

## Digital Transformation in Micro, Small, and Medium Enterprises: Opportunities and Challenges in *Cak Pendi's* Madura Satay Business, *Sungelebak* Village

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**Abstract:** *This study discusses the digitalization of Micro, Small, and Medium Enterprises (MSMEs) through a case study of Warung Sate Madura Cak Pendi in Sungelebak Village. The purpose of the study is to identify opportunities and challenges of digitalization in the context of traditional MSMEs. This study uses a qualitative approach. Data were collected through in-depth interviews with business owners and customers, as well as related literature studies. The results show that digitalization offers significant opportunities, including increased market access and operational efficiency through social media and delivery services. However, challenges arise from intense competition, the need to adapt to new technologies, and the requirement to maintain a traditional identity. Ethical digital strategies that align with Islamic values have proven to be crucial for fostering sustainable growth. The implications of this study emphasize the importance of digital training and a value-based approach in supporting the transformation of MSMEs to remain competitive in the digital economy era.*

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## Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in supporting the Indonesian economy. Apart from serving as the primary driver of economic growth, MSMEs are also significant employers in various regions (Putri & Oktafia, 2021). Efforts to attract and maintain customers are very crucial in an increasingly competitive business world. Every business actor seeks to increase customer satisfaction by meeting their expectations and needs, thereby achieving higher profits (Ryan, 2014). In the modern era, influenced by advances in digital technology, MSMEs face various challenges as well as opportunities to adapt to rapid changes. Digital technology and competence are strategic tools that enable MSMEs to maximize their potential by reaching a broader market through online platforms, increasing business productivity with the use of technology, and encouraging innovation in marketing methods (Faizah et al., 2022; Marlina & Bahri, 2024).

The digital era has triggered changes in consumer behavior, with consumers now preferring to shop online and utilize application-based services to keep up with and adopt the latest technology. Internet sales can simplify the transaction process, increase market

share, and intensify competition among businesses (Utami & Sitorus, 2024). Creative economic strategies that leverage digital technologies, such as internet marketing, product development, and collaboration with technology platforms, are essential for MSMEs to survive and thrive in the face of intense competition. In addition, increasing digital capabilities and creativity among MSME actors also supports market expansion and the creation of new opportunities, which in turn can improve family welfare through increased income and economic stability expected by MSME actors (Irawati et al., 2024).

Enhancing the capabilities of MSMEs through digital technology presents an opportunity to foster a strong, digitally based community economy, providing socio-economic benefits to people and communities. Indonesia is one of the countries with great potential for developing the digital economy (Pratiwi & Dyas, 2022). The usefulness of information technology has a significant impact on user interest in using online buying and selling sites. This indicates that the greater the utilization of information technology within a company, the higher the consumer interest in accessing online buying and selling sites. This significant effect confirms that factors such as the accuracy of information, timeliness of delivery, and completeness of the information provided can increase user interest in transacting through online buying and selling platforms (Rahman & Dewantara, 2017).

Nowadays, an increasing number of food and beverage varieties are emerging with diverse characteristics. Food has become one of the essential materials for consumption, so the market potential in the culinary field is expanding. This indicates that businesses in the culinary sector are experiencing rapid growth (Sumiyati & Rohman, 2022). Socially and economically, digitalization has quite a complex impact on Madurese satay stalls in *Sungelebak* Village. In the economic field, digitalization presents opportunities to increase income by expanding market reach and becoming the core of business transformation (Fadhilah et al., 2025). Technology also plays a role in creating new jobs related to digital operations. However, these changes could alter the patterns of social interaction that have long characterized the traditional *Warung* environment. Losing the personal element of interaction can impact the relationship between customers and stall owners. Therefore, it is essential to strike a balance between technological advancements and the preservation of traditional social values.

The digitalization process of small and medium-sized enterprises (SMEs) is viewed from an Islamic economic perspective as a means to achieve significant benefits for society, in addition to generating profits. Small and medium-sized enterprises (SMEs), such as Cak Pendi's Madura Satay Stall, have great potential to develop sustainably if run according to the basic principles of Islamic economics. The principles underlying Islamic economic activities include justice (*al-'is*), benefit (*maslahah mursalah*), and balance between material and spiritual aspects. In addition, Islam prohibits exploitative, speculative, and manipulative practices (*gharar*) (Chapra, 2000). Digitalization in the Islamic economy must also consider the application of Islamic business ethics values, such as honesty (*Siddiq*), trustworthiness, *tabligh* (transparency), and *fathanah* (competence). These principles guide every business activity, including digital promotion, online customer service, and cashless transaction management. In the context of *Warung Sate Madura Cak Pendi*, the use of social media and online market groups for promotion diharapkan dapat menjadikan perkembangan usaha dengan adanya peningkatan penjualan, relasi dan dapat meningkatkan daya saing usaha (Zaroni & Norvadewi, 2024).

