

Adaptive Strategies of Micro-Enterprises in Balancing Profitability and Consumer Preference During High Inflation

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Abstract. In periods of high inflation, micro-enterprises in Guiuan, Eastern Samar, adopt different strategies to maintain a balance between profitability and customer demand. A qualitative phenomenological study was conducted on ten micro-entrepreneurs within a variety of industries through in-depth interviews regarding the impact of inflation on their businesses. Micro-enterprises are experiencing considerable challenges from inflation such as increased operational costs and reduced customer spending while continuing to deal with supply chain disturbances. Specific strategies used by entrepreneurs included working closely with vendors to adjust inventory levels, raising prices minimally and maintaining low total costs, improving customer service, maintaining strict financial controls, and achieving product-sale focused selling strategies. Quality, trust building, and building long-term relationships with customers were also highlighted as being very important. The results of the study state that entrepreneurial mindset, resilience and the values of the community-based entrepreneur is critical to the sustainability of small businesses during periods of economic pressure.

Introduction

Micro-enterprises fuel the local economy and create jobs (through income circulation) in many developing areas. The preponderance of micro-sized businesses compared with all other kinds of firms (in the Philippines) is of great significance to grassroots level economic development. Small-scale enterprises such as sari-sari stores, eateries, thrift stores, and service businesses that exist in municipalities (e.g. Guiuan, Eastern Samar) are critical to daily life in the community. Rising inflation rates throughout the country have increased economic strain on both the entrepreneur and consumer by decreasing the profit margins for many businesses (due to increased costs of purchases), and leading to lower overall consumer buying power which will result in a shift towards more affordable/necessary products being purchased by consumers (Ali et al., 2020).

There is a lack of localized research on how diverse types of micro-enterprises strategically balance profitability with consumers' needs over extended durations of significant inflation. Existing research has been generalized to small and medium-sized enterprises and does not consider the lived experiences of micro-business owners in rural and semi-urban locations (Isip, 2022). In the case of Guiuan, Eastern Samar, most businesses are severely limited in their working capital and their suppliers are typically from larger cities; as a result, inflation places even greater strain on their ability to maintain operations. Business owners must contend with multiple challenges, including supply chain interruptions, diminished customer spending, the risk of not having sufficient inventory, and increasing competition. The lack of comprehensive, localized research serves to create a significant gap in the body of work regarding how micro-businesses respond to the

dual pressures of achieving financial success while simultaneously maintaining customer trust and loyalty (Kumar & Kumar 2020).

This study explored the adaptive strategies that micro-enterprise operators in Guiuan, Eastern Samar use to achieve their twofold goal of profitability and consumer preference, under conditions of high inflation. This research is intended to (1) identify the main challenges that micro-entrepreneurs experience when faced with inflationary forces, (2) assess the strategies that micro-business owners employ in relation to pricing, inventory management, finances, and customer relations; and (3) provide context-specific recommendations on enhancing business resilience and long-term sustainability of micro-enterprises. In documenting the lived experiences of local micro-business owners, this study intends to advance academic discourse, support the development of sound policies, and aid in the implementation of practical interventions designed to help economically disadvantaged communities strengthen the adaptability of their micro-enterprises.

Methodology

Sampling Design

Using a purposive sampling technique (a type of non-probability sampling) is often used in qualitative research for participants who have direct experience with the subject. The researchers purposely chose participants who were microenterprise owners that had been running their business during times of high inflation and were dealing with at least one aspect of inflation's operational challenge(s). This process enabled the participants to serve as rich sources of information, capable of providing insights regarding adaptive strategies that are based upon their experience(s) with other business adaptation strategies. The sampling design valued depth more than breadth, consistent with the phenomenological approach; therefore, the researchers focused on the subjects' actual experiences instead of looking for a more generalizable statistical trend.

Locale of the Study

Research was conducted in Guiuan, a municipality on the southeastern shore of Samar Island located in Eastern Samar (Philippines). Microenterprises form the backbone of the economy of Guiuan (ef, sari-sari stores, small retailers, restaurants, service providers, and thrift merchants). These microenterprises are affected by suppliers from larger cities like Tacloban City; therefore, increasing transportation costs and inflation will create a major issue for these supplier-based businesses. The geographical location of the town, the limited capital base of its microbusinesses and the dependence on small trade create a relevant and contextual framework for investigating how microentrepreneurs manage profitability versus preferences during times of economic uncertainty.

