A Comparative Study of Technology Approaches in Using Online Marketing Strategies for Small and Medium Enterprises in Indonesia during Covid-19 Pandemic

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Abstract

The impact of the coronavirus pandemic has been felt in the business and financial world. In a fairly short time, marketing patterns have changed, especially when social distancing is enforced and micro-restrictions. Business actors have to rack their brains to be able to market their products or services to consumers as a brand strategy to survive amid the coronavirus pandemic. Business people optimize online marketing and digital branding to communicate with their target consumers. The COVID-19 PANDEMIC has also accelerated digitalization in the marketing sector. Online sales are one of the solutions to the limited physical movement of people to visit shopping centers. The switch to online marketing is also one strategy that determines whether a product can survive during a pandemic. This study describes how small and Medium Enterprises in Indonesia face the Covid 19 pandemic. It is hoped that this literature study can provide an overview of the condition of MSMEs in Indonesia during the pandemic to improve welfare through online marketing.

Keywords: Covid 19, SME, Innovation, Online Marketing, Technology

INTRODUCTION

The world is currently experiencing a prolonged crisis due to the Covid-19 pandemic. The impact of covid 19 is felt by all humans globally, but it is devastating for other social problems such as economic security, democracy, or gender equality. Based on the latest data on March 4, 2022, there have been 440,807,756 confirmed cases of COVID-19, as shown in Table 1, including 5,978,096 deaths, reported to WHO (https://covid19.who.int/).

Currently, all world citizens face a prolonged economic crisis, and various breakthroughs are needed to maintain or improve economic conditions, one of which is technological innovation. In addition, many businesses have gone bankrupt due to the covid pandemic worldwide, including Indonesia. Seeing this, it is necessary to prepare various business strategy steps, including marketing business products, so that the community can utilize them. Based data obtained from the Ministry of Cooperatives and Small and Medium Enterprises (KomenkopUKM) shows that in 2018 there were 64,194,057 MSMEs in Indonesia or equal to about 99 per cent of the number of business units and employed 116,978,631 workers or equivalent to 97 per cent of the total workforce in the economy [1].

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Table 1. WHO Confirmed cases of COVID-19 [39]

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year 2017</th>
<th>Year 2018</th>
<th>Year Development 2017-2018</th>
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<tr>
<td></td>
<td>Total</td>
<td>Segment</td>
<td>Total</td>
</tr>
<tr>
<td>Business Unit A+B</td>
<td>62,928,077</td>
<td>64,199,606</td>
<td>1,271,529</td>
</tr>
<tr>
<td>A. Micro small and Medium Enterprises</td>
<td>62,922,617</td>
<td>99,99</td>
<td>64,194,057</td>
</tr>
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<td>Micro Enterprises</td>
<td>62,106,900</td>
<td>98,70</td>
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</tr>
<tr>
<td>Small Enterprises</td>
<td>757,090</td>
<td>1,20</td>
<td>783,132</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>58,627</td>
<td>0,09</td>
<td>60,702</td>
</tr>
<tr>
<td>B. Big Enterprises</td>
<td>5,460</td>
<td>0,01</td>
<td>5,550</td>
</tr>
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According to the OECD, how companies respond to the COVID-19 crisis will permanently affect their balance sheets and productivity during their recovery. The COVID-19 crisis has exposed significant weaknesses in companies and supply chains regarding working conditions and contingency readiness. Stimulated by the COVID-19 problem, companies find new ways to survive and grow. This is especially evident in small and medium enterprises [2]. Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy. Micro, small and medium enterprises (MSMEs) are a good forum for job creation planned by the government, private sector and individual business actors [3]. Based on data obtained from the Ministry of Cooperatives and Small and Medium Enterprises (KomenkopUKM) shows that in 2018 there were 64,194,057 MSMEs in Indonesia, or equal to about 99% of the total business units and employed 116,978,631 workers or equal to 97% of the total workforce in the economy.