From the perspective of *maqashid al-shariah*, namely, the five main objectives of Islamic law for implementing digitalization: protecting religion (*hifz al-din*), protecting the

soul (*hifz al-nafs*), protecting the intellect (*hifz al-aql*), protecting offspring (*hifz al-nasl*), and protecting property (*hifz al-mal*). Small and medium-sized enterprises (SMEs) can safeguard religion by selling halal products, safeguard the soul by providing safe and hygienic food, and safeguard the mind by educating entrepreneurs on the use of technology. Moreover, it safeguards the family business by maintaining the family's legacy. All this can be achieved through efficient and responsible business management (Dusuki, 2007). Based on the background of the problems that occur above, the researcher formulates research problems, namely, how to examine opportunities and challenges in the digitalization of MSMEs, with a focus on Madura satay stalls in *Sungelebak* village.

## Method

This research uses a qualitative approach. Data were obtained through in-depth interviews to explore information from the main informant in this study, namely the stall owner, Cak Pendi himself. As an MSME actor who is the primary subject of research, Cak Pendi has direct experience in running his business and adapting to changes brought about by digital technology, such as promoting his business through social media and utilizing online delivery services. Loyal customers of *Warung Sate Madura Cak Pendi* are another important source of information. Customers are the direct recipients of digital services used by MSME actors. By interviewing customers, researchers can determine how they perceive digitalization in their services, whether it is more efficient, faster, or creates problems.

Interviews were conducted using structured and semi-structured approaches to gain deep insights into the subject under study. A structured interview is a type of interview that relies on a pre-designed list of questions and is delivered to respondents systematically and consistently. On the other hand, semi-structured interviews offer more flexibility, as researchers can use a question guide while also asking follow-up questions to gain in-depth information, adapting the conversation as needed. In addition, this research also involves a literature study, which is searching and analyzing theoretical reference sources related to the case or issue raised. Secondary data in this research is used to the maximum and adjusted to the theme under study.

## Result and Discussion

The history of the Madurese satay stall in *Sungelebak* Village dates back to the experience of the founder, who previously worked with his brother in the Madurese satay business. In 1997, the Madurese satay stall decided to start its own business by selling satay while traveling, offering Madurese delicacies to people in various places. After gaining experience and trust from customers, *Warung Sate Madura* successfully established a satay stall in *Sungelebak* Village from 2005 to the present. To this day, the stall remains one of the favorite culinary spots, maintaining the original taste that is a source of pride for the local community.



**Figure 1.** Cak Pendi's Madura Satay Stall (2025)

### Digitalization Opportunities

Wider market access through online media presents a significant opportunity for *Warung Sate Madura* in *Sungelebak* Village to expand its operations. By utilizing platforms such as social media, digitally appealing promotions can increase sales and strengthen brand identity, for example, by presenting appetizing menu images or telling the unique story of the stall. Digital technology also enables operational efficiency through online ordering and payment, thus speeding up transactions and reducing manual barriers. Additionally, collaboration with local platforms or digital communities can lead to profitable partnership opportunities (Evangelista et al., 2023).

By understanding the needs of the digital market and adapting to technological changes, *Warung Sate Madura* can expand its market share, increase turnover, and introduce Madurese cuisine to a broader audience outside Madura, even while preserving its culinary culture in the process. This digitalization is not only relevant for business advancement but also supports the overall economic development of the village.

On the one hand, digital technologies and literacy, such as e-commerce and social media, offer Indonesian MSMEs significant opportunities to expand into global markets, increase revenue, and enhance operational efficiency (Salsati, 2025). However, additional issues must be considered, including poor human resources, a lack of technical skills, and limited access to capital. The quality of human resources, technical skills, and access to capital are among the key factors influencing the performance of MSMEs in Indonesia and their adoption of e-commerce (Aini et al., 2024).

