

## SME Development Strategy for Slope of Muria Coffee Using the SWOT-AHP Approach

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**ABSTRACT :** *The increasing robusta coffee commodities on the Muria Slope have triggered the expansion of SMEs in coffee bean processing by the surrounding community, especially in Sitiluhur Village, Gembong District, and Pati Regency. The existence of SMEs is a future opportunity for village economic development, so efforts are needed to ensure its sustainability. This research aims to develop these strategies using SWOT analysis and find priority strategies through AHP analysis. Data collection through interviews, questionnaires, FGD, observation, and documentation studies. The results of the Quantitative SWOT analysis show that the object of study is in the quadrant I (progressive) position, where both factors are favorable. The strategy that is suitable to be applied is the Growth Oriented Strategy. After the Process Hierarchy Analysis (AHP) was carried out, it was found that the strength factor was the main factor affecting the business development of the object of study, with a final value of 0.63. it was followed by aspects of opportunities, threats, and weaknesses. There are four main priority strategies in a row, namely expanding market reach (0.43), increasing the amount of production (0.29), cooperating with relevant stakeholders (0.17), and finally empowering SME actors (0.11).*

**KEYWORDS** -AHP, Slopes of Muria Coffee, SMEs, Strategy, SWOT

### I. INTRODUCTION

The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to understand easily about the paper. Cultivation of coffee plants on the slopes of Mount Muria has been carried out for a long time. The coffee variety cultivated by farmers is Robusta coffee because it is by the physical conditions of the slopes of Mount Muria. The coffee farm on the slopes of Mount Muria in Pati Regency is spread over four sub-districts, namely Gembong, Gunungwungkal, Tlegowungu and Cluwak Districts. The area of coffee plantations in Pati Regency in 2021 will reach 2,098.5 hectares with 54% of the land located in Gembong District (BPS, 2021). As for the production itself, it reaches 1,408.2 tons with an average land productivity of 6.7 kw/ha (BPS, 2021). The existence of this commodity encourages the emergence of various household-scale coffee processing industries around coffee plantations. This industry processes dry coffee beans (green beans) that are purchased directly from local farmers to be processed into coffee grounds until they are ready to be packaged and marketed.

In general, the coffee processing industry around the JollongAgro plantations is generally still in the form of micro to small businesses. Quoted from the data from the Pati Regency Cooperatives and SMEs Office in 2019, the number of micro-businesses in the Agribusiness sector was 1,173. However, the data was not broken down further by commodity (Office of Cooperatives and SMEs of Pati Regency, 2019).

The coffee processing business at this time is up-and-coming, in line with the increase in coffee consumption by the community. According to the Ministry of Agriculture, national coffee consumption in 2021 will reach 369.9 thousand tons. Since 2016, there has been an increase in coffee consumption by 13.9% per year, exceeding the world coffee consumption rate. The growth of national coffee consumption is increasing along with the trend among young people where coffee is no longer just a drink but has become a lifestyle. It is marked by the growth of coffee shops in 2019, which almost tripled compared to 2016 (Iftiharfi, 2021). However, downstream business actors from coffee products cannot only rely on these conditions to develop their businesses. Although there is an increase in coffee, the competition between coffee products is also getting higher, and the business environment is increasingly dynamic. High competition forces a business to have the right strategy to compete and win the market (Supriatna and Aminah, 2014). This condition also needs to be considered by the Slopes of Muria Coffee SMEs which are located in Sitaluhur Village, Gembong District, Pati Regency. There needs to be a strategy adjustment for business development. The quality of coffee produced from the slopes of Muria coffee farm is now well known inside and outside Pati. However, it is not enough to be a sustainable coffee processing business. The right strategy is needed to develop the Slopes of Muria Coffee SMEs in Pati Regency so that they can compete with other similar products. This study aims to find the right strategy for developing SMEs for processing coffee from the slopes of Muria through SWOT analysis and AHP (Analytical Hierarchy Processes). SWOT analysis is carried out to identify the factors of strengths and weaknesses, opportunities and threats of the object of study. After that, the right strategy will be formulated based on the presence of each of these SWOT factors. The next step is to use AHP analysis to determine the priority of alternative strategies that can be applied in the future for business development.

