

Porter's Five Forces and Competitive Advantage: A Study on Banana Chips MSMEs in Bandar Lampung

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Abstract. Porter's Five Forces, which include Supplier Bargaining Power, Threat of New Entrants, Intensity of Competitive Rivalry, and Buyer Bargaining Power, are crucial factors that companies must consider, as they can have a significant and negative impact on business operations. This approach enables companies to understand and map their strategic position within the industry. By analyzing these forces, MSMEs can identify external factors that either hinder or support their competitiveness. This study employs a quantitative descriptive research method using a survey in the form of a questionnaire. The population in this research consists of 183 individuals, including business owners and employees working at Banana Chips MSMEs in Bandar Lampung. The findings, which examine the influence of Porter's Five Forces strategy on competitive advantage, indicate that implementing this strategy significantly enhances the competitiveness of Banana Chips MSMEs in Bandar Lampung. Porter's Five Forces strategy, encompassing industry competition analysis, the threat of new entrants, supplier bargaining power, buyer bargaining power, and the threat of substitute products or services, serves as an essential tool for understanding a company's position in a competitive market. By applying this strategy, Banana Chips MSMEs in Bandar Lampung can identify market opportunities and challenges, enabling them to develop effective strategic measures to maintain their competitive advantage over rivals. Therefore, Porter's Five Forces strategy has proven to be highly relevant in fostering competitive advantage within the MSME sector.

Keywords: Competitive Advantage, MSMEs, Porter's Five Forces.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy by driving employment, fostering local product development, and supporting regional economic growth. Despite being labor-intensive, MSMEs require creativity, innovation, and courage to thrive. In 2023, Indonesia had approximately 4.5 million micro and small-scale industries, with Lampung accounting for 81,000 MSMEs.

Lampung is a popular tourist destination, supported by government initiatives promoting its natural and cultural heritage. Tourism not only boosts local revenue but also enhances community income. Visitors often purchase local crafts and souvenirs, creating a strong market for tourism-related businesses. One of Lampung's standout MSME products is banana chips, a popular souvenir with significant growth potential. As a major banana-producing region, Lampung benefits from high-quality raw materials, positioning its banana chip industry competitively in the market.

The increasing number of MSMEs in the banana chip industry has intensified competition in terms of quality, price, distribution, and product innovation. Porter's Five Forces model is a relevant approach to analyzing the competitiveness of banana chip MSMEs

in Bandar Lampung. This model assesses five key factors: the threat of new entrants, supplier bargaining power, buyer bargaining power, the threat of substitutes, and industry rivalry. Porter (2007) emphasizes that competitive strategy is not only a response to external factors but also an effort to shape the business environment to a company's advantage.

The banana chip industry has low entry barriers, allowing new competitors to emerge and potentially reduce the market share of existing MSMEs, especially if they offer innovative or more competitive products. As a major banana-producing region, Lampung benefits from abundant raw materials. However, MSMEs' dependence on suppliers can impact production costs, especially with price fluctuations. Consumers' increasing demand for quality and affordability forces MSMEs to innovate to stay competitive and maintain customer loyalty. Beyond banana chips, tourists have various souvenir options, making substitute products a challenge. This pushes MSMEs to enhance quality and differentiation to remain relevant. With around 54 banana chip MSMEs in Bandar Lampung, competition is intense. Without an effective competitive strategy, MSMEs risk losing their market position both locally and nationally.

According to Eryogia et al. (2024), Porter's Five Forces, Bargaining Power of Suppliers, Threat of New Entrants, Intensity of Competitive Rivalry, and Bargaining Power of Buyers, are crucial factors for businesses as they significantly impact competitiveness. This model helps companies understand their strategic position by analyzing external factors that either hinder or support their market strength. For instance, the threat of substitutes and new entrants can affect the market share of Banana Chips MSMEs in Bandar Lampung, while supplier and buyer bargaining power influence cost structures and pricing. Wahyuni (2022) highlights that MSMEs can enhance competitiveness by improving product quality, securing affordable raw materials, and ensuring skilled management, all of which contribute to a sustainable competitive advantage.

Competitive advantage is a key element in strategic management, serving as a strategy to enhance a company's value. It refers to a company's ability to outperform competitors, reflected in higher profitability than the industry average. This advantage is built on unique attributes that differentiate the company, making its sustainability crucial for market success.

