEs is a process that involves expanding a business to international markets, either through product exports, strategic alliances, or global brand development. In the context of Indonesia, internationalization of MSMEs is important considering the large global market potential and increasingly open access to various countries. According to Hennart (2019), digitalization plays an important role in facilitating the internationalization of MSMEs by reducing barriers commonly faced by small companies, such as high distribution costs, difficulties in marketing products to the global market, and limited access to international market information. Internationalization of MSMEs does not always require large investments in the form of opening branches or offices abroad. By utilizing digital technology, MSMEs can export directly through e-commerce platforms or collaborate with international distributors without having to build physical infrastructure abroad. This is increasingly important for MSMEs in areas such as Malang Regency, which have limited access to the global market.

Coffee as an Export Commodity

Coffee is one of Indonesia's leading commodities, with various famous coffee producing areas, including Kabupaten Malang, especially the Dampit area. Dampit coffee is famous for the quality of the robusta coffee beans produced, which have a distinctive taste and are in great demand by consumers both in the domestic and international markets. In a study conducted by Syahputra (2020), it was found that coffee from Kabupaten Malang has great potential to develop in the international market thanks to its competitive quality. However, despite its great potential, coffee businesses in Malang Regency, especially in Dampit, face challenges in introducing their products to the international market. The main challenges faced are the lack of knowledge on how to manage and market coffee products

digitally, as well as the lack of access to international platforms that can connect them with global buyers. Therefore, the role of digitalization is very important to support coffee businesses in Dampit in their internationalization process.

The Role of Social Media and E-commerce in the Internationalization of MSMEs

Social media and e-commerce platforms have proven to be effective tools to support the internationalization of MSMEs. As the use of the internet and smartphones increases worldwide, social media and e-commerce provide very efficient channels for MSMEs to market their products. In a study by Oktaviani (2020), it was found that MSMEs that utilize digital platforms such as Instagram, Facebook, and international marketplaces (such as Amazon and Etsy) have succeeded in expanding their market reach and increasing product sales, including coffee products. For coffee businesses in Dampit, the use of social media allows them to introduce the uniqueness and quality of their products through attractive visual content. In addition, e-commerce platforms allow them to sell directly to international consumers without intermediaries. This creates a great opportunity for Dampit coffee entrepreneurs to enter the global market more efficiently and at a lower cost than traditional methods.

This study uses a qualitative approach with a case study method. The qualitative approach was chosen because it allows researchers to explore in depth the phenomenon of digitalization in the internationalization process of coffee MSMEs in Dampit, Kabupaten Malang. This study aims to gain a better understanding of how coffee entrepreneurs in Dampit adopt digital technology to expand their markets to the international level, as well as to explore the challenges and opportunities faced in the process. The case study method was chosen because it provides a more detailed and comprehensive picture of the internationalization process that occurs in the coffee MSME sector in Dampit. By choosing a case study, this study can identify factors that influence the success or failure of digitalization in facilitating business expansion to the global market.

This research was conducted in Kabupaten Malang, specifically in Dampit District, which is known as a region producing superior quality robusta coffee. This area was chosen because it has great potential in developing coffee businesses into products that can be marketed internationally. The subjects of the study consisted of coffee entrepreneurs in Dampit, both those who have adopted digital technology in their operations and marketing, and those who have not. Data were collected through *in-depth* interviews and participant observation. This data collection technique was chosen to gain a more holistic understanding of the experiences and perceptions of coffee entrepreneurs regarding the role of digitalization in the internationalization of their businesses.

RESEARCH AND RESULTS

Coffee Business Profile in Dampit

Coffee businesses in Dampit District, Kabupaten Malang, mostly consist of MSMEs engaged in the production and marketing of robusta coffee. Several coffee entrepreneurs in Dampit have developed their businesses significantly in recent years by utilizing digital technology to expand the market. Most of them utilize social media (Instagram, Facebook) and e-commerce platforms (Tokopedia, Shopee, Bukalapak) as the main channels to market their coffee products. In general, the coffee business in Dampit focuses on the quality of organically produced coffee beans, with a distinctive taste that distinguishes their products from other coffees in the market. However, to access the global market, they face major challenges related to the knowledge and application of digital technology in their operations.

The Use of Digitalization in Marketing and Internationalization

Most of the coffee entrepreneurs involved in this study have utilized digital platforms to market their products. The use of social media such as Instagram and Facebook allows them to introduce their coffee products to a wider audience, both domestically and internationally. Through attractive visual content, coffee entrepreneurs in Dampit have succeeded in attracting the attention of foreign consumers who are interested in high-quality coffee from Indonesia. Social media is also used to build brand awareness, share stories about the coffee production process, and interact directly with customers. In addition to social media, several coffee entrepreneurs also use e-commerce platforms to expand their market reach. Platforms such as Tokopedia and Shopee allow them to sell coffee directly to global consumers, with an international shipping system that is more accessible and cheaper than traditional distribution methods. One coffee entrepreneur, who has successfully sold his products in the international market through Tokopedia, said that this platform allows them to reach customers from countries such as Japan, Korea, and Europe.

