Digitalization as a Strategy for the Revitalization of Micro, Small and Medium Enterprises (Msmes) During the Covid-19 Pandemic

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ABSTRACT

The Covid-19 pandemic has had a huge impact on various sectors, especially the economic sector, including the existence of MSMEs that have played an important role in Indonesia's economic development. This study aims to analyze how digitalization has become a strategy for developing MSMEs in the era of the Covid-19 pandemic, and to understand the urgency of using e-marketing to encourage the sustainability of MSMEs by taking the example of digital platform-based MSMEs. This research uses qualitative methods, descriptive analysis methods and contextual techniques. The data collected is supporting data from literature research and relevant online reporting documents. This research concludes that the implementation of digitalization and e-marketing through the marketplace carried out by MSME entrepreneurs is considered very necessary so that business activities can continue and generate economic value in the midst of a pandemic as it is today.

Keywords

Pandemic, COVID-19, MSMEs, Digitalisasi, E-Marketing

I.INTRODUCTION

The Indonesian economy relies heavily on micro, small, and medium enterprises (MSMEs) and their role in the economy. MSMEs are of special significance because they have made significant contributions to creativity, economic competitiveness, equity and redistribution, and working conditions. The development and transformation of small and medium businesses is welcome, given the positive role they play in the economy. In reality, according to data from the 1998 monetary crisis, MSMEs played a critical role in saving the country's economy. This is seen as that the economic and societal benefits of MSMEs in general. However, with the Covid-19 outbreak across the globe, including Indonesia, it is people who quickly adapt to new circumstances and behaviors (new normal).

The Covid-19 pandemic has generated a great deal of uncertainty, especially in terms of economics. These factors include the rate of recovery, government intervention and policies, shifts in consumer purchasing habits and their effect on business sustainability, the formation of new enterprises, human capital expenditure, and other medium and long-term factors that influence productivity. Due to their size and nature, micro, small, and medium enterprises (MSMEs) in Indonesia, like other markets, operate in challenging, fast-moving, and unstable environments. As all business is constantly transforming in our modern knowledge-based economy, MSMEs are constantly challenged to find new and creative ways to scale up and adapt to rapid transformations. The ability to remain in business in the current Covid-19 pandemic period, namely 'Digitalization of MSMEs,' is unquestionably a major challenge for MSME participants.

Various books and literature have addressed the transformation of business models assisted by digital technology (digitization) as one of the techniques used to cope with destructive environmental changes. Technology that assists businesses in recognizing emerging business practices, in particular. As a result, emerging technology is seen as an effective response to the COVID-19 pandemic's disruptive changes. This pandemic has a different effect than previous

epidemics, and typical change is driven by human innovation. In this case, business leaders should work on preventing the company from going bankrupt rather than developing a long-term competitive advantage.

Unfortunately, many small and medium businesses still lack an adequate marketing communication strategy and competitiveness to achieve this objective, particularly in the context of the COVID-19 pandemic. Limited funds, human resources, and business knowledge. During the COVID-19 pandemic, a large number of small and medium businesses experienced bankruptcy. Since the costs of promotional activities carried out by MSMEs are still limited, several elements of marketing communications that MSME participants may use include advertisement, publicity, promotion, and direct marketing. As a result of this issue, the author is interested in investigating the extent of the Covid-19 pandemic's effect on MSME participants, as well as the importance of MSMEs using digital marketing in the midst of the Covid-19 Pandemic currently affecting the world, particularly in Indonesia.

II. LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs)

According to the BadanPusatStatistik (BPS), small companies are defined as those with 5 to 19 employees, while medium enterprises are defined as those with 20 to 99 employees.