BUSINESS CHALLENGES DURING A PANDEMIC

Micro, Small and Medium Enterprises (MSMEs) or known in Indonesian as “Usaha Kecil Menengah” (UKM) or Micro, Small, and Medium Enterprises (MSMEs), is a term that refers to the type of small business with a total net worth of under Rp. 200 million, including land and buildings for business premises. SMEs themselves are divided into small-businesses, medium-businesses, and micro-Businesses. The third category has an important role in the economy. Despite their small size, their number exceeds the existing large companies, invests in many
people, and helps shape innovations that can drive the economy. Micro, small and medium enterprises (MSMEs) are one of the business fields that can develop and be consistent in the national economy. Micro, small, and medium enterprises (MSMEs) are a good forum for job creation planned by the government, private sector, and individual business actors [3]

Small and Medium Enterprises (SMEs) play an important role in developing countries’ national economies. In developed countries and newly industrialized countries (New Industrial Countries or NICs), SMEs contribute to increasing exports and subcontractors that provide various inputs for large-scale businesses and sources of innovation. Slightly different from that in developed countries, the importance of SMEs in developing countries is often more related to the government's efforts to overcome various economic and social problems, namely: reducing unemployment, eradicating poverty, and equalizing income. In addition, the existence of SMEs in developing countries such as Indonesia is to eliminate inequality caused by the uneven development process, especially due to the urban development bias that causes rural areas to be far behind compared to urban areas. Although the role of SMEs in developed countries is different from that in developing countries, various empirical studies that have been carried out, both in developed and developing countries, provide recognition of the importance of the existence and development of SMEs [4]. Furthermore, SMEs have a complementary role with large companies in creating job opportunities and economic growth [5]. Urata [6], who has observed the development of SMEs in Indonesia, emphasized that SMEs play several important roles in Indonesia. Some of its roles are: (1). SMEs are the main players in economic activity in Indonesia (2). Employment opportunity providers, (3). Important players in local economic development and community development, (4). Market creators and innovations through flexibility, sensitivity, and dynamic linkages between company activities (5). Contribute to the increase in non-oil exports.

Meanwhile, Reference [7] states that SMEs can also reduce income inequality, especially in developing countries. In newly industrialized countries such as Korea and Japan, the contribution of SMEs is related to increasing exports, subcontractors, and agents of innovation. In Korea, the rapid development of SMEs does not only contribute to employment. The contribution of SMEs in the country also provides considerable added value. Labour and value-added contribute 60% and 40% per year to the industrial structure.

Its significant role in creating job opportunities and added value has proven that SMEs can provide social benefits, reducing income inequality [8]. From 1990-to 1995, Nugent and Yhee also stated that SMEs accounted for 40% of total exports. Then the SMEs that subcontract with large-scale businesses, on average, 70% in the same period and 50% get technology transfer. Similarly, in Japan, SMEs subcontracted with large businesses on average 65% from 1981- to 1987 [9]. Many
experts such as Anderson [10], Armstrong [11], and Hayter [12] emphasize that in the industrialization process, an entrepreneurial attitude is needed. SMEs have many differences from large companies. These differences are not only about the scale of the business and the management system. The most important difference is that SMEs have entrepreneurial ideas. This entrepreneurial idea makes SMEs have a strong attraction in the context of developing industrial locations and regional (regional) development.

Entrepreneurship is activities that involve discovering, evaluating, and exploiting opportunities to introduce new products, both goods and services, by organizing, marketing, and through various methods of processing raw materials that did not exist before into existence [13] [14] [15]. Therefore, SMEs are very important to bring up entrepreneurial ideas and attitudes.

There are at least four reasons that explain the strategic position of SMEs in Indonesia. First is the aspect of capital. SMEs do not require large capital as large companies, so forming this business is not as difficult as large companies. The second is the workforce aspect. The workforce required by small industries does not require a certain formal/higher education [16]. Most of the workforce required by small industries is based on experience (learning by doing) related to historical factors (path dependence). This is often found in the handicraft, carving, and batik industries. The third is the location aspect. Most small industries are located in rural areas and do not require infrastructure as large companies [17] [18]. The four aspects of resilience. The role of small industries has been proven that small industries have strong survival when Indonesia is hit by an economic crisis [19].

The OECD [20] has stated that Micro, Small and Medium Enterprises (MSMEs) are currently in a critical position due to the pandemic; this condition is even worse than the conditions during the economic crisis that occurred in 2008. The crisis caused by this pandemic has a major impact on MSMEs, with the risk that more than 50% of MSMEs will not run in the next few months. Weakening MSMEs could strongly impact the national economy, global growth prospects, perceptions, and expectations, and even the financial sector. OECD explained that Renewed restrictions and uncertainty had delayed Indonesia’s recovery as the Delta COVID-19 variant spread rapidly. Growth in 2021 is projected to be relatively modest at 3.3% but will rebound in 2022 and 2023 to above 5% as the normalizing health situation allows consumer demand and investor confidence to return. Inflation expectations remain well-anchored, and the pass-through of higher global prices into consumer prices is expected to be limited. Delays in securing vaccines and vaccinating the eligible population would risk other health crises, slowing the recovery and placing policy under stress [20].
INDEONESIA BUSINESS CONDITION OF COVID-19 PANDEMIC