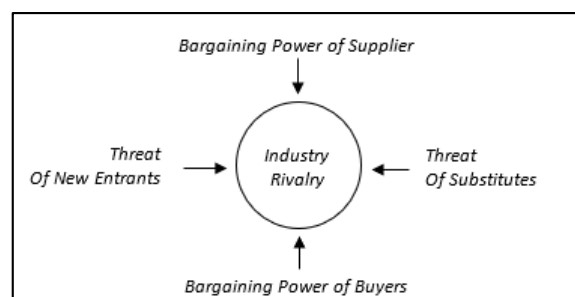
This study aims to analyze how Porter's Five Forces can enhance the competitiveness of Banana Chips MSMEs in Bandar Lampung. By identifying their strategic position using this model, effective strategies can be developed to strengthen their market advantage. Additionally, the findings are expected to contribute to the broader MSME sector in

Indonesia's processed food industry, helping them compete sustainably in local and national markets.

2. LITERATURE REVIEW

Competitive Strategy, According to Porter, competitive strategy is determined by two main factors: industry attractiveness, reflected in long-term profitability, and an analysis of factors influencing a company's competitive position. Kuncoro emphasizes that the essence of competitive strategy lies in achieving sustainable competitive advantage, shaped by an organization's ability to develop its strengths (Cahyani, 2016). Similarly, Kotler defines competitive advantage as a superior market position achieved by offering greater value to customers, either through lower prices or enhanced benefits at a higher price. To build and sustain this advantage, companies must effectively formulate and implement strategic initiatives (Kuncoro, 2010). This process begins with thorough analysis, organizational strengthening, and leadership development, all integrated into strategic management, particularly at the top and middle management levels. Therefore, companies must understand competitive strategy and the role of strategic management in maintaining long-term market superiority (Assauri, 2019).

Porter's Five Forces, Porter's Five Forces Analysis is applied across industries offering similar products or services, helping businesses understand their market position and develop strategies for growth (Fiorenita & Dwianika, 2021). Published by Michael E. Porter of Harvard Business School, this analysis highlights the intense competition among existing companies, the ease with which new competitors can enter the industry, and the significant bargaining power of both suppliers and consumers (Rahma & Pradhanawati, 2021). According to David (2017), Porter's model is widely used for strategy development in various industries. Porter identifies five key competitive forces: rivalry among existing competitors, the threat of new entrants, the potential for substitute products, supplier bargaining power, and buyer bargaining power. The goal of this analysis is to determine a company's competitive advantage, by Kodrat (2009) in (Foris & Mustamu, 2015).



Source: Porter (2022)

Figure 1. Porter's Five Forces Model

The following is the explanation:

1. Competition Among Similar Companies (Industry Rivalry), According to Limantoro (2018), competition among similar companies is a major factor in business rivalry. The competition intensifies when many companies are vying for the same market share, requiring optimization in aspects such as pricing, promotions, and customer service to maintain a competitive edge.
2. Threat of New Entrants, Fiorenita and Dwianika (2021) state that the threat of new competitors entering the industry can intensify competition and reduce profits. This threat is measured by how easily or difficult it is for new players to enter and compete in the industry, impacting market dynamics.
3. Threat of Substitutes, Windayani (2018) explains that this threat occurs when consumers face cheaper substitutes or alternatives with better quality and lower switching costs, which could reduce demand for existing products.
4. Bargaining Power of Supplier, Pamungkas (2016) highlights that strong supplier bargaining power allows suppliers to sell raw materials at higher prices or provide low-quality materials, impacting production costs and product quality.
5. Bargaining Power of Buyer, According to Aprillia (2020), buyer bargaining power refers to the ability of consumers to demand lower prices or higher product quality. The stronger the buyer's power, the lower the profit margins for companies.

Hypothesis

H1: The Threat of New Entrants has a positive and significant effect on Competitive Advantage.

H2: Supplier Threat has a positive and significant effect on Competitive Advantage.

H3: Buyer Threat has a positive and significant effect on Competitive Advantage.

H4: The threat of substitute products has a positive and significant effect on competitive advantage.

H5: The threat of competition between companies has a positive and significant effect on competitive advantage.