The following is the concept of a Micro, Small, and Medium Enterprise (MSMEs) as specified by Undang-Undang Number 20 of 2008 concerning Provisions for Micro, Small, and Medium Enterprises (MSMEs):¹

- a. A profitable business owned by a person and/or an individual business entity that meets the requirements of a micro business as specified in this Law is referred to as a micro business. Micro businesses must have a maximum asset of IDR 50 million and a revenue of IDR 300 million to qualify.
- b. Small businesses are self-contained production businesses operated by individuals or legal entities that are not directly or indirectly owned, managed by, or responsive to the Company's corporate guidelines. Small companies should have assets of IDR 50 million to IDR 500 million, as well as a turnover of IDR 300 million to IDR 2.5 billion.
- c. The total assets and total revenue of subsidiaries or affiliates of corporations or businesses whose annual sales revenue meets the provisions of this law are classified as medium-sized companies. Medium-sized companies are profitable economic companies independent of individuals or business entities that are not owned, regulated, or engaged in by small or large companies. Medium-sized companies typically have assets range from Rp. 500 million to Rp. 10 billion and a turnover of Rp. 2.5 billion to Rp. 50 billion.

Development of Digital Platform-Based MSMEs in Indonesia.

The Covid-19 outbreak spread around the world, including Indonesia, people have been forced to quickly adjust to new circumstances and behaviors (new normal). Then, digital practices become part of people's everyday lives, encouraging MSMEs to transform their businesses more easily (republika.co.id, 2020).² In the current era of the Covid-19 pandemic, a digital platform could be the best solution for assisting small and medium businesses in maintaining their operations running. WidodoMuktiyo (2020), DirektoratJendralInformasiKomunikasiPublik (IKP) at the KementrianKomunikasidanInformasi (Kominfo), stated that the government fully supports MSMEs and is prepared to withstand the negative effects of the corona virus's spread. The 2019 digital platform will be used to counter diseases in the economy (Covid-19). According to

Widodo (2020), MSME commodities that use digital media channels have a high chance of being purchased by internet users.³ MSMEs are the largest economic entity in Indonesia, with a GDP share of at least 60%, according to Commissioner I DPR RI Hillary BrigittaLasut (2020), which would accelerate the development of Indonesia's digital industry if the capacity for MSMEs can be downloaded via the internet, digital and electronic commerce.

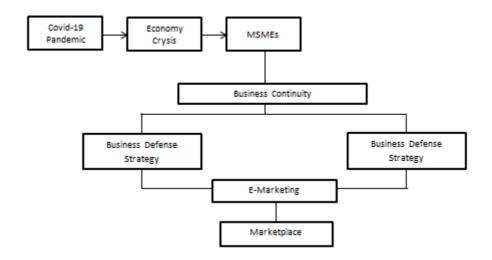
According to data from the KementrianKomunikasidanInformasi (Kemkominfo, 2020), only 8 million MSMEs have undergone the digitization process so far.⁴ In fact, a thorough market analysis and improvements in customer behavior, such as restricting physical encounters and reducing behaviors outside the home, will give MSMEs in digital environments a better chance of surviving or surviving the Covid-19 pandemic. Unfortunately, MSMES participants have not taken full advantage of this opportunity. Merely 13% of Indonesia's 64 million small and medium-sized businesses are connected to the digital ecosystem. MSMEs must quickly adapt to online customer behavior with various social media facilities through business digitization to meet everyday needs, according to digital marketing specialist AdreasAgungBawono (2020). (republika.co.id, 2020). In addition, the Ministry of Cooperatives and Small and Medium Enterprises adopted a reorganization of Plt. Herustiati (2020), a representative of the Ministry of Cooperatives and MSMEs' business restructuring, stated that growing MSMEs' competitiveness is crucial in the face of growing fierce global competition. To overcome these global challenges, MSMEs must be able to continue to improve their business capabilities through the use of technology and product innovation. According to Herustiati (2020), the government hopes that MSMEs will be able to access various digital platforms to reach a larger target market and become not only local but also global businesses (money.kompas.com, 2020).⁵

E-Marketing

Marketing is a company's forerunner; through proper marketing, the company will be successful. Marketing requires constant effort, starting with the launch of new products, and during development period, when there are many competitors, when developing new products, when markets are developing, and even when the company is declining Netti (2007). According to Mcleod and Schell (2007, marketing is the activity of individuals and organizations that accelerate exchange relationships to satisfy in a dynamic environment through the creation, distribution, promotion and determination of prices, services and ideas.