### **1.1. Literature Review**

According to Suryana in Hastuti et al. (2020), entrepreneurship essentially creates added value in the market by combining resources in new and different ways to compete. Zimmerer et al. in Siragih (2017) state that there are several benefits of entrepreneurship, including:

1. Giving opportunity and freedom to control one's destiny.
2. Providing opportunities for change: Business people find ways to combine their concern for various economic and social problems with the hope of living a better life.
3. Provide opportunities to reach one's full potential: Owning your own business gives you the power and spiritual awakening and enables entrepreneurs to follow their interests or hobbies.
4. Have the opportunity to get the maximum profit possible
5. Have the opportunity to play an active role in the community and get recognition for their efforts
6. Have the opportunity to do something you like and create a sense of pleasure.

Entrepreneurship activities will give birth to SMEs engaged in their respective fields. According to Law No. 20 of 2008 concerning SMEs, this business activity is divided into three parts: micro-enterprises, small-scale businesses, and medium-sized businesses. It is said that a micro business has a net asset of at least 50 million and a profit from its business of 300 million. Small businesses have annual sales ranging from 300 million to 2.5 billion, a net worth of 500 million to 10 billion, and sales of 2.5 billion to 50 billion. Medium business is a business in a productive economy and not from a branch or subsidiary of a large company. The criteria for medium-sized businesses are if they have annual sales ranging from 300 million to 2.5 billion rupiahs. Small and Medium Enterprises aim to grow and develop their businesses in building a national economy based on just economic democracy. In Indonesia, many SMEs are carried out by the community, such as culinary, fashion, automotive, handicrafts and souvenirs, and agribusiness. As recorded in the Ministry of Cooperatives and SMEs, in 2015-2019, the number of SMEs in Indonesia continues to increase by 1 to 2 percent each year. It was

recorded that in 2019 the number of Indonesian SMEs was around 65.47 million. As one of the pillars of the Indonesian economy, SMEs have a significant role, contributing significantly to GDP, which is 61.97%, and absorbing labor by 97% of the absorption capacity of the business world in 2020. SMEs also significantly influence credit absorption, reaching Rp. 1 million trillion in 2018 (BMKP, 2022). In addition to its essential impact on the Indonesian economy, there are several other important reasons for the existence of SMEs in Indonesia. Tulus Tambunan (2012) put forward some of these crucial reasons, such as most SMEs are labor-intensive, so they absorb much labor even with low education levels. The next reasons are SMEs in agriculture indirectly support the development and become the starting point for mobilizing investment, especially in rural areas, and have flexibility.

## II. METHODOLOGICAL APPROACH

This study targets coffee processing SMEs in Sitaluhur Village, Gembong District Pati Regency. Sitaluhur village is located right on the slopes of Mount Muria, with part of its territory in the form of coffee plantations. Jollong Agrotourism, which the National Plantation Company manages, is also located in this village, so it becomes a different opportunity to market the products of SMEs. The data collection process was carried out through interviews, questionnaires, FGDs, and documentation studies to identify the coffee bean processing business's strengths, weaknesses, opportunities, and threats. The data analysis process uses SWOT to calculate IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation). Subsequently, the sub-factors of each SWOT were used as criteria for the AHP analysis. This AHP aims to find priority strategies that can be applied to developing SMEs.

Data from the questionnaire has been obtained and processed using the analysis of AHP (Analytical Hierarchy Process). The steps in the AHP analysis are as follows:

1. WOT method
  - a. Identifying SWOT factors
  - b. SWOT internal and external evaluation
2. Determination of sustainability strategy
3. Preparation of the SWOT-AHP priority weight hierarchy diagram
4. AHP method
  - a. Determine the type of criteria to be used
  - b. Arrange these criteria into a paired matrix.
  - c. Normalization.
  - d. Determine Eigen Value.
  - e. Calculating the value of lambda ( $\lambda$ )
  - f. Calculating consistency index (CI)
  - g. Calculation of consistency.