3. METHODS

Research Design and Sample-Population

This research is a descriptive quantitative study using surveys in the form of questionnaires. Descriptive research aims to provide a complete picture of social settings or explore and clarify phenomena by describing variables related to the issue and unit being

studied (Ghozali, 2012). The data used in this research consists of primary and secondary data. Primary data is collected directly from respondents through questionnaires, while secondary data is obtained from previous studies or other documents. The population in this study consists of 183 members or employees, including business owners, working at the Banana Chips MSME center in Bandar Lampung (Sugiyono, 2019). Since the population size is small, the study uses a saturated sampling technique, where all 183 employees are used as samples across various departments.

Operational Variables

Table 1. Operational Variables Definitions

Variable	Definitions	Indicators	Scale
Porter Five Forces (X)	Porter's Five Forces is a method used to identify and analyze competitive forces.	<ul style="list-style-type: none"> - Threat of New Entrants (X1) - Supplier Threats (X2) - Buyer Threat (X3) - Threat of Substitute Products (X4) - Threat of Inter-Company Competition (X5) 	Likert
Competitive Advantage (Y)	Competitive Advantage is a superior position over competitors achieved through offering more value to customers, either at lower prices or by providing more benefits commensurate with higher prices.	<ul style="list-style-type: none"> - Product uniqueness - Difficulty to be imitated - Rare to find - Competitive price - Difficulty to be replaced 	Likert

Instrument Tests

The validity test ensures that the data collected accurately reflects the actual situation, with valid instruments measuring what they are intended to measure (Sugiyono, 2015). Validity is assessed by correlating item scores with the total construct score, and if the calculated *r*-value exceeds the table value, the variable is considered valid (Ghozali, 2013). Following validity, the reliability test checks whether the instrument consistently measures the same results across different researchers or settings (Sugiyono, 2015). A reliable instrument shows consistency over time, with Cronbach's Alpha values above 0.70 indicating reliability (Ghozali, 2013).

Data Analysis Techniques

Data analysis interprets research findings to answer research questions and uncover specific social phenomena. It simplifies raw data into a more readable and actionable form (Santoso in Haryono & Wardoyo, 2008). In this study, quantitative analysis is used, involving the processing, organizing, and interpreting of data. Quantitative analysis occurs after data collection, including calculations to address the research questions, test hypotheses, categorize

data by type and respondent variables, and tabulate and display the results for each variable (Sugiyono, 2015).

$$Y = a + b_1X_1 + b_2X_2 + et$$

Details:

Y = Competitive advantage

X1 = Porter's Five Forces

a = Constant

b1- b2 = Regression Coefficient

Hypothesis Test

The t-test (Ghozali, 2013) measures the impact of an independent variable on the variation of a dependent variable. The test is conducted at a significance level of 0.05 (alpha = 5%). The decision criteria are: 1) If Sig < 0.05, the hypothesis is accepted (significant), and 2) If Sig > 0.05, the hypothesis is rejected (not significant).

4. RESULTS

Validity Test Results

The validity test in this study used data from 183 respondents who were distributed using a questionnaire by comparing the Rcount and Rtable values. The Rtable for 183 respondents is 0.1443 with the data test results as follows: Rcount > Rtable, so all data is declared valid.

Table 2. Validity Test Results

Items	Questions	R _{Stat.}	R _{Table}	Valid / Not
Threat of New Entrants				
X.1	Our Banana Chips MSMEs have an effective strategy to overcome the threat of new entrants in the banana chips industry.	0,968	0,1443	Valid
X.2	It is difficult for new businesses to compete with these Banana Chips MSMEs because we have a strong market position.	0,965	0,1443	Valid
X.3	Our Banana Chips MSMEs have advantages that make it difficult for new entrants to enter the market.	0,967	0,1443	Valid
Supplier Threats				
X.4	Our Banana Chips MSMEs have good relationships with suppliers so that raw material prices are stable and competitive.	0,856	0,1443	Valid
X.5	We can easily find alternative suppliers who offer raw materials at good prices and quality.	0,906	0,1443	Valid
X.6	Our suppliers provide good support in maintain the quality of banana chips products.	0,886	0,1443	Valid
Buyer Threats				
X.7	Banana Chips MSMEs have loyal buyers who always choose our products.	0,865	0,1443	Valid

