

## ONLINE BUSINESS TRANSFORMATION IN THE COVID-19 PANDEMIC ERA (CASE STUDY OF MSME ACTIVITIES IN TANGERANG CITY)

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**Abstract:** This study aims to find out how the online business transformation in Micro, Small and Medium Enterprises (MSMEs) during the Covid-19 pandemic. The Covid-19 pandemic has made the majority of economic sectors, especially MSMEs stagnant. The majority of MSME actors cannot develop and many end up in bankruptcy. This is what makes MSME business actors change their sales strategy through digitalization schemes. The digitization scheme is by utilizing a marketplace (intermediary) and using social media as a marketing technique. In addition, digital MSME actors must be able to synergize with netizens in marketing products and services. Thus, the digital MSME development scheme can be an alternative to saving business actors in the midst of the Covid-19 pandemic. This research uses descriptive qualitative method. The formulation of the problem in the research is: how MSMEs adapt to the online business transformation in the era of the Covid-19 pandemic, the impact of MSME turnover on the Covid-19 pandemic, and how big the impact of the COVID-19 The pandemic is on the MSME workforce. This study argues that the development of digital MSMEs has become an alternative to saving as well as developing digital entrepreneurship in Indonesia during the Covid-19 pandemic.

**Keywords:** *Online Business Transformation; MSMEs; Turnover; Manpower, Covid-19; Technology*

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### 1. Introduction

The increasingly fierce business competition in the era of globalization must be addressed by MSME actors by implementing strategic steps for business continuity. The emergence of the covid-19 pandemic that hit almost all over the world resulted in the joints of life such as education and the economy experiencing paralysis which resulted in learning methods being carried out online and many companies reducing production activities and many even terminating employment (PHK). The Covid-19 pandemic is not only a threat but also an opportunity for MSME actors to adapt and transform in order to survive.

The functional strategies of the companies have undergone significant changes - marketing, production, personnel management strategies. The transformation of the marketing sphere is due to new trends in the sphere of consumption that have arisen as a result of the introduction of restrictive measures by states. The changed conditions of production activities necessitated accelerated digitalization and robotization of production, restructuring of supply chains and determined the need for the formation of innovative production strategies that meet

the conditions of the industry 4.0 era. The strategy and tactics of personnel management of companies are adapting to the conditions of the epidemic using a remote work format, digitalization of processes and tasks, and the use of new approaches in management (Roache, Rowe-Holder, & Muschette, 2020)

SMEs have challenges such as the ability of human resources, understanding of information technology, and business model transformation. An interesting finding in this study is that in facing the new normal era, information technology is not a determining factor for increasing consumer trust and increasing income, but product hygiene and environmental sanitation are the determining factors for the existence of SMEs in eastern Indonesia (Irawan, 2020).

The current realities show that technologies that enable social business creation, customer relationship management systems, new communications channels, virtual reality technologies for remote operations, and the Internet of Things (IoT) are crucial to lowering the costs of doing business. Big data and predictive and visual analytics are critical enablers to aiding complex business decisions in the current challenging business climate (Akpan, Soopramanien, & Kwak, 2021).

Internet and Communication Technologies, blockchain in the food supply chain and other Industry 4.0 applications, as well as approaches that redefine the way we consume food (e.g., lab-grown meat, plant-based alternatives of meat, and valorization of a vast range of bioresources), are the innovations with the highest potential in the new era. There is also an equally pressing need to exploit social marketing to understand attitudes, perceptions, and barriers that influence the behavior change of consumers and the agri-food industry (M.Galanakis, Rizou, M.S.Aldawoud, IlknurUcak, & J.Rowan, 2021).

The pandemic has shown that our food systems are fragile. Since the global population and urbanization will grow in the coming decades, pandemics will likely occur more often, and climate change will intensify. Consequently, there is a need to ensure that our food systems become more sustainable and resilient. To that end, we have highlighted the need to develop contingency plans and mitigation strategies that would allow a more rapid response to extreme events (e.g., disasters from climate change) and transform the food sector by making it more resilient (Boyacı-Gündüz, Ibrahim, Wei, & Galanakis, 2021).