In this study, AHP analysis was carried out with the help of the Expert Choice 11 Application, which is a computer application that was made specifically for decision-making through AHP. Using this application to simplify the analysis process. In general, the hierarchy diagram in the AHP analysis through the SWOT factor can be described as follows:

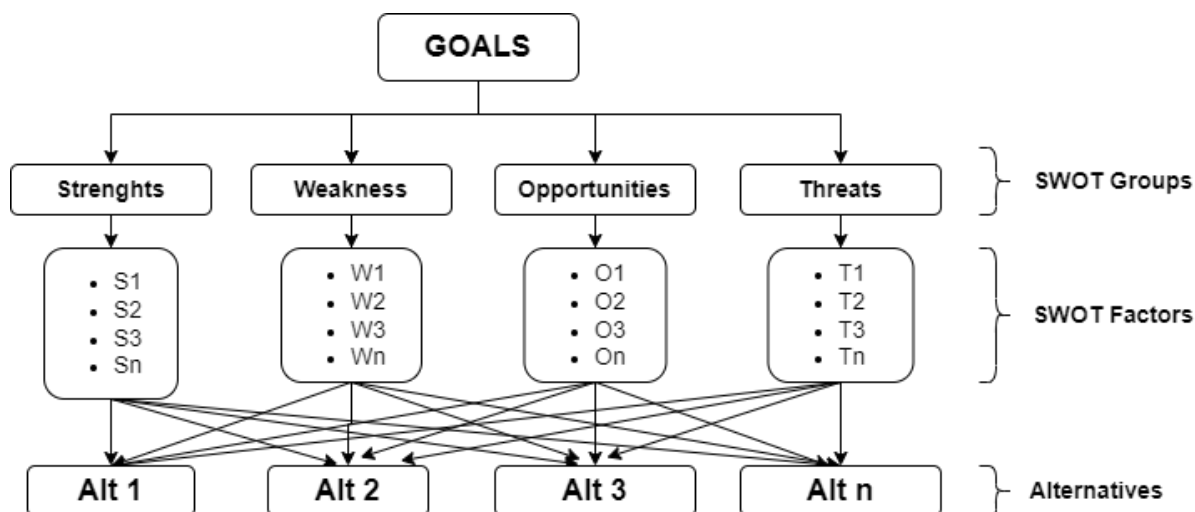


Fig 1. hierarcy desicion model (HDM)  
 Source: Okello dkk, 2014

### III. CONDUCTING RESEARCH AND RESULT

#### 3.1. Overview of SMEs Processing Slopes of Muria Coffee, Pati Regency

SMEs processing coffee beans, the community as entrepreneurs of SMEs processing coffee beans are scattered in Sitalihur Village around Jollongagro-tourism. Family members home-based carry out the business. Dried coffee beans are obtained from local farmers, whether it is coffee that is just ready to dry or has been stockpiled for several months. Then, SME actors roast and grind the coffee beans and then wrap them in the form of powdered coffee packaging. SMEs that are pretty large roast coffee using an oven and have their coffee milling machine. However, smaller SMEs roast coffee using a cauldron and borrow grinding services elsewhere at the cost of Rp. 500/kg. The shrinkage from dry coffee beans to ground coffee is reduced by 2 kg per 10 kg. The packaging of ground coffee usually weighs 150 g, 200 g, and 250 g in several types, namely mixed coffee (beans mixed with rice), lanang coffee (from coffee beans that are not wholly split), and pure coffee. The sale of ground coffee from SMEs is usually to neighbors, entrusted to a shop in Jollongagro-tourism, sold directly at home, and some businesses can distribute it outside Gembong District. In the tourist area itself, there are also ready-to-ground coffee and dry coffee beans in addition to ground coffee.

Coffee grounds also vary in color; the darker the color indicates, the longer the coffee beans are roasted. Usually, in a week will sell 10-15 packs of coffee. The price ranges from Rp. 20,000 - Rp. 25,000 / pack. The better the packaging, the higher the price of coffee. Then the coffee that is most in demand is the one that is roasted manually with a cauldron and is darker in color. The promotion itself has not been done too massively, only in the form of using banners in front of the production house and word of mouth from neighbors. Some are using social media but not intensively.



Fig2.some of the tools used are (a) coffee bean milling equipment, (b) oven for mechanical coffee roasting, (c) cauldron for manual coffee roasting, and (d) coffee that has been roasted, sorted, and filtered using special filters.

Source: Primary data, 2022.