In April 2020, the IMF cut its forecast for global economic growth 2020 to -3.0% from 3.3% (yoy). The economies of Indonesia, China, India, the Philippines, and Vietnam are projected to grow positively in 2020, with volatile food (VF) inflation reaching 5.04% yoy in April 2020. In April 2020, the Consumer Confidence Index (IKK) declined to 84.8 and retail sales contracted -5.4% yoy in March 2020. Foreign exchange reserves in April increased to $127.9 Billion. The decline in the number of imported goods in the first quarter of 2020 also contributed slightly to the positive growth rate, which was 0.15 per cent. In the first quarter of 2020, household consumption was still the main engine of growth, contributing 1.56 per cent of the growth rate of 2.97% (YoY). In addition to household consumption, economic growth in the first quarter of 2020 on an annual basis was also driven by exports of goods (0.45), PMTDB (0.55) and government consumption (0.22). Other sectors continued to grow, although slower than the previous quarter and the same period last year [21].

In the economic sector, the COVID-19 pandemic has affected the pace of economic growth. The second quarter of 2020 experienced a contraction; even countries have experienced a recession, such as Germany, France, Italy, Japan, Hong Kong, Singapore, and the Philippines. (https://www.kompas.com/tren/read/2020/08/07/). In the economic sector, the COVID-19 pandemic has affected the pace of economic growth. The second quarter of 2020 experienced a contraction; even countries have experienced a recession, such as Germany, France, Italy, Japan, Hong Kong, Singapore, and the Philippines [22]. Figure 1 shows the Indonesia Economic growth until first quarter of 2020.

Fig 1. Indonesia Economic Growth [21]
The Figure 1 shows a drastic decline in the rate of economic growth in the first quarter of 2020. There was a downward growth trend. In the first quarter. In 2020 the economic growth achieved in Indonesia was recorded at 2.97 percent (Year over Year (yoy), this achievement is lower than the Bank Indonesia projection of 4.4 percent. The cause of the decline in economic growth is not separated from the impact of handling the spread of Corona virus which has begun to affect all aspects of life and economic activity, both in terms of production, distribution and consumption, investment, foreign trade (exports and imports). Bank Indonesia predicts that the impact of handling the Covid pandemic will be felt in April to March June 2020, but the impact is already being felt. The impact of the Covid pandemic was felt more quickly in March 2020. Indonesia's economic growth in the first quarter was one of the highest, better than most other countries. China's economic growth in the first quarter of 2020 recorded at -6.8% (yoy), much lower than the achievement in the fourth quarter of 2019 by 6.0%. In the first quarter of 2020, although there was a positive increase in growth, this figure was lower than the growth rate achieved in the fourth quarter of 2020 with a growth rate of 2.3 percent (yoy). Meanwhile, economic growth in Europe, Singapore, and South Korea in the first quarter of 2020 was recorded at -3.3% (yoy), -2.2% (yoy), 1.3% (yoy) [21].

The social restrictions imposed when the pandemic hit resulted in a decrease in human movement so that the condition of the transportation sector declined. Humans are expected to reduce outdoor activities. Study, work, and worship from home. Whereas the tourism sector is very dependent on tourist visits. Likewise with businesses that surround tourism such as accommodation/hotels, restaurants, creative industries (souvenirs, souvenirs) and the food and beverage industry. No more meetings, meetings, and training in hotels. Finally, the Room Occupancy Rate (TPK) for star and jasmine hotels has decreased by 10 percent. Although there are some star hotels that reach a TPK of more than 20 percent, in fact it is only limited to room promos to cover existing operational expenses [22]. Figure 2 shows the Hotel Room Occupancy Rate during July 2019 until June 2020.

