Analysis of Survival Strategies in Small Medium Enterprises During Coronavirus Pandemic

Sudarmiatin*
1Department of Management, Faculty of Economics, Universitas Negeri Malang, Malang, Indonesia

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ABSTRACT

This study aims to (a) describe the problems faced by SMEs during the Pandemic and the capacity of SMEs in solving these problems (b) analyze the survival strategy of SMEs in order to survive during the pandemic. This type of research is a qualitative case study. The research location is in Malang Raya, which includes the city of Malang, Malang district and the city of Batu, East Java. The research subjects were 30 business managers of fashion SMEs in Malang, consisting of 10 owners and 20 employees. Collecting research data through interviews, observation and documentation. Data analysis uses SWOT analysis which includes strengths, weaknesses, opportunities and threats. The results showed that the problem faced by fashion MSME actors during the Covid 19 pandemic in Greater Malang was the decline in the number of sales until some went out of business. Most of the fashion MSME managers have not been able to operate digital marketing, so they still hope that consumers will come to buy directly to the store. Survival strategies are recommended for MSMEs to survive during the pandemic: a) Adaptation to changes in people’s behavior during the pandemic. (b) Increasing mastery of technology both through training and self-study (c) Expanding target consumers from offline market to offline and online. (d) Adding online marketing networks through resellers in the marketplace. (e) Diversifying products, both main and additional products according to community needs during the pandemic.

Introduction

At the beginning of 2019 the world was shocked by the arrival of a virus known as the Corona virus. The virus entered Indonesia around March 2019 and since then Indonesia has entered an unexpected period, namely the Pandemic period. The number of people who get sick and die is increasing. Positive cases of Covid-19 as of July 31, 2021 show a total of 3,409,658 cases. There were 2,770,092 recovered patients, and 94,119 patients died (Moerti, 2021).

This condition is of course very concerning both for the government and for society as a whole. Since the Corona virus attacked this country, the economic situation in Indonesia has become uncertain. Many businesses went bankrupt which resulted in layoffs. During the first few months of the Covid-19 pandemic, the economic cycle was very concerning. The MSME sector is one of the pillars for economic growth. The existence of government regulations in the form of Large-Scale Social Restrictions (PSPB), the Implementation of Restrictions on Community Activities (PPKM) and the implementation of 5 M (washing hands with soap, wearing...
masks, maintaining distance, avoiding crowds and reducing mobility have an impact on changing people's behavior in shopping.

The results of a survey conducted by the head of the MSME community in August 2021 showed that there were 19% of MSMEs (11 million) who were bankrupt and had closed their businesses, and there were still 21.4% of MSMEs that could potentially go bankrupt as a result of the Covid 19 Pandemic (Natalia, 2021). This condition is very worrying and requires firm action from the government to overcome these problems.

Several efforts have been made by the government to restore and empower MSMEs during the pandemic, including providing incentives for MSMEs through the National Economic Recovery program, encouraging the digitization of MSMEs, providing Productive Assistance for Micro Enterprises, increasing access to capital with KUR, and various other empowerment measures. These various programs are aimed at mitigating the impact of the pandemic on MSMEs by supporting them in terms of capital, providing stimulus, and encouraging the transformation of MSMEs in the use of digital platforms.

However, the business sector cannot only depend on government assistance so that businesses can survive and grow during the pandemic. Business actors including MSMEs need to innovate in producing goods and services in accordance with market needs. These business actors can also develop various new business ideas and ideas that can also contribute to solving the socio-economic problems of the community due to the impact of the pandemic. As stated by Dhochak & Sharma (2015) that the crisis weakens the growth of MSMEs and threatens their projects because the negative impact extends to all elements of the company's external environment. Bercovitz & Mitchell (2007) that to be able to survive in times of crisis such as the Covid 19 pandemic, the business sector needs to carry out a survival strategy, one of which is in the form of using digital marketing (Kawira et al, 2019).

Another research result was stated by Becherer & Helms (2016) that when traditional marketing practices are not suitable for MSMEs, entrepreneurs must replace them with new innovations called entrepreneurial marketing. This is also supported by the results of research by Ionita (2012) that a marketer needs to have entrepreneurial abilities, so that they can create new innovations if they experience problems in the field of marketing. Based on some of the results of these studies, it is clear that the impact of the Covid 19 pandemic on the business sector needs to be resolved immediately so that the wheels of the economy can continue to run.