Fig 3. some slope of muriacoffee SMEs products

Source: Primary data, 2022

### 3.2. SWOT Analysis for Determining Development Strategy

Internal factors. Internal factors consist of strengths and weaknesses within the object of study itself. Each of the five indicators was found to be a strength and weakness in the SME business of Slope of Muria coffee, Pati Regency, especially in Sitaluhur Village, Gembong District. Five factors that become its strengths include coffee beans as the primary raw material having good quality, and most production facilities are machines such as electric ovens and grinding machines. Then the product packaging is very varied so that consumers are free to choose the type of product they want. Products are packaged in various forms, such as powder and roasted coffee, in various net sizes and packaging forms. The next strength is a strategic production location. Besides being easy to get quality raw materials, the location of SMEs is also around Jollong Agrotourism, making it easier for sales and promotion. The uniqueness of the resulting product becomes the following strength of this business. The slope of Muria coffee, Pati Regency, is well known both in Pati and abroad with the brand "Kopi Jollong." Factors that become the weakness of SMEs Coffee include production that is not stable because it still depends on the availability of raw materials and market demand. Then the production process is quite long, promotions are not optimal, and business actors who lack capital if they want to develop products and product packaging are still simple. Sales activities only rely on the strength of locations around tourist attractions, so promotions are still not optimal. Although the packaging process has varied, the packaging is still in the form of clear plastic, so it is considered not attractive enough to be widely marketed. The following is the result of calculating the weight score of each weakness and strength factor.

Table 1. Results of Internal Factors Analysis

Code.	Internal Factors	Weight	Rating	Score
<b>Strengths</b>				
S1	Quality raw materials	0,148	3,60	0,53
S2	Adequate production facilities	0,139	3,60	0,50
S3	Product packaging varies	0,133	3,20	0,42
S4	Strategic production location	0,079	3,10	0,33
S5	The distinctiveness of the products produced	0,090	3,40	0,30
Total		0,614	2,09	
<b>Weakness</b>				
W1	Unstable production	0,093	2,60	0,24
W2	Length of production process	0,108	1,90	0,21
W3	Less than maximum promotion	0,071	2,10	0,15
W4	Lack of capital for product development	0,062	2,00	0,12
W5	Product packing is still simple	0,052	2,00	0,10
Total		0,386	0,82	
Total IFE				2,91
Difference of IFE Number				1,26

Source: *Primary daya analysis, 2022*

External factors. External factors consist of two things, namely opportunities and threats, each of which has five indicators. What becomes an opportunity in the development of Slopes of Muria Coffee SMEs is the increase in coffee demand from time to time. As already explained, the increase in national coffee consumption continues to increase by 13.9% every year. It becomes the foremost opportunity in a coffee product processing business so that it can continue to be developed again.

Another thing that is also in line with this increase is the proliferation of coffee shops, especially in urban areas. Consuming coffee has now become a lifestyle trend for urban communities in particular. This statement is in line with the opinion of Arief et al (2022), which states that changes in coffee consumption patterns result from changes and modernization in the community by increasing lifestyles and socio-cultural activities.

According to research data released by Toffin covering modern shops (shops in big cities, excluding Kopitiam shops), the number of coffee shops in Indonesia in August 2019 reached more than 2,950 outlets, an increase of almost three times compared to 2016, which was only around 1,000 (Ifthiharfi, 2021). The price offered is also relatively affordable, and by the quality of the product. The existence of support from the government and the opportunity to try to sell with a more modern mechanism is also a promising opportunity for business actors. Meanwhile, the threat faced in general is the existence of competition between coffee and non-coffee products from within and outside the country and product price competition. However, the biggest threat to the SME Coffee business is the unstable price of raw materials because it follows market prices in general, so business actors need to anticipate efforts so that they can still get maximum profit for the sustainability of their business. The following table results from the processing of external factor data for developing the Slopes of Muria Coffee SMEs along with the final weight score.

Table 2. Results of External Factors Analysis

Code.	Eksternal Factors	Weight	Rating	Score
Opportunities				
O1	High coffee demand	0,147	3,50	0,52
O2	Affordable selling price	0,141	3,40	0,48
O3	Number of coffee shops businesses	0,129	3,20	0,41
O4	Support from the government	0,103	3,10	0,32
O5	The sales system is more varied	0,103	3,00	0,31
Jumlah		0,624	2,04	
Threats				
T1	Unstable raw material prices	0,107	2,10	0,22
T2	Price competition between products	0,088	2,30	0,20
T3	Number of similar products	0,066	2,10	0,14
T4	Entry of imported coffee products	0,047	1,70	0,08
T5	Competition with non-coffee products	0,069	1,10	0,08
Jumlah		0,376	0,72	
Total EFE				2,76
Difference of EFE Number				1,32