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<td>1st</td>
<td>41.36</td>
<td>37.03</td>
<td>40.04</td>
<td>38.65</td>
<td>40.88</td>
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<td>33.46</td>
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</tr>
<tr>
<td>2nd</td>
<td>43.17</td>
<td>51.74</td>
<td>50.84</td>
<td>55.52</td>
<td>57.09</td>
<td>58.58</td>
<td>49.62</td>
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<tr>
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<td>52.44</td>
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<td>4th</td>
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<td>58.88</td>
<td>56.95</td>
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<td>63.34</td>
<td>51.15</td>
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<td>32.68</td>
<td>9.77</td>
<td>13.02</td>
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<tr>
<td>5th</td>
<td>60.06</td>
<td>57.90</td>
<td>59.11</td>
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<td>National</td>
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<td>53.52</td>
<td>56.77</td>
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<td>59.39</td>
<td>49.17</td>
<td>49.22</td>
<td>32.23</td>
<td>12.67</td>
<td>14.45</td>
<td>19.70</td>
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Fig 2. Hotel Room Occupancy Rate July 2019-June 2020 [22]

The economic consequences that must be borne due of the COVID-19 pandemic include decreased income, increased unemployment, disruption of transportation, services, and industrial manufacturing [23]. Reference [24] also researched the social and economic impact of the
COVID-19 pandemic. His research concluded that the COVID-19 pandemic had triggered an economic crisis and recession. In addition, social restrictions, self-isolation, and travel restrictions have reduced the workforce in almost all sectors of the economy and caused many jobs to be lost. Reference [25] also studied the impact of the COVID-19 pandemic on daily life in the journal Current Medicine Research and Practiced how the coronavirus can affect daily life and slow down the global economy. For example, countries ban gatherings of people to break the curve of adding Covid-19 patients. BAPPENAS also makes a special edition journal about the covid-19 pandemic. The studies reviewed were varied, such as Laila et al.’s research on the impact of the COVID-19 pandemic on the oil and gas industry [26]. Overview of national resilience to disasters [27] concludes the need for a regulatory framework, institutional framework and financing framework that is appropriate and synergized to overcome the impact of the COVID-19 pandemic.

Due to Reference [28] also tried to photograph the effectiveness of the spread mitigation policies and the impact of COVID-19 on Indonesia's socio-economic conditions. Meanwhile, the research results from [29] concluded that the coronavirus greatly affected the economy; mainly three sectors were affected, namely the capital market sector, debt securities trading and gold trading. Globally, research on the COVID-19 pandemic includes reports on health security capacity in the context of the COVID-19 pandemic, including an analysis of international health regulations and annual report data from 182 countries [30]. Reference [31], in the journal Science of the Total Environment, also raised the issue of the COVID-19 pandemic as the most crucial global health disaster. The COVID-19 pandemic is considered the greatest challenge to humanity since the Second World War, causing health, economic, environmental, and social impacts on humans.

THE ROLE OF TECHNOLOGICAL INNOVATION IN THE DEVELOPMENT OF SME IN INDONESIA

The development of information technology today has created new types and business opportunities. More and more business transactions are carried out electronically (E-Commerce), starting from the ordering process, payment and product delivery communicated via the internet. In connection with the development of information technology, everyone can make buying and selling transactions easily. The development of the internet has significantly influenced all aspects of life. The internet helps humans interact, communicate, and even trade without geographical boundaries at a relatively low cost, fast, easy, and safe in the new normal era. With the increase in internet users, many companies have begun to offer various products and services using this media in recent years. And one of the benefits of the existence of the internet is as a medium for promoting a product/service.
The COVID-19 PANDEMIC has also accelerated digitalization in the marketing sector. The impact of the coronavirus pandemic is being felt in the business and financial world. Online sales are one of the solutions to the limited physical movement of people to visit shopping centres. The switch to online marketing is also one strategy that determines whether a product can survive during a pandemic. In a fairly short time, marketing patterns have changed, especially when social distancing is enforced and micro-restrictions. Business actors have to rack their brains to be able to market their products or services to consumers as a brand strategy to survive during the coronavirus pandemic. Business people optimize online marketing and digital branding to communicate with their target consumers.

The movement of information technology breakthroughs that continue to grow, from the network and the internet to wireless, telephone systems and digital cables, has continuously changed the scope of business. Various breakthroughs that continue to develop have enabled traditional business people and companies to be able to create products and services as well as develop new forms of business by abandoning the old forms, completely shaking up the industry, creating new business avenues and changing the way of doing business every day [32]. In addition, when viewed from the consumer's point of view, the use of information and communication technology will provide several advantages, including efficiency, convenience, comprehensive product information, competitive prices, price discounts, and product differences.