The general purpose of this research is to help solve marketing problems faced by MSME business actors during the pandemic. While the specific objectives of this study are to (a) describe the problems faced by SMEs during the Pandemic and the capacity of SMEs in solving these problems (b) analyze the survival strategy undertaken by MSME actors to be able to continue to survive and grow even in
pandemic period. While the urgency of this research is to apply science to help solve the problems faced by the community, especially MSME business actors.

**Literature Review**
This research was conducted based on a literature review and relevant research results covering MSMEs and survival strategies, as well as a SWOT analysis.

**MSMEs and survival strategies**
Law Number 20 of 2008 states that MSMEs are productive businesses owned by individuals or business entities. MSMEs are grouped into three types, namely micro, small and medium enterprises. The difference between the three lies in the amount of net worth and annual sales results.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Micro Business</th>
<th>Small Business</th>
<th>Medium Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net worth (excluding land and buildings)</td>
<td>Maximum IDR 50 million</td>
<td>IDR 50 million – 500 million</td>
<td>IDR 500 million – 10 billion</td>
</tr>
<tr>
<td>Annual sales revenue</td>
<td>300 million</td>
<td>300 million – 2.5 billion</td>
<td>2.5 billion – 50 billion</td>
</tr>
</tbody>
</table>

(Source: Law Number 20 of 2008)

Data from the Ministry of Cooperatives and MSMEs in 2020 shows that the number of MSMEs in Indonesia reached 64.2 million or equivalent to 99.9% of the total business units in Indonesia. Meanwhile, the contribution of MSMEs to Gross National Income (GDP) is 61.07% and absorption of the workforce is 97%. By looking at the data, it is clear that the existence of MSMEs in Indonesia deserves attention from the government, especially with regard to the sustainability of MSMEs during the pandemic.

The results of research by [Indarti & Langenberg (2004)](http://example.com) show that the characteristics of MSMEs in Indonesia include having limitations in the fields of capital, marketing and mastery of technology. For this reason, MSME actors need to improve their ability to innovate in facing challenges during the Covid 19 pandemic. A similar opinion was expressed by [Indarwati (2021)](http://example.com) who stated that the Covid-19 pandemic in Indonesia had a negative impact on the Indonesian economy, especially in several sectors that had the largest contribution to the National GDP. These sectors include the transportation sector, tourism, trade and micro, small and medium enterprises, which caused the Indonesian economy to experience a recession. The crisis weakens the growth of MSMEs and threatens their projects because its negative impact extends to all elements of the company's external environment ([Dhochak & Sharma, 2015](http://example.com)).
Survival strategy is a strategy used by business people to be able to survive in times of crisis including the Covid 19 pandemic. There are many parties who will benefit if MSMEs continue to survive apart from the managers. They are workers, consumers, and suppliers (Bercovitz & Mitchell, 2007). A company can survive if it can adapt to the conditions and the surrounding environment (Gustavsson & Larsson, 2020). Approach to adapt to the business and strategic focus along with the development of the business from start to success. Meanwhile, Adam & Alarifi (2021) stated that innovation and entrepreneurship are important drivers for the growth and survival of MSMEs.

**SWOT analysis**

SWOT analysis is a tool used to analyze strengths, weaknesses, opportunities and threats, in order to create strategies for achieving organizational or company goals (Rangkuty, 2006). The following are the steps of a SWOT analysis based on a qualitative approach.

1) Data collection, can be done by presenting all sources so that in-depth interviews, documentation and observations can be carried out.
2) Analysis of internal factors (IFAS) and external factors (EFAS). Internal factor analysis consists of elements of strengths and weaknesses. While external factors consist of elements of opportunities and threats.
3) Create a SWOT matrix that produces a strategy for developing the organization, which includes the SO (strength-opportunity strategy), WO (weakness-opportunity strategy), ST (strength-threats strategy), and WT strategy (weakness-threats strategy).

Some of the results of research on the role of SWOT analysis in creating marketing strategies include Brooks et al. (2014) which states that a SWOT analysis is needed to create a marketing strategy for a start-up business. Ritonga et al. (2018) suggests that SWOT analysis is used to create a tourism village marketing strategy. While Yulia et al. (2019) states that SWOT analysis is used to solve marketing problems in small industries.