Source: *Primary daya analysis, 2022*

Internal-External Matrix. The Internal-External Matrix analyzes working conditions and business strategies based on an analysis of internal and external business factors combined to become one suggestive model (Astiti, 2019). Husein Umar in Muthaali (2015) uses the IE matrix to position an object on a matrix consisting of nine different cells. Based on the IFE and EFE analysis, the number of internal factors for SMEs processing Slopes of Muria coffee in Pati Regency is 2.91, and the number of external factors is 2.76. When entered into the IE matrix, the coffee processing SMEs in Sitiluhur Village are in position V (Hold and Maintain). The strategies commonly used in this position are market penetration and product development (Muthaali, 2015).

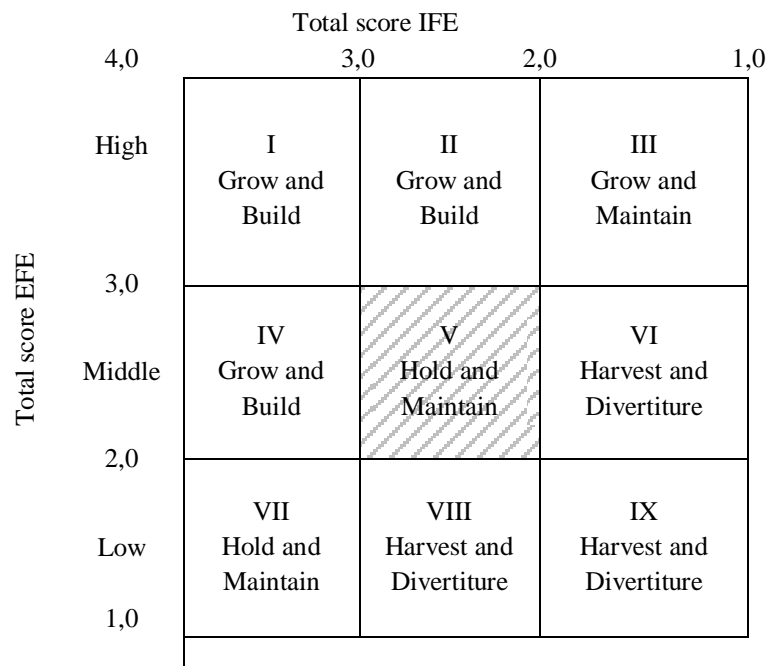


Fig 3.results of IE matriks  
 Source: Primary data analysis, 2022

Quantitative SWOT Analysis. In contrast to the IE matrix, which divides the strategy into nine different cells, the strategy classification in the quantitative SWOT analysis is only divided into four quadrants. The principle is how strengths can take advantage of opportunities and overcome weaknesses so as not to reduce existing opportunities. Then how strengths can reduce existing threats and overcome weaknesses so that threats do not become real or create new threats [8]. Quadrant positioning uses the difference between strengths and weaknesses as an internal factor and the difference between opportunities and threats as an external factor. The following is the position of the Muria slope coffee SME based on the results of the SWOT analysis that has been carried out.

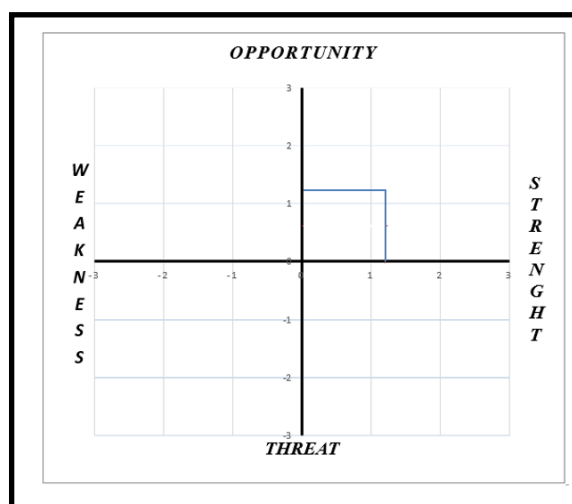


Fig 4.results of quantitative SWOT analysis  
 Source: Primary data analysis, 2022