Respondents of the Study

In the research, ten micro-entrepreneurs from Guiuan were included. The criteria used in selecting study participants were: ownership and management of a micro-enterprise (actively involved); having been in continuous operation for a minimum of one (1) year; and having had firsthand experience with inflation-related issues within the prior twelve (12) months. The ten study participants represented multiple industries such as food, retail, thrift (i.e., ukay-ukay), and service, thus allowing for different contexts of operations. In adhering to phenomenological research criteria, the researchers kept the sample size small enough to conduct an in-depth analysis of each participant's lived experience. To protect their confidentiality, study participants were assigned to use only a code (e.g., Informant 1 through 10).

Instrumentation

The primary research instrument was a researcher-developed semi-structured interview guide, designed to explore the adaptive strategies of micro-enterprises in response to inflation. The interview questions focused on several core domains: inflation-related challenges, pricing strategies, inventory management, financial practices, customer service approaches, long-term survival strategies, and recommendations to fellow entrepreneurs. The semi-structured format allowed flexibility for follow-up questions and clarification, enabling participants to elaborate on their experiences in their own words. This format ensured both thematic consistency across interviews and depth of qualitative data.

Data Gathering Procedure

Approval of the researcher's research project was gained through the appropriate academic channels prior to conducting any data collection activities, then communication letters were sent out to participants requesting their informed consent. After the researchers received approval for conducting the interviews, the interviews with respondents were performed in person. An audio-recording device was used with the consent of the participant to accurately capture their responses and with field notes taken to provide context for their responses and to document non-verbal behaviours. The researchers

transcribed each audio recorded interview verbatim in order to maintain the integrity of the participant's narratives. Each participant was provided the assurance of being kept confidential, and the audio recordings were given numeric identifiers to protect their anonymity. Throughout the data collection process, ethical principles such as voluntary participation and the right to withdraw at any time were adhered to.

Data Analysis

Moustakas (1994) modified the method used for the analysis of unscripted phenomenological data through a phenomenological experience (phenomenological data analysis) which included horizontalization. During horizontalization, all statements that could theoretically be related to the subject (the experience of adaptive strategies of micro-entrepreneurs in inflation) were identified and assigned equal value. After assigning all statements equal value, they were grouped into relevant categories based on their theme. In addition to the textural description (what the micro-entrepreneurs experienced) and structural description (how the micro-entrepreneurs experienced it), the researchers provided a composite thematic description of the resiliency, strategic adjustments, and value-driven decision-making of the micro-entrepreneurs who experienced significant economic pressures by way of extensive bracketing (epoché) to reduce the potential for researcher bias to interfere with the crystallization of the participants' experience into data-driven descriptions.

Ethical Consideration

There was complete adherence to ethical principles throughout the research process. Researchers provided potential participants with information about each of the study's objectives, the procedures involved in conducting the study and how the data will ultimately be used. Potential participants provided written consent for participation. The researchers did everything possible to maintain confidentiality and anonymity, using numerical identifiers (rather than actual names); securing audio recordings and transcripts in locked locations; and limiting access to the audio recordings and transcripts to only the investigators involved in conducting the research. Participants were given the option to refuse to answer any question, or to withdraw from the study without penalty. The researchers-maintained respect, beneficence, and integrity when handling the participant's information and experiences.

Bracketing

The researchers utilized bracketing (or epoché) as a strategy for reducing researcher bias at every stage of the study. This required them to deliberately put aside their own assumptions, prior knowledge, and preconceived beliefs about both business management and inflation. In addition, reflexive journaling and ongoing self-reflection were used during the data collection and analysis process to help researchers analyze data using only the participants' perspectives and not the researchers' perspective. As a result, the phenomenological inquiry's authenticity was increased through this method.

Enhancement of Trustworthiness

By employing various approaches, the researcher was able to establish the reliability, validity, and credibility of their study by providing evidence of prolonged engagement in both the duration and depth of the interviews with their participants; verbatim transcription to preserve the original meaning; a systematic way in which thematic analysis was performed to ensure that the themes identified were consistent throughout; an audit trail of coding and thematic development to enhance reliability; and providing rich, thick descriptions of participants' lived experiences to support credibility and allow readers to evaluate or compare the results of this study to their own applicable contexts.

Validation of Findings

Some validation strategies, including using member checking to verify accuracy/authenticity of each participant's response summary and implementing triangulation (through comparison of interview data with field notes/observations made during the interviews) supported the thematic validity of findings by providing consistency among all participants' narratives to confirm that the final findings accurately reflected participants' lived experiences as micro-enterprise owners in Guiuan, Eastern Samar.