The aims of this research are (1). To find out and analyze the adaptation of online business transformation in the Covid-19 pandemic era carried out by MSME actors. (2). To find out and analyze the impact of MSME turnover in the Covid-19 pandemic era. (3). To find out and analyze the impact of the Covid-19 pandemic on MSME workers.

## **2. Research Method**

This study uses descriptive qualitative methods because in this research it produces conclusions in the form of data that describes in detail, not data in the form of numbers. This is because the qualitative approach as a research procedure produces descriptive data in the form of written or spoken words from people and observed behavior. Qualitative research is a scientific approach that uncovers certain social situations by properly describing reality, formed by words based on relevant data analysis techniques obtained from natural situations.

The subjects and objects of this research are MSME actors in Tangerang City. This is so that we can find out what steps and strategies are being taken to deal with the Covid-19 Pandemic. Data collection techniques in this study consisted of: (1). Literature Study, collecting data through literature, journals, internet, and reading both textbooks and papers related to the research topic. (2). Interview or interview is a data collection technique by asking questions directly which is done during interviews. Interviews were conducted face to face or by telephone. Interviews are the most flexible way to collect data so that the questions that will be asked to the source can be answered directly so that they can strengthen the data during observation, which is just assessing the place to be studied. From the interview, the researcher got even more data. (3). Documentation, collecting documents in the form of writing, pictures or monumental works from someone (Sugiyono, 2013). Written documents are in the form of diaries, life histories, stories, biographies, policy regulations, and others. Illustrated documents are photos, sketches, live images and others. Documents in the form of works such as works of art in the form of pictures, sculptures, films, and others.

The data analysis technique commonly used in business research is to use a SWOT analysis technique with a qualitative approach, which consists of Strengths, Weaknesses, Opportunities and Threats. SWOT analysis aims to maximize strengths and opportunities but can minimize weaknesses and threats. SWOT analysis is a systematic identification of strategic factors to formulate strategies. Strategy is a very important tool to achieve goals. Strategy is a comprehensive master plan that explains how to achieve all the goals that have been previously set (Rangkuti, 2018).

### **3. Results and Discussion**

#### **3.1. Results**

##### **Online Business Transformation of MSME Actors**

The target of 2 million micro, small and medium enterprises (MSMEs) to go digital through the Proudly Made Indonesia (BBI) movement initiated by the government has exceeded the target. It was noted that as of the end of December 2020, the number of MSMEs entering the digital ecosystem reached 3.8 million. In fact, as of March 2021, the number of MSMEs entering the digital ecosystem has again jumped to 4.8 million. Or an increase of 1 million MSMEs in just four months. The rapid increase in the number of MSMEs who are members of the digital ecosystem as a result of the Covid-19 pandemic, because during the pandemic the government was committed to limiting the social and economic mobility of the community. One of them is by suggesting selling transaction activities from home to break the chain of spreading the new type of corona virus. Because the majority of people are at home in the pandemic and the majority of people buy online. In the future the trend of the movement of MSMEs into the digital ecosystem will continue to increase. This is also in line with Bank Indonesia's forecast for the increasing number of MSMEs to go digital. The Jokowi government was intensively promoting the Proud Made in Indonesia program to encourage micro, small and medium enterprises (MSMEs) to enter the digital era. This also helps the readiness of MSME businesses in the new normal after the Covid-19 pandemic. (Liputan6.com, 2021).

The government was encouraging 10 million micro, small and medium enterprises (MSMEs) to be connected to digital platforms through the program. Because, currently only 13

percent or 8 million MSMEs have gone digital. Have to work together to get 2 million MSME products to go digital. Because there are already 8 million MSMEs already doing business online. The target can be achieved this year. Moreover, since its launch on May 14, there have been 600,000 MSMEs that have been digitized (bisnis.tempco.co, 2020). In addition, the soaring trend of online shopping during the Covid-19 pandemic is believed to be able to boost the number of MSMEs that will go digital. The Tangerang City Government has prepared a digital-based platform for business actors. The City Government created the MSMEs Embrace application in collaboration with the Tangerang City Communications and Information Office.