E-marketing, according to Strauss and Frost (2003), is the method of creating, communicating, and providing value to consumers through the use of information technology. From two perspectives, electronic marketing has had a significant impact on conventional marketing. Electronic marketing, for instance, may improve productivity in ways that conventional marketing functions cannot. Second, e-marketing technology has the potential to alter many marketing techniques. Customers will receive added value (value) as a result of this new business model transition, which will boost company income.⁸

Electronic marketing, according to Kotler and Armstrong (2008), refers to a company's attempts to connect, support, and sell goods and services over the Internet. E-marketing encompasses all online or electronic-based practices, according to Reedy et al. With the aim of satisfying consumers, producers facilitate these online or electronic practices during the manufacturing of products and services. The framework of this research are as follows:



III. METHOD

The descriptive qualitative method was employed in this study. Researchers compiled and described some of Covid-19's effects on Indonesia's MSME businesses, as well as several empirical studies on Covid-19's influence on MSME businesses. The data collection technique uses the documentation technique which is the way the authors collect data from various reference sources. In addition, due to limited time and material related to this study, the authors used a literature review and research articles, from journals and online news, which aimed to make conclusions and evaluations on the problems that the author studied.

IV. RESULT AND DISCUSSION

Tourism is one of the industries affected by the spread of this virus. According to Ida BagusAgungParthaAdnyana, chairman of the Bali Tourism Association (GIPI) of the Bali Tourism Bureau (BTB), there are 40,000 hotels per month cancellations, losses of up to IDR 1 trillion (Kontan, March 5), 2020). The slowdown in the tourism industry has a domino effect on the MSME sector. Based on data processed by P2E LIPI, the impact of the decline in the tourism industry on MSMEs engaged in the food and beverage micro business reached 27%. Meanwhile, the impact on small food and beverage companies was 1.77%, and medium companies was 0.07%. The impact of the Covid-19 virus on wood and rattan handicrafts and micro businesses reached 17.03%. For small companies in the wood and rattan handicraft sector it was 1.77%, and for medium companies it was 0.01%. Meanwhile, household consumption will also be adjusted between 0.5% to 0.8% (katadata.co.id, March 2, 2020). 10

Since sales of these goods depend on face-to-face or physical meetings between buyers and sellers, IkhsanIngrabatun, chairman of the Indonesian MSME Association (Akumindo), estimates that MSMEs in the non-culinary sector have seen a 30-35 percent decrease in turnover since Covid-19. Small and medium-sized businesses that offer non-poultry goods cater to international visitors (Kompas, 10 March 2020). The presence of the corona virus (Covid-19) has intensified the global economic situation. Workers in both the formal and informal sectors have also been affected by the Covid-19 pandemic. More than 1.5 million workers were fired or laid off.¹¹

MSMEs that have adapted to the digital ecosystem through the Indonesian marketplace are able to withstand the COVID-19 environment. MSMEs who

can adapt to their market by creative items, such as those that used to sell bags and clothes but now sell fabric masks, will be able to survive the Covid-19 pandemic. Electricity, clean water, irrigation, livestock, plantations, fisheries, automobile, and banking are among the sectors that have remained unaffected by the Covid 19 pandemic. Similarly, the retail sector has survived, thanks in part to the use of digital marketing to boost sales.

Challenges and Strategies for the Development of MSMEs in Indonesia

MSME stakeholders are concerned with the COVID-19 pandemic. The challenges encountered by MSMEs during the COVID-19 pandemic included: it was difficult for most MSME participants to obtain raw materials due to the implementation of large-scale social restrictions (PSBB), and many MSMEs experienced a decline in income due to decreased income since the implementation of PSBB. Given the lack of buyers to purchase products and a drop in demand due to market instability, MSME participants have difficulty accessing capital loans, resulting in a decrease in demand for goods and services. In addition, MSME participants must be able to restructure their business strategies. Several things that can be done by MSMEs, namely:

• E-Commerce

Due to the implementation of PSBB during the COVID-19 pandemic, direct sales also progressively dropped, and people prefer to stay at home. In this regard, one strategy is to expand the network through e-commerce transactions, allowing MSMEs to continue operating while attracting a larger number of customers and expanding market share. MSME business participants must also switch to e-commerce trade in the age of the Industrial Revolution 4.0, due to shifts in customer consumption habits and the COVID-19 MSME pandemic, making e-commerce the right option for MSME participants to survive. There's also the possibility of gaining a bigger share of the new industry.