Results and Discussion

According to Hammond (2021) the following themes evolved in relation to Husserl's Transcendental Phenomenon presented phenomenologically. The Emerging Themes included the survey method. Emerging themes included in the survey method include: 1) Resource control and adaptation of supply. 2) Sustaining Value through Product Quality and Minimal Innovation. 3) Perseverance and Resilience grounded in Faith. 4) Ethical and Educated Entrepreneurship. This

research studies the Adaptation Strategies used by micro-enterprises in Guiuan, Eastern Samar, to manage to be profitable while meeting the needs of their consumers during periods of high inflation. The researchers utilized Husserl (2021) and Heidegger (2020) phenomenological data analysis methods to identify the themes found within the informants' responses.

Problem 1: What are the strategic responses of micro-enterprises to the challenges posed by high inflation?

Theme: Resource Control and Supply Adaptation

The research question of the first study focused on exploring how micro-entrepreneurs responded strategically to the stress of inflation. Every respondent mentioned how inflation had forced them to become more critical with every business decision, such as purchasing goods or serving customers. Several participants stated that they view inflation not just as a challenge, but also as an opportunity to develop their ability to adapt and demonstrate self-discipline. One strategy that was most commonly shared by respondents was controlling their available resources and adapting to supply as a means of coping with inflation. Micro-entrepreneurs have learned to effectively manage their limited resources through rationalizing their inventories and strategically timing their purchases. They have also become more selective when making purchases. For instance, they are purchasing only small amounts of goods and choosing to purchase goods that are in high volume or move quickly as a means of maintaining cash flow. As one participant stated: "I only purchase things that are in high volume so I can get my money back as quickly as possible. If I purchase too much of an item, I may not be able to sell all of it."

This illustrates how - even in the face of rising costs - procurement processes take a deliberate route to ensure that capital moves smoothly through the economy. This theme continues to other areas, such as supplier relationships. Many of those interviewed mentioned that they had switched suppliers or negotiated credit terms as means of continuing their operations. "When my usual supplier raised his prices, I went looking for one who could provide lower delivery costs" (P3) and "my supplier will allow me to pay some now and some later, which assists me in continuing to sell" (P7). These comments indicate how micro-entrepreneurs have taken advantage of opportunities despite constraints as outlined by the principles of Dynamic Capabilities Theory (Teece, 1997). In addition to operating adjustments, micro-entrepreneurs showed an unwavering commitment to consumer trust through fairness and transparency.

Customer loyalty is an essential element in small towns like Guiuan where personal connections often dictate business survival in relation to other factors affecting success. Entrepreneurs were careful to implement a minimal increase on their prices in addition to being as transparent as possible with their customers about the reasons for the price increase. For instance, one entrepreneur stated "I only add few pesos to my price, but I always make sure to explain to my customers the reason for the price increase" (P6); and another commented that, while "My profit margin has been cut in half because I am being fair with my prices, I'd rather keep my loyal customers" (P9). This honesty has helped business owners to connect with their customers on an emotional level and maintain their commitment to the long-term loyalty of their customers even with increasing inflation. This supports Aquino's (2021) statement that ethical pricing creates trust-based relationships that enable customers to maintain consistent patronage through periods of economic instability.

Problem 2: How did micro-enterprises balance profitability and consumer preference during inflationary periods?

Theme: Sustaining Value through Product Quality and Modest Innovation

The participants stated that priority was given to the perceived value of the products they sold compared to making a profit in the short term. The responses from participants were combined and categorized into two tactical suggestions, which were (1) to continue to deliver quality products (even if the portion size needs to be decreased) and (2) to use modest promotional tactics (use of small bundles/promos to keep customers continuing to buy). Coding of responses included representative examples such as "I didn't change the taste of my food but reduced the size of servings" (P10) and "We did ₱10-₱20 bundles to make it easier for customers to continue to purchase from us" (P4). The two suggested tactics were placed within the same bracket, they maintained the customer's perceived value of the product because it was still seen as being "worth buying," while at the same time, the company could find ways to make it more affordable through creative packaging/bundling. For this reason, even though both suggestions came from different focus groups, they were suggested as one combined suggestion of maintaining product quality while creating new ideas/innovations.