**Method**

This type of research is a qualitative case study. The research location is in Malang Raya, which includes the city of Malang, Malang district and Batu city. The research subjects are SMEs engaged in the fashion sector, totaling 10 SMEs. While the total number of research informants was 30 people consisting of 10 key informants and 20 supporting informants. Key informants are fashion business owners, while supporting informants include employees and families. Research data collection was done by interview, observation and documentation. While the data analysis using SWOT analysis which includes Internal Factor Analysis (IFAS) and External Factor Analysis (EFAS) (Rangkuty, 2006). To obtain the conclusion of the analysis, a SWOT analysis matrix was made by taking into account the strategies of Strength –
Opportunity (SO), Strength – Threats (ST), Weakness – Opportunity (WO) and Weakness – Threats (WT). The following is a SWOT analysis matrix design.

Table 1. SWOT Analysis Matrix

<table>
<thead>
<tr>
<th>Internal and External Factors</th>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>SO strategy</td>
<td>WO strategy</td>
</tr>
<tr>
<td>Threats</td>
<td>ST strategy</td>
<td>WT strategy</td>
</tr>
</tbody>
</table>

(Source: Rangkuty, 2006)

Results and Discussion
Problems Faced by SMEs During The Pandemic

The Corona Virus pandemic in Indonesia has been going on since March 2019, so it has been more than 2 years now. Many problems have arisen as a result of the pandemic, ranging from health, education, social and economic problems. Micro, Small and Medium Enterprises (MSMEs) are the groups most affected by the pandemic. The decline in the number of sales is practically unavoidable along with changes in people's behaviour due to PPKM (Enforcement of Restrictions on Community Activities). This PPKM is carried out to limit interactions, meetings between people and people and groups with groups, which is expected to reduce the transmission of COVID-19. However, PPKM is not the first term for social restriction rules used by the government. However, PPKM is not the first social restriction rule used by the government. Previously, there was another term that was also introduced by the government since the beginning of the COVID-19 pandemic, namely PSBB (Large-scale social restrictions) which took effect on April 17, 2020.

Based on the results of interviews and observations, it is shown that during the Covid 19 pandemic which has lasted for 2 years, there has been an extraordinary decline in demand for the fashion business. People's behaviour changed completely along with the implementation of the 6M health protocol, ranging from (1) washing hands with soap, (2) maintaining distance, (3) using masks, (4) reducing mobility, (5) avoiding crowds, (5) avoiding eating together. The priority of meeting people's needs is no longer fashion, but shifts to health needs such as masks, vitamins and medicines. The impact of changes in consumer behaviour is felt by business people, including MSMEs. People's incomes have decreased, many companies have gone bankrupt and there have been layoffs. As stated by owners one of the fashion shops in the Malang city, as follows:

"The pandemic seems to be going on for a long time. If I only depend on the fashion business then I will go bankrupt. For that I opened another business that people need during the pandemic, namely the flower business. When people reduced their activities outside the home, they want to find other activities such as gardening, planting various flowers and vegetables. So thank God there is income even though it is not much."
Meanwhile, fashion SMEs in Batu city complained about the decline in tourists visiting the city of Batu which had an impact on the decline in demand for the fashion business. When compared to Malang city, SMEs in Batu city have different target consumers. If fashion consumers in the city of Malang on average are students, but in the city of Batu are tourists. In the city of Malang, many students return to their hometowns because they study online. Meanwhile, the number of tourists in Batu city decreased because it was a government regulation regarding PSBB (Large-Scale Social Restrictions) which later changed to PPKM (Enforcement of Restrictions on Community Activities) which was valid until this research was carried out.

Fashion SMEs in Malang district, which has a market segment of the surrounding community, showed that both before Eid al-Fitr and Eid al-Adha, people rarely shop for clothes. As stated by one of the fashion in Kepanjen, Malang Regency below.

"Even before Eid and New Year’s Eve, people don’t want to buy clothes. The money is chosen to be used to buy basic needs such as rice, cooking oil, side dishes, and so on. The economy is really tough, so you have to be patient."

