



Survival Strategies of MSMEs: A Case Study of Local Community Adaptation Amid Tourism Dynamics at Kelan Beach

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Abstract

This study examines the survival strategies employed by Micro, Small, and Medium Enterprises (MSMEs) at Kelan Beach, Bali, in response to rapid tourism development. As visitor numbers and supporting infrastructure have expanded, local MSMEs face both new opportunities and mounting pressures, including intense competition, shifting consumer preferences, limited capital, and extreme weather cycles. Using a qualitative case-study approach, primary data were collected through observation, in-depth interviews, and documentation with food-vendor MSMEs, supplemented by secondary literature. The findings show that vendors adapt through product diversification, menu adjustments aligned with tourist preferences, and varied sales strategies, while government support remains limited and difficult to access. MSMEs play a central role in sustaining the destination's attractiveness by meeting visitor needs and helping maintain beach cleanliness. The study contributes empirical insight into local economic resilience in an emerging coastal destination and offers practical recommendations for training, mentorship, and infrastructure support to strengthen MSME sustainability within Bali's evolving tourism ecosystem.

Keywords: MSMEs; adaptation strategies; tourism dynamics; Kelan Beach; local economic resilience

1. Introduction

Tourism is one of the principal drivers of Bali's economy, generating substantial social, cultural, and economic impacts across the province. As a world-class destination, Bali continues to experience dynamic growth that attracts both domestic and international visitors. Among the areas undergoing rapid change is Kelan Beach, located in Kuta Sub-district, Badung Regency, which has seen a marked increase in tourist arrivals alongside the development of supporting infrastructure since it was formally opened for management by the Kelan Traditional Village's tourism awareness group (Pokdarwis) in October 2020. While this growth has contributed to local economic expansion, it has also introduced new challenges that local stakeholders must navigate.

The benefits of tourism growth, however, are not always distributed evenly, particularly for Micro, Small, and Medium Enterprises (MSMEs). Evidence from tourism destinations frequently shows that MSMEs occupy a comparatively disadvantaged position relative to larger business actors (Pratama et al, 2026). At Kelan Beach this pattern is increasingly visible as more cafés and larger commercial establishments have been built along the coastline. Local MSMEs must contend with competition from bigger enterprises, shifting



visitor preferences, and mounting pressure on local resources (Darma et al., 2020). This situation points to a gap between the economic potential generated by tourism and the capacity of local MSMEs to capture that potential, a gap that connects to broader theoretical discussions of MSME competitiveness, local economic adaptation, and the socio-economic effects of tourism on host communities.

Although adaptation and resilience among tourism-based MSMEs have been examined in other contexts, most existing studies focus on more established destinations or examine the phenomenon at a national scale. Cohen (1998) argues that MSME adaptation is not only vital to the survival of individual businesses but is also central to the broader socio-economic sustainability of local communities facing the pressures of tourism globalization. Few studies, however, have specifically examined how MSMEs at Kelan Beach—an emerging destination undergoing rapid transformation—respond to these dynamics. This gap in the literature raises the central research question guiding this study: how do local MSMEs at Kelan Beach adapt their business practices to survive and remain competitive amid the destination's rapid tourism growth, and what challenges and forms of support shape their capacity to do so?

This research aims to examine how the local community, particularly MSME operators at Kelan Beach, responds to tourism dynamics through the adaptive strategies they implement. Understanding these adaptive responses is essential for identifying the factors that influence MSME success in the face of change and competition within the tourism sector. The study contributes both empirically and practically: empirically, it provides a grounded account of local economic resilience in a rapidly developing coastal destination that has received little prior scholarly attention; practically, it offers recommendations that can support the sustainability of MSMEs within an evolving tourism ecosystem.

2. Literature Review

Prior research on MSMEs in tourism destinations has generally emphasized their strategic importance to local economies while also documenting the structural disadvantages they face relative to larger enterprises. Darma et al. (2020) highlight those MSMEs frequently struggle to increase competitiveness amid intensifying market competition, particularly where support systems are weak. Similarly, Darmansyah et al. (2021), studying coastal tourism MSMEs in Sawarna, Banten, found that digital-based performance strategies were essential for MSME survival, yet many vendors had not fully adopted such tools. Bidin et al. (2024) further demonstrate that effective financial management and digital marketing capability are decisive factors in MSME resilience in coastal tourism settings, a finding echoed by Budilaksono et al. (2023), who show that MSMEs receiving structured government or institutional support tend to exhibit stronger financial discipline and cash-flow management.