Items	Questions	R _{Stat.}	R _{Table}	Valid / Not
X.8	Our buyers really appreciate the quality of the products we offer, so they rarely switch to other products.	0,890	0,1443	Valid
X.9	The price of our banana chips is considered competitive by buyers compared to other products on the market.	0,763	0,1443	Valid
Threat of Substitute Products				
X.10	Our banana chip products have a uniqueness that is difficult to match with other banana chip products.	0,859	0,1443	Valid
X.11	Consumers prefer our products because the quality and taste of our banana chips are superior to other banana chip products.	0,893	0,1443	Valid
X.12	Our banana chips products have a strong position in the market so the threat from other banana chips products is very low.	0,901	0,1443	Valid
Threats of Intercompany Competition				
X.13	Our banana chips have a superior marketing strategy compared to other competitors.	0,910	0,1443	Valid
X.14	We have an advantage in product innovation that makes our banana chips stand out from other competitors in the market.	0,924	0,1443	Valid
X.15	Our banana chips always innovate in products and services to maintain competitive advantage.	0,836	0,1443	Valid
Competitive Advantage				
Y.1	Our banana chips products have variants that are not found in other brands.	0,841	0,1443	Valid
Y.2	The production process at our MSMEs is unique which prevents competitors from making similar products.	0,780	0,1443	Valid
Y.3	Consumers feel that our banana chips products have limited availability on the market.	0,841	0,1443	Valid
Y.4	The price of our banana chips products is very competitive compared to competitors.	0,471	0,1443	Valid
Y.5	Our banana chips meet consumer needs in a unique way, making it difficult for consumers to find alternatives.	0,805	0,1443	Valid

Source: Data Processed By Researchers (2024)

Reability Test Results

The results of the reliability test carried out on all variables show that the Cronbach's Alpha value for each variable is > 0.70 , meaning that all the variables used are reliable. The results of the test data for 183 samples are as follows:

Table 2. Reability Test Results

Variable	Cronbach's Alpha	Reliable/Not
Threat of New Entrants (X1)	0,965	Reliable
Supplier Threats (X2)	0,858	Reliable
Buyer Threats (X3)	0,787	Reliable
Threat of Substitute Products (X4)	0,846	Reliable
Threats of Intercompany Competition (X5)	0,850	Reliable
Competitive Advantage (Y)	0,809	Reliable

Source: Data Processed By Researchers (2024)

Multiple Linear Regression Test Results

Table 3. Multiple Linear Regression Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.121	1.447		2.849	.005
	Total.X1	.266	.080	.258	3.318	.001
	Total.X2	-.110	.108	-.055	-1.019	.310
	Total.X3	.229	.137	.115	1.673	.096
	Total.X4	.384	.156	.256	2.457	.015
	Total.X5	.425	.121	.305	3.518	.001

a. Dependent Variable: Total.Y

Source: Data Processed By Researchers (2024)

Based on the regression test results, the interpretation is as follows:

1. Constant Coefficient: The constant value of 4.121 means that if there is no contribution from the five independent variables (Threat of New Entrants, Supplier Threat, Buyer Threat, Substitute Product Threat, and Competition among Firms), the Competitive Advantage (Y) is predicted to be 4.121.
2. Regression Coefficient for Threat of New Entrants: A coefficient of 0.266 means that for every 1-unit increase in X1, Competitive Advantage increases by 0.266, assuming other variables remain constant.
3. Regression Coefficient for Supplier Threat: A coefficient of -0.110 means that for every 1-unit increase in X2, Competitive Advantage decreases by 0.110, assuming other variables remain constant.
4. Regression Coefficient for Buyer Threat: A coefficient of 0.229 means that for every 1-unit increase in X3, Competitive Advantage increases by 0.229, assuming other variables remain constant.
5. Regression Coefficient for Substitute Product Threat: A coefficient of 0.384 means that for every 1-unit increase in X4, Competitive Advantage increases by 0.384, assuming other variables remain constant.
6. Regression Coefficient for Competition among Firms: A coefficient of 0.425 means that for every 1-unit increase in X5, Competitive Advantage increases by 0.425.