From the results of interviews and observations, it showed that both fashion SMEs in Malang Raya have experienced a decline in sales of up to 70%. Seeing the conditions above, it is clear that SMEs must innovate in order to survive during the pandemic. The same condition also occurred in several countries as stated by Aladejebi (2020) who stated that the impact of the COVID-19 Pandemic in Nigeria included a reduction in income, a reduction in staff salaries, and the government did not act enough to reduce the spread of the pandemic. A significant problem faced by SMEs is the inability to repay loans, rent and salaries. Suggestions for SMEs are for the government to lower interest rates, loosen loans, and pay taxes. Meanwhile, Harianto & Sari (2021) stated that MSME activities in Jakarta that carried out offline marketing experienced a decrease in sales turnover by more than 30%. Meanwhile, MSMEs using the MSME digitization strategy with an online system with smartphones experienced an increase in sales turnover of 3.8%.

The Capacity of MSMEs in Solving Business Problems During The Pandemic

Every SME player has different abilities in terms of innovation and creativity in maintaining their business during the pandemic. Some laid off their employees and the sales were carried out by the owner and his family. There are also those who keep their employees but reduce their salaries because they adjust to declining incomes. There are those who do product differentiation, namely opening new businesses needed by the community during the pandemic, but old businesses still exist. Some survive by optimizing online sales using social media, namely Instagram, Facebook, and WhatsApp. However, there are also those who choose to close their business.
because they cannot pay operational costs such as employee salaries, taxes, shop rent, electricity and water costs.

Regarding the capacity of fashion SMEs in the city of Malang, on average they have good enough innovation to be able to survive during the pandemic. The strategies used to survive include adding online marketing strategies with social media and the Tokopedia marketplace. So that the market becomes more numerous, before the pandemic the market was only offline consumers, and during the pandemic it was added with online consumers. In addition, they also diversify their products by selling various models of hijab and masks for the pandemic period.

Fashion MSME actors in Batu city have different capacities from Malang city. Fashion MSMEs in Batu prefer to sell their products offline due to their limited mastery of technology. The location of fashion stores in the city of Batu is mostly around the city center of Batu. Before the pandemic they were used to being visited by tourists offline, so they felt less need to learn online marketing. As stated by one of the fashion shop owners around the town of Batu below.

“I don’t sell online because it’s complicated, I have to make a website, update status, open an account, send goods to consumers, and so on. I feel more comfortable this way if there are goods there is money (cash).”

The capacity of SMEs in Malang district is almost the same as Batu city. Many fashion stores in Malang district are located around traditional markets. Therefore, they generally rely on consumers who buy offline. They feel no need to learn online marketing because they are comfortable with direct cash sales. However, with the ongoing pandemic situation, their sales turnover has decreased. If MSME actors do not immediately adapt to the pandemic situation, they will be abandoned by consumers. As stated by Bercovitz & Mitchell (2007) that MSMEs need to create strategies in order to survive during the pandemic. There are many parties who will benefit if MSMEs continue to survive during the Covid 19 pandemic. Apart from the owners, the parties who will benefit are workers, consumers, and suppliers.

In other hand Sui & Baum (2014) suggested that resources have an important role for the survival of SMEs. Resources that have the ability to innovate are indispensable for companies born globally and followed by companies born in the region. Meanwhile Ibidunni, et al. (2009) stated that there is a significant relationship between product innovation and the viability of SMEs. Changes in consumer tastes and preferences require product innovation, and that product innovation increases the sales volume of SMEs. Furthermore, Velu (2015) states that new companies with high or low levels of business model innovation are more likely to last longer than new companies with moderate levels of business model innovation.

Based on the explanation above, it can be stated that of the 10 fashion SMEs above, only 4 SMEs are using digital marketing media, while 6 other SMEs are still using the offline method.
Analysis of The Survival Strategy of MSMEs

In the business concept, what is meant by survival strategy is a strategy to keep the business running even in difficult times, including during the Covid 19 pandemic. Creating a strategy is an art to conquer consumers in certain situations. The ability to create strategies is influenced by several factors including the internal and external environment. Internal conditions are the internal resources of MSMEs such as the capacity of human resources, finance, and infrastructure. This internal condition has characteristics that can be controlled by SMEs. External conditions are conditions that cannot be controlled by business actors, such as changes in regulations, natural disasters, and pandemic situations. For this reason, in overcoming these external conditions, what business people can do is adjust (adapt) to existing conditions. For this reason, innovation and creation are needed in order to adapt to changing current situations.