At the destination level, Sugiarto et al. (2020) illustrate how tourism dynamics unfold through cycles of growth, stagnation, and rejuvenation, as seen in the transformation of Turgo-Merapi Tourism Village from pilgrimage tourism toward niche, internationally oriented tourism. This underscores that tourism dynamics are rarely linear; destinations evolve through shifting visitor preferences, regulatory changes, and market repositioning (Prasetyo & Irawati, 2024). Cohen (1998) situates these local shifts within the broader framework of tourism globalization, arguing that community-level adaptation is inseparable from global economic and cultural forces. Complementing this, Amalia and Hanifah (2023)



find that tourism development directly stimulates MSME growth by creating localized demand for goods and services that meet visitor needs.

Theoretical contributions from strategic management and marketing further inform the discussion of MSME survival. Porter (1980) contends that firms operating in highly competitive markets require a clear competitive advantage to endure, while Kotler and Keller (2016) emphasize that effective marketing—including digital and social media promotion—is central to improving business visibility and reach. Tambunan (2009) cautions, however, that Indonesian MSMEs often develop without adequate institutional support, leaving them vulnerable to market fluctuations. Swarbrooke (1999) adds an environmental dimension, arguing that the long-term sustainability of a tourism destination depends not only on its natural attractions but also on sound environmental management, a concern directly relevant to coastal destinations such as Kelan Beach where waste and marine debris are recurring issues.

Despite this substantial body of work, a clear gap remains: existing studies rarely examine MSME adaptation in newly emerging, small-scale coastal destinations that have only recently been formalized as tourist attractions. Kelan Beach, officially opened for tourism management in October 2020, represents precisely such a case—a destination still in an early, formative stage of tourism development where MSME adaptation strategies are actively being negotiated in real time rather than retrospectively studied. This study addresses that gap by offering an in-depth, qualitative account of the specific adaptation strategies used by MSMEs at Kelan Beach, thereby extending the literature on tourism-based local economic resilience to a previously unexamined and rapidly evolving destination context.

3. Method and Theory

3.1 Method

This study employs a fully qualitative research design. Following Creswell's (2016) conception, as cited in Hulu (2018), qualitative research is used to investigate phenomena in their natural setting, with the researcher serving as the primary instrument for collecting data from multiple sources, analyzing that data both inductively and deductively, attending to the meanings conveyed by participants, tracking issues as they develop in the field, and emphasizing a holistic description of the phenomenon under study. The research was conducted in April 2025 in the Kelan Beach maritime tourism area of Badung Regency, specifically within Kelan Village, Kuta Sub-district. The research location was selected purposively, with the study focused on MSME resilience at Kelan Beach; this site was chosen because it is one of the area's principal tourist attractions and receives substantial visitor traffic.

The study population consists of food-vendor MSME operators trading around Kelan Beach, from which a sample was drawn for in-depth interviews to obtain data suitable for qualitative analysis. Data were collected through a spatial approach combining observation with two categories of data sources: primary and secondary. Primary data were obtained through direct observation, interviews, documentation, and audio-visual recording, with the researchers conducting face-to-face interviews with MSME vendors at Kelan Beach. Secondary data were drawn from literature review and interpretation of prior research



relevant to the study's aims. Data analysis followed a qualitative descriptive technique, in which findings from primary observation were interpreted alongside relevant literature. The collected data were processed in accordance with the research objectives and interpreted to produce findings without altering the authenticity of the original data.

3.2 Theory

This study draws on the concept of survival strategy (*strategi bertahan*), defined as a carefully considered set of actions undertaken to achieve a specific objective—in this case, maintaining a business's existence and position despite external pressures. As a process, survival strategy reflects the adaptation undertaken by business actors to confront challenges and changes in their operating environment, encompassing product-quality improvement, business diversification, operational efficiency, and the development of networks and collaboration to sustain the business over the long term (Ulfah & Kurnia, 2021).

To interpret the resilience displayed by MSME operators, the study also applies the three-dimensional resilience framework proposed by Saputra et al. (2020), comprising: (1) hope, the capacity of individuals or groups to continue perceiving opportunities and a better future despite present difficulties, failure, or setbacks; (2) problem solving, the degree to which individuals or groups remain focused on identifying solutions even amid crisis or scarcity; and (3) toughness, the persistence to keep improving, correcting, and initiating change despite repeated failure. This framework is complemented by strategic and marketing perspectives from Porter (1980), who emphasizes the necessity of competitive advantage in contested markets, and Kotler and Keller (2016), who highlight the role of marketing strategy—including digital promotion—in strengthening business visibility. Together, these frameworks provide a lens for interpreting how Kelan Beach MSMEs translate limited resources into workable, if imperfect, survival strategies, directly addressing the study's research question regarding the mechanisms of local adaptation.