T Test Results

Table 4. T Test Results

Variable	t Hitung	Sig	Results
Threat of New Entrants (X1)	3,318	0,001	H1 is supported
Supplier Threats (X2)	-1,019	0,310	H2 is not supported
Buyer Threats (X3)	1,673	0,096	H3 is not supported
Threat of Substitute Products (X4)	2,457	0,015	H4 is supported
Threats of Intercompany Competition (X5)	3,518	0,001	H5 is supported

Source: Data Processed By Researchers (2024)

Discussion

Hypothesis 1

Based on the t-value of 3.318 with a significance of 0.001, it indicates that the threat of new entrants (X1) has a positive and significant impact on Competitive Advantage (Y). This means that the greater the threat from new entrants, companies that respond with strategies such as innovation, efficiency, or product superiority are more likely to maintain or even enhance their competitive advantage. New entrants may appear with more advanced technology or more competitive pricing strategies. Therefore, companies must mitigate this threat by creating barriers to entry, such as innovation, strong branding, or product differentiation. These findings align with the research of Diliانا (2021), which emphasizes maintaining product image in marketing to stay competitive amidst numerous similar businesses.

Hypothesis 2

Based on the t-value of -1.019 with a significance of 0.310, it indicates that the Supplier Threat (X2) does not have a significant impact on Competitive Advantage (Y). This suggests that supplier power, such as their ability to increase raw material prices or reduce quality, is not strong enough to affect the company's competitiveness in this case. This may be due to the company having a well-diversified supplier base or sufficient control over its supply chain. Although not significant, the company should still monitor supplier relationships to avoid potential risks in the future.

Hypothesis 3

The t-value of 1.673 with a significance of 0.096 indicates that the effect of Buyer Threat on Competitive Advantage is not significant at the 5% level, but it is approaching significance at the 10% level. This means that buyer bargaining power, such as the ability to demand lower prices or better quality, has not directly affected the company's competitive advantage. However, buyer threat remains an important factor as buyers play a strategic role in maintaining market share. The company needs to improve customer satisfaction through excellent service or loyalty programs to reduce pressure from this threat.

Hypothesis 4

The t-value of 2.457 with a significance of 0.015 indicates that the Threat of Substitutes has a positive and significant impact on Competitive Advantage. Substitutes can reduce market appeal if the company does not have significant uniqueness. Therefore, companies that can mitigate this threat through product differentiation or innovation are more likely to excel in competition. For instance, by offering added value such as unique features, competitive pricing,

or superior customer service, a company can maintain consumer loyalty even in the presence of substitute products.

Hypothesis 5

The t-value of 3.518 with a significance of 0.001 indicates that the Threat of Competitive Rivalry has a positive and significant impact on Competitive Advantage. Intense competition among companies within the same industry can drive innovation, efficiency, and marketing strategies. Companies that respond strategically, such as through effective marketing campaigns or new product development, are more likely to succeed in competition. Therefore, understanding and anticipating competitor movements is a key element in maintaining a competitive position in the market.

Porter's Five Forces helps companies understand external factors affecting their competitive ability. High threats from new entrants and substitutes, along with strong bargaining power from buyers and suppliers, make an industry more competitive, pushing companies to enhance innovation, operational efficiency, and product differentiation. Companies that manage these forces effectively are more likely to gain a competitive advantage. This emphasizes the importance of innovation-driven strategies and market adaptation. To achieve competitive advantage, companies should build strong supplier and buyer relationships, create hard-to-copy products, offer competitive pricing, and leverage internal strengths to mitigate external threats. Implementing a comprehensive strategy based on the Five Forces analysis allows companies to thrive and lead in a competitive market.

5. CONCLUSION AND LIMITATION

Conclusion

The research on the impact of Porter's Five Forces strategy on competitive advantage concludes that its application significantly enhances the competitiveness of the Banana Chip MSMEs in Bandar Lampung. This strategy, which includes analyzing industry competition, threats from new entrants, supplier and buyer bargaining power, and the threat of substitute products, is crucial for understanding a company's position in the market. By using this strategy, the Banana Chip MSMEs can identify market opportunities and challenges, enabling them to develop effective strategies to maintain their competitive edge. Thus, Porter's Five Forces strategy proves relevant for creating a competitive advantage in the SME sector.

Limitation

This research encountered several limitations that should be considered: it involved 183 respondents from a specific sector, Banana Chip MSMEs, so the findings may not be applicable to other industries or regions. The study focused solely on the impact of Porter's Five Forces

on competitive advantage, excluding factors such as innovation, technology, and digital marketing strategies, which may also influence competitiveness. Respondent answers, based on personal perceptions, may introduce bias, particularly if there are differing interpretations of the questionnaire items. Lastly, the focus on Banana Chip MSMEs limits the applicability of the results to other sectors, such as services or manufacturing, with different market characteristics and challenges.

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