From the table above, it is found that IFE is 1.26 and EFE is 1.32. Based on these results, the Muria slope coffee SMEs were in quadrant 1 (progressive), where both factors were favorable. This position indicates that the object of study is strong and has opportunities. The strategy that is suitable to be applied is the Growth Oriented Strategy which has the opportunity to maximize growth and progress (Muthaali, 2015). These results align with the research conducted by Rahmawati et al. (2021), who discussed the same topic but located in the Kudus Regency. The results of the Quantitative SWOT of SME Coffee from the slopes of Muria in Kudus Regency also show that they are in quadrant one. Being in this quadrant position is very advantageous because of the high strengths and opportunities to be utilized optimally. Supporting an aggressive growth policy is the primary strategy for developing a business (Harience et al. 2016).

### 3.2. Priority Strategy for the Development of Slope of Muria Coffee SMEs

The determination of the priority strategy for the development of SMEs in this study uses a process hierarchy analysis (AHP). The AHP analysis technique can assist in comprehensive decision-making. This technique is multi-attribute to deal with complex problems both quantitatively and qualitatively (Muthaali, 2015). In this study, the sub-factors of each SWOT factor were only taken from the top three factors to narrow the discussion. By taking the top three indicators from each factor, strengths, weaknesses, opportunities, and threats are assumed to be strong enough to represent all indicators. The following is the result of data processing of the importance of each indicator:

Table 3. Criteria Results Matrix and Sub Criteria (Key Indicators)

Indikator Kriteria	Score
Strengths	0,629
S1. Quality Raw Materials	0,659
S2. Adequate Production Facilities	0,175
S3. Product Packaging Varies	0,165
Weakness	0,055
W1. Unstable Production	0,182
W2. Length of production process	0,564
W3. Less than Maximum Promotion	0,254
Opportunities	0,225
O1. High Coffee Demand	0,593
O2. Affordable Selling Price	0,290
O3. Number of Coffee Shops Businesses	0,117
Threats	0,061
T1. Unstable Raw Material Prices	0,362
T2. Price Competition Between Products	0,170
T3. Number of Similar Products	0,468

Source: *Primary data analysis, 2022*

Based on the analysis results above, the strength factor is the most important in developing the Slopes of Muria Coffee SMEs. The strength factor gets 63% points, followed by the opportunity factor, which is 22%. This result signifies the importance of taking advantage of strengths and opportunities to develop the business. The most crucial sub-factor of strength is the quality of raw materials. Then, the weakness that business actors avoid is the unstable production process because it can hamper all production processes and affect turnover. The most crucial opportunity sub-factor to be exploited is the high demand for coffee. Finally, the top two threats that must be watched out for are competition with similar products and unstable raw material prices.

After obtaining the value of each factor and sub-factor, then an alternative strategy is determined that can be applied to the development of the Slopes of Muria Coffee SMEs. Alternative strategies are determined through FGD activities with business actors by considering the strengths and weaknesses as well as opportunities and

threats from the business development of Slopes of Muria Coffee SME business. Based on the results of the discussion, four alternative strategies were obtained, namely, collaborating with relevant stakeholders, increasing the amount of production, expanding market reach, and finally empowering SME actors. The strategies are compared with each sub-factor of strengths and weaknesses, opportunities and threats. Here are the results of the comparison:

Table 4. Pairwise Comparison Matrix of Strengths Criteria

Sub-factors \ Strategy	S1. Quality Raw Materials	S2. Adequate Production Facilities	S3. Product Packaging Varies
A1. Collaborating with relevant stakeholders	0,176	0,112	0,130
A2. Increasing the amount of production	0,278	0,288	0,420
A3. Expanding market reach	0,457	0,454	0,363
A4. Empowering SME actors	0,090	0,145	0,087

Source: *Primary data analysis, 2022*

Table 5. Pairwise Comparison Matrix of Weakness Criteria

Sub-factors \ Strategy	W1. Unstable Production	W2. Length of production process	W3. Less than Maximum Promotion
A1. Collaborating with relevant stakeholders	0,457	0,357	0,225
A2. Increasing the amount of production	0,116	0,138	0,092
A3. Expanding market reach	0,243	0,118	0,567
A4. Empowering SME actors	0,184	0,387	0,116