Regarding the ability to innovate, Chauke & Obadire (2020) suggested that entrepreneurship education, self-creativity, self-efficacy and talent are key factors that motivate youth to entrepreneurship as an economic survival strategy in South Africa. This study recommends that entrepreneurship education in formal and informal school environments must equip an entrepreneurial mind-set from an early age so that they have high ability to innovate. Furthermore, Ionita (2012) also stated that a marketer needs to have entrepreneurial abilities, so that they can form new innovations if they experience marketing problems. This ability is known as Entrepreneurial Marketing (EM). Caballero-Morales (2021) stated that to guide companies to innovate towards new markets and make better use of resources, a multidisciplinary methodological approach can be used.

Based on the description above, the strengths, weaknesses, opportunities and threats of fashion SMEs during the Covid 19 pandemic can be described in the following table.

Table 2. Results of Internal and External Factor Analysis

<table>
<thead>
<tr>
<th>Internal and External Factors</th>
<th>Strength (S)</th>
<th>Weakness (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• MSME actors have the potential to develop</td>
<td>• Technological mastery of MSME actors is still low</td>
</tr>
<tr>
<td></td>
<td>• Has the potential to reflect, learn from past experiences</td>
<td>• During the pandemic, the position of fashion products becomes a secondary need</td>
</tr>
<tr>
<td>Opportunity (O)</td>
<td>SO strategy</td>
<td>WO strategy</td>
</tr>
<tr>
<td></td>
<td>• The pandemic period has the potential to expand the online market.</td>
<td>• Creating/selling fashion products that suit consumer needs during the pandemic</td>
</tr>
<tr>
<td></td>
<td>• The pandemic period has the potential to</td>
<td>• Product diversification beyond the main product</td>
</tr>
<tr>
<td></td>
<td>• Expanding market segments with a mix of offline and online methods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Adding online marketing network (reseller)</td>
<td></td>
</tr>
</tbody>
</table>
Based on the data in Table 1, the survival strategy of fashion SMEs in the face of the Covid 19 pandemic can be described as follows.

- Adaptation to changes in people's behavior during the pandemic.
- Increasing mastery of technology either through training or self-study
- Expanding target consumers from offline market to offline and online.
- Adding an online marketing network through resellers in the marketplace,
- Diversify products, both main and additional products according to the needs of the community during the pandemic.

It is hoped that by implementing the survival strategy above, the sustainability of the MSME business can continue. This is in accordance with the results of research by Ifekwem & Adedamola (2016) which shows that there is a relationship between survival strategy and business sustainability. If the business can survive in times of crisis, it is hoped that the next business trip will be sustainable. On the other hand Hassan, et al. (2018) states that strategies to survive in times of crisis can be done by optimizing online marketing strategies through various media because they have the ability to reach more customers. Even this use of online marketing media requires serious efforts from MSME actors, starting from consistency in updating information, creating content to the quality of uploaded photos. Alshaketheep et al. (2020) stated that consumers prefer online business services that are communicative and empathetic. Communicative means that the seller provides immediate answers to customer questions. While empathy is closely related to the attitude of the seller to the customer.

Other research results were stated by Singh, et al. (2009) which states that efforts to survive in times of crisis can be done by applying lean thinking, which is a continuous effort to eliminate waste, increase product added value and provide value to customers. In relation to fashion products in SMEs, the added value of the product can be done by creating multi-functional hijab products. On the one hand it can be worn as a regular hijab and on the other hand it can be used as a belt, scarf and mask. Of course, this requires innovation from MSME actors. As stated by Lee, et al. (2014) stated that start-up businesses need to explore ideas for meeting customer needs, changing customer value and continuous innovation in order to actively respond to change management. Iorun (2014) stated that creativity is a strategy for small business survival in Nigeria. The results also show that high risk taking is a strategy for the survival of SMEs in Nigeria.
Conclusion

Based on the results of the research and discussion above, the following conclusions can be drawn.

1. The problem experienced by fashion MSME actors during the Covid 19 pandemic in Greater Malang was the decline in the number of sales so that several MSMEs went out of business. Most fashion MSME actors have not been able to operate digital marketing, so they still hope that consumers will come to make purchases directly at the store.

2. Based on the results of the SWOT analysis, it can be seen that the MSME strategies to survive during the pandemic are (a) Adaptation to changes in people's behavior during the pandemic. (b) Increasing mastery of technology either through training or self-study. (c) Expanding target consumers from offline market to offline and online. (d) Adding an online marketing network through resellers in the marketplace. (e) Diversify products, both main and additional products according to the needs of the community during the pandemic.

References