The paired strategy has allowed micro-entrepreneurs to maintain consistency in their daily sales volume whilst being able to withstand higher costs by making smaller, sustainable profit margins. This aligns with the adjustment element of Dynamic Capabilities — internal changes to how products are delivered to customers (changes in sizes and packaging) and external tactical action (promotional activities) that continue to enhance both customer utility and long-term demand of a product. The responses corroborated through use of member-checking were intentional to be able to achieve the above. These additions to business practices by micro-enterprises provided them with competitive advantages without losing customers. According to Del Rosario (2023), micro-entrepreneurs in Eastern Visayas build customer loyalty not through aggressive advertising but rather through consistency, affordability, and quality of service. This ability to deliver value and make incremental innovations despite limited financial resources demonstrates an acute awareness of consumer behaviour

within the target market. Additionally, this demonstrates their ability as entrepreneurs to be culturally flexible- an instinctual process.

Problem 3: How did entrepreneurial mindset and resilience influence their adaptive strategies?

Theme: Perseverance and Faith-Driven Resilience

The participants in the study frequently had practical strategies for their business that were linked to moral and psychological resources. Two axial codes, which were frequently found in multiple interviews, fell under one theme because they were described as having a mutual reinforcing relationship: perseverance (open every day, continue operating) was maintained through faith and optimism; for example, "I open every day even if the sales are very low - consistency allows customers to be loyal" (P7); "I prayed/expected things would improve, which gave me strength" (P10). Therefore, this theme illustrates how the use of adaptive strategies was not just a technical application of skills, but rather an expression of the entrepreneurial psychology of persistence and spiritual coping.

The cultural dimension explains why modest customer-focused strategies could still work; the owners were willing to take on modest profits at first with the expectation that through hard work and building community relationships, volumes would be restored over time. Therefore, moral resilience served as a strategic resource. This way of thinking exhibits both an economic perseverance as well as moral and spiritual resilience. Villanueva & Ramirez (2023) point out how this is truly a Filipino characteristic — grounded in bayanihan, hope, and faith. This means that entrepreneurial endurance is more than just managing finances; it encompasses all aspects of resilience, including discipline, spirituality, and relationship building.

Problem 4: What recommendations did micro-entrepreneurs offer to others facing similar inflationary challenges?

Theme: Ethical and Informed Entrepreneurship

When participants were asked what advice they would share with a peer, they consistently responded with recommendations for fairness in dealing with customers and being open to learning (through attending seminars or mentoring from colleagues). The recommendations made to perform ethically and learn about ways to improve management were combined into one action-oriented group and condensed into one idea as both ethics and learning were included in the same responses: "You need to be fair, do not abuse high prices, and go to seminars." (P1, P10)

This joined recommendation indicates policy implications and recommendations on local financial literacy training; along with economic literacy on pricing technologies to enforce normative (i.e., community) based practices by micro-businesses previously established by entrepreneurs. This emphasis on education and moral conduct is aligned with the findings of Amoako et. al (2022) that states capacity building through ethics also leads to certain business longevity with uncertain economies. The finding also identifies a shift from surviving to change; therefore, developing an attitude toward improvement will change adversity into wealth creation.

Conclusion and Recommendations

Results from the study indicate that micro/entrepreneurial businesses in Guiuan, Eastern Samar demonstrate a great deal of adaptability when confronted by the effects of inflation. Entrepreneurs use methods such as: controlling resources; adapting resources; maintaining the primary value of their goods; and innovating small ways, to keep their business profitable and maintain customer satisfaction. Entrepreneurs of the businesses also exhibit resilience through commitment, trust, and ethical behavior, allowing them to operate their business regardless of the current economic conditions while maintaining customer loyalty. Lastly, during inflation, micro/entrepreneurial businesses will continue to thrive provided they continue to demonstrate effective use of strategic flexibility and ethical obligations combined with support from their community.

Micro-entrepreneurs, policymakers, and government agencies will all need to take the findings from this study into consideration. For the micro-enterprise sector, the findings reveal the importance of adaptive management practices, and of being financially disciplined while having ethical relationships with customers. For policymakers and government organizations, the findings indicate that there is a need to enhance support programs such as increased access to financial literacy training, adaptive management training, and easily accessible methods of financing for small business. Further, local government units and development agencies could develop community-based programs which improve entrepreneurial resilience and ethical business practices. Such initiatives have the potential to change the coping mechanisms employed by individual micro-enterprises into long-term sustainable support systems for continued economic stability in face of inflation-related challenges to these enterprises.

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Competing Interests Statement

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this article.

Data Availability Statement

Data sharing is not applicable to this article as no new data were created or analyzed in this study; all data used were obtained from previously published sources as cited in the reference list.

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Appendices

No appendices are attached to this study.