4. Results and Discussion

Following the processing of primary and secondary data, this section presents the findings and discussion drawn from observations conducted with MSME operators at Kelan Beach. The observations reveal several key themes concerning tourism development, changes within MSME businesses, the challenges vendors face, and the role MSMEs play in supporting tourism at the site.

4.1 Tourism Development at Kelan Beach

Kelan Beach has undergone significant development in recent years. Ibu Leli, a vendor who has operated her business at Kelan Beach for the past five years, recounted that the beach was once quiet but is now busy with tourists and traders. This growth is corroborated by other vendors, including Pak Wawan, who observed that only a handful of vendors once sold at the site, whereas the number has since grown substantially. The change is evident not only in the volume of visitors but also in visitor composition, with local tourists continuing to dominate even as international arrivals gradually increase.



Figure 1. Coastline of Kelan Beach five years ago (Source: Google Maps, 2020)

4.1.1 Visitor Growth and Seasonal Patterns

Increased visitation has also produced new patterns in how and when tourists visit. Ibu Leli noted that Kelan Beach was once very quiet during the rainy season, but that visitors now continue to arrive even when it rains. Peak visiting hours have likewise shifted, with growing numbers of visitors now coming specifically to watch the sunset. This development has brought both benefits and drawbacks: positive impacts include improved infrastructure such as roads and a more orderly arrangement of vendor kiosks, parking areas, and electricity, while negative impacts include increased litter—both from irresponsible visitors and debris washed ashore from the sea—along with intensifying business competition among vendors.



Figure 2. Available infrastructure and spatial arrangement at Kelan Beach, including sanitation facilities and vendor parking (Source: personal documentation)

4.2 Changes in MSME Business Practices

Tourism growth has driven Kelan Beach MSMEs to adjust their business practices in several ways. Many residents who once relied primarily on fishing as their main livelihood have since taken the opportunity to open micro-enterprises. After entering the MSME sector, their businesses have continued to evolve through several forms of adaptation, described below.



Figure 3. Row of MSME vendor kiosks (tenants) at Kelan Beach (Source: personal documentation)

4.2.1 Product and Menu Diversification

One common adaptation is the addition of new product lines to attract a broader customer base. Ibu Leli, who initially sold only seblak (a spicy Indonesian street snack), has since added cold beverages to her offerings, while Ibu Ketut has expanded her menu with light snacks such as fried foods and crackers. Vendors have also adjusted their menus to match evolving tourist tastes: Kak Aulia, an ice-drink vendor, added modern items such as burgers and chicken katsu in response to strong tourist demand, although some vendors have simultaneously discontinued menu items that failed to attract sufficient interest.

4.2.2 Sales Strategy Innovation

Beyond product changes, several vendors have experimented with new sales approaches, including online sales channels and banner-based promotion. The effectiveness of these approaches, however, varies considerably from vendor to vendor, suggesting that digital adoption among Kelan Beach MSMEs remains uneven and that many vendors continue to rely primarily on direct, in-person sales rather than digital marketing.



Figure 4. A vendor preparing food for sale at Kelan Beach (Source: personal documentation)

4.3 Challenges Faced by MSMEs

Amid rapid tourism dynamics, MSME operators at Kelan Beach confront several recurring challenges. Business competition is regarded as the most significant obstacle, as the growing

number of vendors offering similar products has intensified rivalry. Weather poses a further challenge, particularly for vendors operating in open-air locations: rainfall reduces visitor numbers and depresses sales, while heavy rain associated with extreme weather and tidal surges frequently damages vendor equipment. Limited capital constitutes another persistent constraint, with several vendors reporting difficulty expanding their businesses or repairing their stalls due to a shortage of funds. Finally, shifting consumer preferences present an ongoing challenge, especially for vendors selling traditional food, who must continually innovate to align with increasingly modern tastes in order to remain competitive.

4.4 Government Support and Expectations

Support from external parties, particularly government institutions, is perceived by vendors as still limited. Capital assistance from the government is described as difficult to obtain owing to complex administrative procedures. This difficulty is compounded for residents who are not native to Bali, as certain support policies are specifically tied to local identity-card (KTP) status, leaving many vendors to operate their businesses using their own capital alone.

4.5 The Role of MSMEs in Supporting Tourism

Vendors consistently expressed a strong sense that they play an important role in supporting tourism at Kelan Beach. They provide for visitors' needs, particularly food and beverages, while also contributing to beach cleanliness and helping sustain the destination's overall appeal. This self-perceived role aligns with the broader pattern observed in the destination's development: as scenic value draws increasing numbers of visitors, local residents have used this opportunity to establish vending businesses along the coastline, and continued visitor traffic has provided a steady source of income for vendors operating in the area.