With the rapid development of technology, we have entered the era of online marketing or internet marketing, where product marketing trends can be carried out through websites, email, mobile marketing, social media, and others. According to [33], Internet marketing is a company's efforts to promote its products and services and create relationships with customers through the internet. In addition, internet marketing (E-Marketing) is one of the series in e-commerce with special interests by marketers, namely the strategy of how to manufacture, distribute, promote, and set the price of goods and services on the internet market or through other digital tools [34]. The internet or other digital media can enable companies to reach consumers wider and intensively.

According to We Are Social data, Indonesia is the country with the largest adoption (use) of E-Commerce globally, reaching 88 per cent of all internet users in Indonesia. Digital Data 2020 explains that this figure shows that at least eight people out of 10 internet users buy products/services online at least once in one month. Internet user penetration in Indonesia reaches 73 per cent of the population of around 200 million users (APJII 2020 survey). More than 54 per cent of the population is generation Z and millennials with a digital lifestyle [35].

Based on a study [36], some of the impacts of online marketing in the COVID-19 era are:

a. Impact on consumer behavior sector.
There is a change in the client/consumer/customer in this case. For example, consumers/customers who from the beginning prefer to shop at the market, but with this COVID-19, they tend to choose to shop online, which is considered easy, safe and does not need to interact with many people.

b. Impact on the sector of business strategy changes (marketing and sales).

With the rapid development of technology, the Indonesian people are also increasingly technologically literate, and the current COVID-19 has made business actors start to innovate their business products or services. For example, initially, business actors selling necessities such as vegetables, meat and fish in the market began to switch to selling online by delivering groceries to the consumer/customer's house.

c. Impact on the human resources (HR) sector.

As a result of COVID-19, almost all-important sectors in a country have been affected. The Large-Scale Social Restrictions (PSBB) implemented by the Indonesian government by maintaining safe wine have caused many companies or offices to require their employees to work from home (work from home) to minimize contact with many people.

d. Impact on the financial sector.

The impact of COVID-19 has shaken the economy, not only for the country but also for business or service actors. The real impact felt by business actors was a decrease in buying and selling activities, for which the recommendation to maintain social distancing made this happen. For example, for “warteg” entrepreneurs to keep their business running, they change their selling strategy, namely by serving to take home purchases, not to eat on the spot, which also collaborates with online motorcycle taxi startups in promoting and delivering orders to consumers/customers. Another real impact is the difficulty of raw materials due to the disruption of production activities. Many companies take work from home policies or lay off their employees through mass layoffs. In addition, the impact on service providers (casual daily labourers, construction workers, wedding organizer workers) is also felt, such as the number of projects being postponed which causes them to lose their income.

Many sectors have been significantly affected by COVID-19, one of which is the business and economic sectors, which act as the cornerstone of a crucial economy. In this context, business actors in the business and economic sectors must find ways to survive during this situation. One of them is by changing the sales strategy carried out as examples that can be seen, such as food...
business actors who have collaborated a lot using online motorcycle taxi startup services in promoting food and using food delivery services through digital media. In addition, during the current pandemic that requires more people to stay at home, business actors promote their business through television media and digital platforms such as a shoppe, Tokopedia, Bukalapak, Traveloka, and various other e-commerce platforms [36].

Based on the research results of [37][38], it can be concluded that to increase market growth, MSMEs apply marketing methods through various e-commerce platforms. Therefore, the digitization of MSMEs that switch to online sales patterns through the marketplace is a solution for micro, small and medium enterprises (MSMEs) to survive and support the Indonesian economy in the current COVID-19 pandemic era.

CONCLUSIONS

Small and Medium Enterprises (SMEs) play an important role in developing countries’ national economies. In developed countries and newly industrialized countries (New Industrial Countries or NICs), SMEs contribute to increasing exports and subcontractors that provide various inputs for large-scale businesses and sources of innovation. The Covid-19 pandemic has caused a crisis in various fields, one of which is the economy. The impact of the COVID-19 pandemic on MSMEs has a major influence on the supply and demand sides. From the demand side, the decrease in the number of requests for goods and services impacts SMEs so that they cannot normally run, resulting in a reduced ability of companies to meet targets. In the COVID-19 situation that is hitting the world, including Indonesia, online marketing is considered a way for business actors to maintain their business or services being marketed. It is hoped that this literature study can provide an overview of the condition of MSMEs in Indonesia during the pandemic to improve welfare through online marketing.

REFERENCES