• Digital Marketing

The COVID-19 pandemic has resulted in a reduction in the number of customers in various of sectors, hence the need for MSME participants ability to market their products effectively and come up with new ideas. The rapid growth of the digital era is something that cannot be avoided at this point. If MSMEs are to survive, particularly during a pandemic like COVID-19, they must be able to optimize the benefits of digital development.

Based on the author's observation on several study cases is the person, organization, occurrence, or circumstance that the researcher is interested in, MSMEs that able to successfully market their products using a variety of digital marketing are those who uses strategies as follows:

- Publish product videos and photos on social media frequently. The use of social media should really be relevant to the product category in question.
- Create marketing product videos for social media marketing or perform real-time product promotions. If this strategy is well applied, it will have a positive effect on the company's operations.
- Involve consumers in product selection, education, and introduction of product quality on social media accounts. In this way, brand awareness will be formed and can influence consumer purchasing decisions.
- In doing digital marketing, MSME participants are required to always be open and think openly about technology that continues to develop. Of course, digital marketing also considers the use of appropriate media and appropriate communication methods that are tailored to the selected market segment or market share. In this way, the marketing will be more effective and right on target.

- Improve Product Quality and Service. Consumers have been more cautious when using products and services as a result of the COVID-19 pandemic, leading in a drop in consumer trust in traded goods and services. Furthermore, limits on direct consumer sales have led to a significant decrease in consumer purchases. As a result, MSME participants must improve product quality to boost customer trust and effectively communicate product quality. It is critical for small and medium businesses to increase product quality on a regular basis by changing customer needs, desires, and expectations.
- In addition to improving product quality, MSME participants can also improve service quality and add types of services, such as delivery orders and online purchase services, as well as use special sales service hotlines that can be easily accessed by consumers. In providing delivery services, businesses must further tighten their service standards by improving and ensuring the cleanliness of their products. For services, you can develop services through online media and use online service activities, so that they are more effective and business can run as usual. Quality service will be able to form consumer trust which can build satisfaction and shape consumer loyalty. In today's COVID-19 pandemic, consumer trust is an important factor in business continuity.
- Customer Relationship Marketing (CRM). MSMEs should not only focus on attracting new customers, but also must maintain products and retain existing customers, as well as build customer satisfaction to build customer loyalty. Loyal customers will not switch to other manufacturers because they are already confident in their products. One way for MSMEs to survive a decline in business activity is by doing relationship marketing. Customer Relationship Marketing is a marketing strategy concept that aims to establish long-term relationships with customers, namely maintaining strong and mutually beneficial relationships between service providers and customers, so that repeat transactions can be established and customer loyalty can be established. In the current circumstances, it is possible to build marketing relationships with customers by showing concern for consumers who have experienced difficulties during COVID-19. Commercial participants can express concerns, which are also aimed at marketing their products.

V. CONCLUSION

The following conclusions can be drawn based on the discussion outlined in this study: Many businesses, including the MSMEs industry, have suffered the consequences of the corona

pandemic (Covid-19). Supply chains have been disrupted, manufacturing capacity has been limited, factories have been closed, and travel bans have been imposed as a result of Covid-19. Manufacturing, transportation, and tourism were among the industries that were impacted during the 1918 pandemic. Electricity, clean water, irrigation, livestock, plantations, fisheries, automobiles, and banking are among the industries that can withstand the Covid-19 pandemic.

A multi-faceted strategy is needed to awaken small and medium enterprises to survive the Covid-19 pandemic and find ways to restore stability. MSME participants can adopt a survival strategy that has been described and is expected to adapt to changes in the business environment during this pandemic in the future, because business actors who can survive are those who are responsive to changes in the surrounding environment and are able to make adaptive adjustments to the use of products and systems, marketing, and sales, and technology that supports business. It is hoped that the authorized government will continue to provide education to business actors in the form of socialization or training. Building MSMES communication networks so that they are easy to monitor and improve MSME skills.

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