### **MSME Turnover in Tangerang**

The results of a survey by the Central Statistics Agency (BPS) stated that sales of 90% of micro, small and medium enterprises (MSMEs) experienced a decline. This is because the COVID-19 pandemic has caused a drop in demand. The overall economic movement also slowed down and had an impact on the MSME sector. The government realizes that MSMEs are one of the business sectors most affected by the pandemic. The impact of Covid-19 is huge on MSMEs. Demand and activity fell significantly. In fact, closing a business, (because) cashflow is very difficult. The distribution of raw materials is very difficult and capital goods are also difficult," said Special Staff of the Ministry of Finance, Yustinus Prastowo, in a virtual discussion. According to him, MSME actors have taken a number of steps to survive in difficult times. Such as, looking for new markets, providing discounted prices, asking for relief from principal installment payments and looking for cheaper alternative raw material suppliers. The government has a significant role through transparent and accountable policies. The goal is to help and ease the burden on the MSME sector in the midst of the Covid-19 pandemic. Moreover, MSMEs contribute greatly to domestic economic growth. If the MSME sector is not assisted, it will have a profound impact. For example, a wave of layoffs (PHK) and an increase in bad loans. The government has implemented a number of policies, namely interest subsidies, tax incentives, guarantees for working capital loans and placement of government funds (Nurhidayat, 2020).

The government is targeting 60 million debtors. It consists of debtors of PNM, Pegadaian, KUR and others. The subsidy provided by the government is 6% for the first three months. Also, 3% for the second 3 months and can be used for loans of up to Rp 10 billion. The government also provides MSME tax incentives of 0.5% until the end of the year. In addition, there is a guarantee of working capital loans through guaranteeing SOEs, namely Jamkrindo and Askrindo, for a credit limit of up to Rp 10 billion. The government will provide subsidies for the payment of the Guarantee Service Fee (IJP). "MSMEs have this access to start a business. The conditions are not difficult. How will banks and financial institutions participate in this program," he concluded. The policy of placing government funds in various partner banks so that they can be circulated to business actors. That's with an interest rate of 80% of the benchmark interest rate of Bank Indonesia. Thus, banks can extend credit at low interest rates. The government has placed Rp 30 trillion in funds in Himbara and Rp 11.5 trillion in seven Regional Development Banks (BPD). The assistance for MSME actors is Rp. 2.4 million per person as initial working capital (Nurhidayat, 2020).

For handling in Tangerang City in dealing with problems by decreasing the demand for MSMEs, they provide or make new innovations in MSME products so that buyers can choose according to taste, in marketing products, MSMEs choose to market using technology/systems/e-commerce. commerce such as Lazada, Tokopedia, Shoppe etc. and there are also traditional ones

by selling directly to customers, for the Tangerang City area they also have a special application for MSMEs to market their products such as the Tangerang City MSME Portal application, for raw materials for MSMEs by estimating business for the future to prepare raw materials, arrange raw material management, recalculate and group stock, and record raw materials correctly. For general MSMEs who have been transacting more traditionally, switching to using technology will be very helpful during this pandemic (Santi, 2020).

To maintain business in the face of the Covid-19 pandemic, MSME actors can carry out several strategies, namely: (1) utilizing E-commerce to get a wider market share so that the marketing system can also be more optimal; (2) using technology to make marketing more effective, because at this time technology; (3) is very necessary and also follows the current market share; (4) Improvement of product quality and customer service so that consumers become satisfied and loyal to the products provided.; (5) CRM (Customer Relationship Marketing) is needed or called relationship marketing with customers so that consumers are satisfied and they will continuously make purchase transactions so as to create consumer loyalty.