However, not all coffee entrepreneurs in Dampit are making optimal use of digitalization. Some entrepreneurs are still limited in using social media or e-commerce, and some have not fully understood the enormous potential offered by digital platforms. This is largely due to a lack of knowledge and training on how to effectively manage social media accounts and utilize e-commerce platforms for international sales.

Challenges in Internationalization Through Digitalization

Although digitalization offers many opportunities, some coffee entrepreneurs in Dampit face various challenges in implementing it. One of the biggest challenges faced is the lack of technical knowledge regarding digital marketing and international exports. Many

coffee entrepreneurs find it difficult to manage social media accounts and e-commerce platforms, and understand the best way to reach international markets. Some entrepreneurs even admit that they are more accustomed to traditional marketing methods, such as selling products through local retailers or exhibitions.

Another challenge faced is related to logistics and product delivery . Although there are e-commerce platforms that support international shipping, shipping costs remain a major obstacle. Coffee entrepreneurs expressed that high international shipping costs can reduce the competitiveness of their products in the global market, especially when compared to coffee products from other countries that have lower shipping costs. In addition, another challenge faced is global competition . Many coffee entrepreneurs in Dampit find it difficult to compete with coffee products from large coffee producing countries such as Brazil, Vietnam, or Ethiopia, which already have wider international distribution networks and stronger brand recognition. Therefore, even though they have superior products, the difficulty in entering the global market remains a major obstacle.

Opportunities Created by Digitalization in the Internationalization of MSMEs

Despite the challenges, digitalization also creates opportunities for coffee entrepreneurs in Dampit. One of the main opportunities that emerges is the ease of reaching the global market at a lower cost. Through e-commerce platforms and social media, coffee entrepreneurs can market their products without having to open branches abroad or pay expensive distributors. This is very beneficial for MSMEs that have limited resources, both in terms of finance and infrastructure. The use of social media also provides an opportunity for coffee entrepreneurs to introduce the added value of their products, such as the quality of organic coffee and environmentally friendly production processes, which are increasingly appreciated by international consumers. Through the narrative built on social media, coffee entrepreneurs can develop a strong brand image , which can help them compete in the global market.

In addition, training and support from various parties, such as the government and private institutions, provide opportunities for coffee entrepreneurs to improve their understanding of digital marketing and exports. Several coffee entrepreneurs in Dampit who have participated in digitalization training said that the knowledge gained has helped them manage social media accounts more effectively and increase their sales.

Implications for MSME Policy and Practice

The results of this study indicate that digitalization plays an important role in expanding the international market for coffee MSMEs in Dampit. Therefore, it is important

for related parties, such as local governments and educational institutions, to provide training and technical support to MSME entrepreneurs in the fields of digitalization, online marketing, and international exports. This support can help coffee entrepreneurs in Dampit to optimize the potential of digitalization, increase their competitiveness, and expand their market reach to the international level

CONCLUSION AND RECOMMENDATIONS

Digitalization plays an important role in supporting the internationalization of coffee MSMEs in Kabupaten Malang, especially in Dampit District. The use of digital technology, especially social media and e-commerce platforms, has provided significant opportunities for coffee entrepreneurs in Dampit to expand their market reach to the international level. Social media such as Instagram and Facebook allow coffee entrepreneurs to introduce their products to a global audience, while e-commerce platforms allow them to make direct sales to overseas consumers at a relatively lower cost compared to traditional distribution methods.

However, while digitalization offers a variety of opportunities, coffee entrepreneurs in Dampit also face a number of challenges. The main challenge found in this study was the lack of technical knowledge regarding digital marketing and international exports, which hinders many entrepreneurs from fully exploiting the potential of digitalization. In addition, constraints in logistics and international shipping costs, as well as intense competition with coffee products from other countries, are also significant obstacles.

However, digitalization has also created various opportunities that can be utilized by coffee entrepreneurs in Dampit. With increased understanding and training on the use of social media and e-commerce, coffee entrepreneurs can increase the competitiveness of their products in the global market. Therefore, it is important for the government and related institutions to provide more intensive training and support so that coffee MSMEs in Dampit can overcome these challenges and maximize the potential of digitalization.

Overall, this study shows that digitalization has great potential in accelerating the internationalization process of MSMEs, especially in the coffee sector, but also requires ongoing support in the form of education and facilities that can help MSMEs in optimally utilizing digital technology.

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