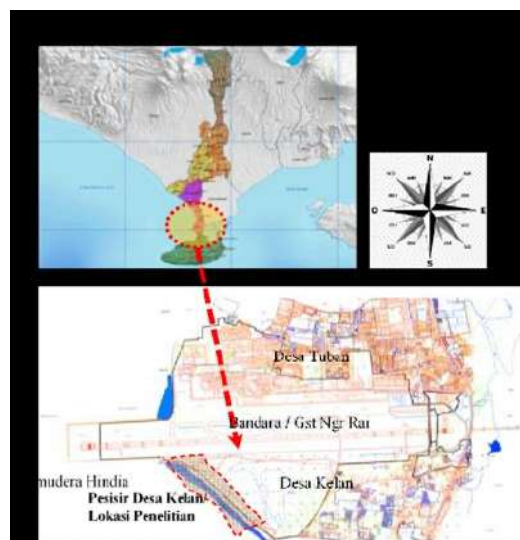


Figure 5. Map of the research location at Kelan Beach, Tuban, Kuta, Badung (Source: adapted from Sumardita, 2021)

4.6 Discussion



The findings from Kelan Beach indicate that local adaptation plays a decisive role in enabling MSMEs to endure amid continually shifting tourism dynamics. Despite limited government support and intensifying competition, vendors have relied on a comparatively simple but effective set of approaches: product flexibility, personalized service, and cost efficiency. This pattern resonates with Kotler and Keller's (2016) view that sound marketing strategy—including social media promotion—can be pivotal for improving business visibility; yet, consistent with the uneven sales-strategy innovation observed in section 4.2.2, many Kelan Beach vendors have not yet fully capitalized on digital tools, which constrains their potential market reach.

The evidence further suggests that local economic resilience does not necessarily depend on advanced technology or large-scale promotion. Instead, an accurate understanding of local and tourist market needs appears to be the more decisive factor. This is consistent with Tambunan's (2009) observation that Indonesian MSMEs frequently develop without adequate institutional backing, leaving them vulnerable to market fluctuations—an observation borne out by vendors' reports of difficulty accessing government capital assistance. Nonetheless, informal synergy between local communities and destination managers, such as beach-cleaning initiatives, demonstrates that even modest, community-driven solutions can generate meaningful benefits for tourism sustainability, echoing Swarbrooke's (1999) argument that destination sustainability rests as much on environmental management as on natural attraction.

Interpreted through Saputra et al.'s (2020) resilience framework, the adaptive behaviors observed at Kelan Beach reflect all three resilience dimensions: hope is evident in vendors' continued investment in their businesses despite competitive and financial pressure; problem solving is reflected in the incremental adjustments vendors make to products and menus; and toughness is apparent in vendors' persistence through repeated equipment damage from weather and tidal surges. At the same time, the challenges documented—intensifying competition, weather dependency, and constrained capital access—indicate that resilience alone is insufficient without structural support. As Porter (1980) argues, sustained competitiveness in a crowded market requires a clear competitive advantage, which for many small vendors will likely depend on external assistance such as marketing training, mentorship, and improved business infrastructure rather than resilience in isolation.

Taken together, these findings show that tourism development at Kelan Beach has generated significant opportunities for MSMEs to increase income and expand their businesses, while simultaneously introducing challenges that must be addressed for sustainable growth to continue. Business competition, weather variability, capital constraints, and shifting consumer taste all demand that vendors remain creative and continuously adapt to market change while improving product and service quality. Greater support from government and other stakeholders—including capital assistance, training, and streamlined licensing—together with stronger inter-vendor cooperation, would help create a healthier and more mutually supportive business environment, thereby reinforcing the essential role MSMEs already play in sustaining Kelan Beach's tourist appeal and local economy.

5. Conclusion

This study concludes that the development of MSMEs at Kelan Beach, Badung, Bali, is strongly shaped by the rapid growth of tourism, which has both increased visitor numbers



and opened new business opportunities. Growth in the number of MSMEs has been accompanied by adjustments in products, sales strategies, and innovation, including limited use of digital technology, as vendors seek to follow tourist trends and cope with intensifying competition. Nevertheless, vendors continue to face substantial challenges, including competition from larger businesses, changing tourist preferences, extreme weather, limited capital, and pressure on local resources. Government support remains insufficient, leading local vendors to rely primarily on local innovation and self-directed adaptation to sustain their businesses. To secure the long-term sustainability and competitiveness of Kelan Beach MSMEs, targeted training, mentorship, and improved business infrastructure are needed. With appropriate adaptation strategies—including product innovation, pricing adjustments, collaboration, and digital technology adoption—Kelan Beach MSMEs can endure, compete fairly, and continue contributing meaningfully to the local economy and the sustainability of the surrounding tourism ecosystem.

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