From the results of this study, there is an agreement that MSME actors can increase their income during a pandemic because business actors already have loyal customers (customer based). In addition, these business actors also continue to carry out business activities even though many other business actors have closed their businesses during the Covid-19 pandemic. These business actors do not give up even though sales are reduced, they get around this by reducing the stock of goods and controlling spending (Pratiwia, Aisya, & Saputra, 2021).

### **MSME Workforce**

During the Covid-19 pandemic, the number of MSME actors in Tangerang City did not decrease. The pandemic conditions that have occurred in Indonesia since March 2020 have not dampened the public's interest to keep trying. On the contrary, the passion to continue trying to maintain life through the management of MSMEs in the midst of the current pandemic is getting higher. As an effort to improve the community's economy (Fauzi, 2020)

### **3.2. Discussion**

High consumer demand for online stores, especially health products such as supplements, immune boosters, and honey. Apparently since the pandemic, consumers have become more aware of their health and are more likely to seek information and educate themselves about how to live a healthy life. Feeling that selling online is the key to surviving the pandemic, Erick maximizes the sale of Organic Stores through online. Since the Covid-19 pandemic, TokoTalk claims to see more and more MSMEs who inevitably have to carry out digital transformations, change the way they sell and transact online so they can still accommodate changes in consumer behavior. Indonesian MSMEs are famous for not giving up. So they can be creative and innovate so that the business continues and does not lay off employees. TokoTalk tries to help find solutions for them through technology and direct education. Interest in online shopping during the Covid-19 pandemic is now increasingly aggressive. Consumer interest in buying health products such as hand sanitizers online, for example, skyrocketed to 5,585 percent, followed by vitamin C with almost 2,000 percent throughout February to March 2020. In line with iPrice's findings, TokoTalk also found an increase in demand for MSMEs that already sell online via a website built through Tokotalk, for example health products and ready-to-eat frozen foods (Rasti, 2020).



#### **4. Conclusion**

At the time of Pandemic Covid-19 offender effort must force themselves to survive while still producing, marketing, and transaction products online. The outbreak of this virus provides new opportunities and strategies in terms of production, marketing, transaction, and product delivery to consumers. Based on the Head of the MSME Division at the Department of Industry, Trade, Cooperatives and Small and Medium Enterprises. The number of MSME actors in Tangerang City is 13,368.

The reason for MSME players transforming their business online is due to the high consumer demand in online business during the pandemic, unlimited market reach, and also the adjustment of the selling system to current conditions. The obstacles experienced by MSME actors during online business transformation are lack of knowledge in online business, online business processes that are not instant so it takes time, large amounts of capital, and community needs that are more inclined to priority needs such as health and food.

Strategies that can be applied by MSME actors are collaborating in online businesses so that they work together with online platforms and social media to market their products, reduce inventory and control spending, product innovation, expand market reach, and apply discounts to attract customers.

After MSME actors implemented online business transformation, there were several MSMEs that experienced an increase in turnover such as Organic Shops. Then there are those who have decreased, such as Hellobyankids, and there are also those whose turnover has not been seen, such as Makaronce because they have just started their business. The ups and downs of turnover in this online business depend on the business sector being run. One example of a sector experiencing an increase in turnover is the sector related to health, because people prioritize health, they need products such as masks, vitamins, oxygen cylinders, and others compared to buying goods that are not their priority.

The workforce in MSMEs is the same, some are increasing, stable and decreasing. This depends on the financial condition of the business being run. For Organic Stores, the workforce is stable, there are no additions or subtractions, this is because organic stores continue to be creative and innovate so that their business can continue to run so they don't have to reduce the number of employees. Then for hellobyankids, the workforce has increased, this is because since the pandemic Dhea has opened an offline store for her business.

Thus the research journals that we can present, constructive criticism and suggestions are highly expected for the sake of further good. Hopefully this research journal can add knowledge to all of us.

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