### Challenges of Digitization

Online commerce represents a new form of economic power for our country. Additionally, it can support government initiatives related to the use of technology and the digital economy for micro, small, and medium-sized enterprises (Nisa, 2019). Digitalization is

now one way to increase the competitiveness of micro, small, and medium enterprises (MSMEs), including traditional food stalls such as *Warung Sate Cak Pendi* in *Sungelebak* Village. However, this digitalization process is not free from challenges, both in terms of market competition and technological adaptation. One of the biggest challenges faced is the large number of competitors in the culinary industry, both locally and globally. Although there is only one satay stall in *Sungelebak* Village, owned by Cak Pendi, digitalization has opened up wider competition with satay stalls in other areas.

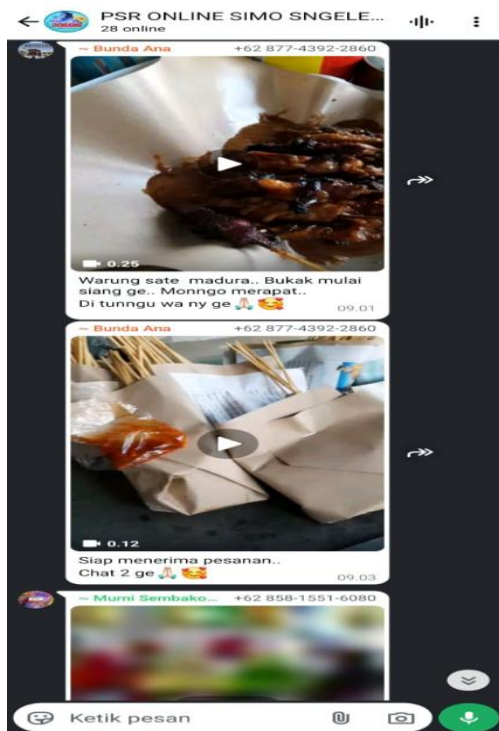
In the local context, the uniqueness of Cak Pendi's satay stall is a strength in itself. With no direct competitors in the village, this stall has carved out a name for itself in the hearts of the residents. However, when it comes to digitalization, Cak Pendi has to compete with other culinary businesses that have utilized online platforms, such as social media and food delivery applications. This requires stalls to not only maintain quality but also adapt to digital marketing strategies.

This presents an additional challenge: how to maintain authenticity and traditional identity amidst modernization. Digitalization often brings changes in presentation and marketing, which may not always align with the traditional values that are the main attraction of Cak Pendi's satay stall (Handayani, 2023). For example, this *Warung* needs to be able to combine digital strategies with local narratives that still reflect Madurese cultural values.

On the other hand, one of the advantages of Cak Pendi's satay stall is the existence of healthy competition. Without underhanded practices between competitors in *Sungelebak* Village, this stall can focus more on improving its service and taste without worrying about the negative impact of unfair competition. This is social capital that can be utilized to build a positive reputation in the digital realm, making this *Warung* a successful example of MSMEs that stick to integrity amid competition.

Overall, the challenge of digitalization for *Warung Sate Cak Pendi* lies not only in the number of competitors but also in maintaining traditional values while adapting to modern demands. With the right strategies, such as utilizing social media for promotion without compromising local uniqueness, this *Warung* has the potential not only to survive but also to thrive in the digital era.

The results of observations on the problems faced by Cak Pendi's Madura Satay stall business reveal the importance of digitalization in navigating the disruptive era and maintaining business continuity amid increasingly fierce competition. However, implementing digitalization is not as easy as many MSME players imagine. They need to consider various factors in order to avoid failures that could adversely affect the continuity of their business. Cak Pendi's madura satay stall utilizes media such as WhatsApp or online market groups as a means of digital promotion to reach more customers by sharing menu information, prices, and customer testimonials. Additionally, the use of broadcast messages on WhatsApp enables the *Warung* to provide regular updates to its loyal customers. This strategy helps strengthen relationships with customers and supports business growth in a more modern way.



**Figure 2.** WhatsApp media or online market group

*Madura Satay* stalls in *Sungelebak* village use the WhatsApp group "PSR ONLINE SIMO SUNGELEBAK" to promote and sell their satay. They upload photos and videos of their satay, inform their opening hours, and take orders via chat. The group is also used by other sellers, to interact and trade.