Source: *Primary data analysis, 2022*

Table 6. Pairwise Comparison Matrix of Opportunities Criteria

Sub-factors \ Strategy	O1. High Coffee Demand	O2. Affordable Selling Price	O3. Number of Coffee Shops Businesses
A1. Collaborating with relevant stakeholders	0,123	0,133	0,213
A2. Increasing the amount of production	0,354	0,332	0,181
A3. Expanding market reach	0,449	0,456	0,473
A4. Empowering SME actors	0,074	0,078	0,133

Source: *Primary data analysis, 2022*

Table 7. Pairwise Comparison Matrix of Threats Criteria

Strategy	Sub-factors	T1. Unstable Raw Material Prices	T2. Price Competition Between Products	T3. Number of Similar Products
A1. Collaborating with relevant stakeholders		0,541	0,272	0,264
A2. Increasing the amount of production		0,128	0,097	0,119
A3. Expanding market reach		0,134	0,497	0,489
A4. Empowering SME actors		0,196	0,134	0,128

Source: *Primary data analysis, 2022*

Until the final stage of calculation, the results of strategic priorities are obtained based on comparing each sub-factor above. The following is the final result of the AHP analysis that has been carried out:

Table 8. Alternatif Strategy Options

Alternatif Strategy	Final Score	Rating
A1. Collaborating with relevant stakeholders	0,175	3
A2. Increasing the amount of production	0,288	2
A3. Expanding market reach	0,429	1
A4. Empowering SME actors	0,108	4

Source: *Primary data analysis, 2022*

Please note in advance that the inconsistency value from the above analysis results is less than 0.1 by the requirements for using AHP. The inconsistency value obtained is 0.04. The first strategy that needs to be done is to expand the market reach so that the demand for coffee products from SMEs Coffee in Sitaluhur Village will continue to exist and even increase. The final value obtained is 0.43. In a broad sense, this strategy can be done by evaluating the sales system and increasing promotional activities. Sales are no longer only dependent on conventional activities only by word of mouth or only relying on Jollong agrotourism tourists. Business actors can take advantage of massive online-based sales and promotion systems so that a broader market is captured. The second priority strategy is to increase the amount of production to keep up with the ever-increasing demand for coffee. This strategy earns a final score point of 0.29. The success of expanding the market reach will be followed by an increase in product demand so that there is a need for an increase in the amount of production. This strategy needs to be encouraged by investment in capital and technology in the production process. The strategic priority in the third place is to collaborate with stakeholders who get a final point of 0.17. The stakeholders in question are the local government through the Department of Cooperatives and SMEs, coffee farmers around as suppliers of raw materials, downstream business actors from coffee products such as coffee shop owners as consumers, and other parties such as researchers and others. Building business cooperation with related parties will pave the way for increased sales of SME products and generate profits for each party. The last priority strategy is to empower business actors with a final point of 0.11. This strategy aims to improve the competence of business actors so that they can see and take advantage of market opportunities and gain knowledge about improving product quality, product packaging innovations, and others so that their businesses can compete in the global market. Empowerment can be done independently or in collaboration with other parties such as the government and universities through research and service programs and private institutions through CSR programs and others.

#### IV. CONCLUSION

The existence of coffee farming around the slopes of Mount Muria encourages the emergence of SMEs engaged in coffee processing. This industry aims to increase coffee's selling value in consumers' hands. The main production activities carried out are roasting coffee beans and grinding to make a coffee powder that is ready to be packaged and marketed. This SME has the potential to improve the rural economy, but it is still not seen significantly in its development. Identifying the factors of strength and weakness, as well as opportunities and threats, needs to be done to formulate the right strategy. Each of the five sub-factors of the SWOT indicator is obtained from the identification results. Internal-External matrix analysis shows that Slopes of Muria Coffee SMEs is in position V (Hold and Maintain). The strategies commonly used in this position are market penetration and product development. Meanwhile, from the Quantitative SWOT analysis, the object of study is in the quadrant 1 (progressive) position, where both factors are favorable. The strategy that is suitable to be applied is the Growth Oriented Strategy. After the Process Hierarchy Analysis (AHP) was carried out, it was found that the strength factor was the main factor affecting the business development of the object of study, with a final value of 0.63. It is followed by factors of opportunities, threats, and weaknesses. There are four main priority strategies in a row, namely expanding market reach (0.43), increasing the amount of production (0.29), collaborating with relevant stakeholders (0.17), and finally empowering SME actors (0.11).

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