*Warung Sate Madura Cak Pendi*, although still in its early stages of development, has begun hiring one employee to assist with daily operations. Initially, the stall was only able to sell around 15-20 servings of satay per day, with a daily income of approximately 50,000 rupiah. However, as the times changed, Cak Pendi's Madura satay stall began to utilize digitalization and modern marketing strategies to reach a broader consumer base. With digitalization, this satay stall can sell 2,000 servings of satay per day, generating an income of 900,000 rupiah. As a result, the stall is increasingly known and attracts more customers. Cak Pendi's efforts to maintain the quality of taste and service show a commitment to the development of his business.

**Table 1.** Sales Increase of Cak Pendi's Madura Satay Stall in the Last Eight Years

| Year | Portion | Nominal (Rp) |
|------|---------|--------------|
| 2017 | 150     | 2.250.000    |
| 2018 | 270     | 4.050.000    |
| 2019 | 400     | 6.000.000    |
| 2020 | 580     | 11.600.000   |
| 2021 | 730     | 14.600.000   |
| 2022 | 900     | 18.000.000   |
| 2023 | 1.400   | 28.000.000   |
| 2024 | 2.000   | 50.000.000   |

Source: Author (2025)

Cak Pendi's Madura Satay stall does not experience any capital-related problems. Business owner Mr. Pendi confirmed in the interview that "Alhamdulillah, in terms of capital, we are adequate. Sales are consistent, so for daily operations, there are no obstacles". However, he also noted that competition in the neighborhood is intensifying. To maintain its existence and loyal customers, *Warung Sate Madura Cak Pendi* emphasizes taste as its main strength. Ibu Ayu, a loyal customer, said that the consistency of taste is the main reason she keeps coming back. "I have been a long-time customer because the taste never changes. The meat is soft, the seasoning is just right," she says. In terms of location, the stall is situated in a strategic spot, which is highly beneficial for business continuity. It is located near a busy area and on the edge of the main road, making it easily accessible for customers. A customer revealed, "I often visit because it is located on the side of a major road, so it is easy to find. "With a combination of product quality, a favorable location, and a loyal customer base, *Warung Sate Madura Cak Pendi* has the opportunity to survive and compete in an increasingly competitive environment.

The emergence of various new businesses, although not all of them are related to satay stalls, creates challenges in attracting customers. However, in price competition with other stalls, Cak Pendi directs its focus on customers from the middle to upper class, assuming that they prioritize quality over price. While this approach helps maintain quality standards and good profit margins, the limited market limits the potential to reach a broader range of customers. The slightly higher prices at *Warung Sate Madura Cak Pendi* may create the perception that it is only for a select group. It is essential to overcome this challenge by ensuring that the quality of the satay offered is commensurate with the price while educating customers about the value they receive. To compete more effectively, Cak Pendi can implement several strategies, such as offering attractive promotions, expanding menu variations to attract more customers, and enhancing communication about product quality and excellence. With these steps, the *Warung* can survive and compete amid increasingly fierce competition.

The biggest challenge faced stems from the increasingly intense business competition in the neighborhood. The presence of various kiosks and new culinary ventures, although not all of them offer satay, results in a competitive market where consumer attention becomes a valuable commodity to be fought over. In this situation, the strategy of surviving is no longer sufficient; a differentiation approach is needed to maintain business sustainability (Sumiyati & Rohman, 2022) including the use of digital technology such as the use of QRIS for transactions (Midsurnight & Kafabih, 2025).

## Conclusion

This research has explored the digitalization of MSMEs on Cak Pendi's Madura Satay Stall in *Sungelebak* Village, highlighting the opportunities and challenges faced in the digital era. Digitalization offers opportunities for market expansion and operational efficiency through online platforms but also presents challenges, such as tougher competition and the need for technological adaptation. *Warung Sate Madura Cak Pendi* utilizes WhatsApp and online marketplace groups for promotion, which has had a positive impact on increasing sales. The challenges of digitalization for culinary MSMEs, such as *Warung Sate Madura Cak Pendi*, include competition with other businesses that have utilized digital platforms and maintained their traditional identities amid modernization. MSMEs must strike a balance

between utilizing technology and preserving social and cultural values. Creative economy strategies that leverage digital platforms are crucial for enhancing competitiveness. Overall, digitalization presents significant opportunities for MSMEs to expand their market and improve efficiency, but it also requires adaptation to competitive challenges and changes in consumer behavior. MSMEs that effectively utilize technology while maintaining their unique values and product quality have the potential to achieve sustainable growth.

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