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Adapting business model with Covid-19 pandemic using business strategic cards

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Abstract. The Covid-19 pandemic crisis has dealt a severe blow to the Indonesian economy, especially the informal sector that driven by small and medium enterprises (SMEs). The implementation of physical and social distancing as part of a health protocol to overcome the pandemic forces food and beverage SMEs to adjust its product quality and service provision based on these standards and become more consumer-oriented. It is relevant to changing consumer lifestyles, which prioritize hygiene and product benefits for health. To adapt to this situation, SMEs are also required to adjust business models that support work flexibility, collaborative teamwork, and organize workplaces with incremental and iterative work sequences to achieve constant developing changes and help them to achieve their goals more effectively. Therefore, this study aims to analyze the process of adaptation of business models in food and beverage SMEs in Surabaya to the Covid-19 pandemic crisis.

Keywords. Agile Business Model; Covid-19; CRM; food and beverages; SMEs

1. Introduction

Covid-19 has had a major impact on the economies of countries in Southeast Asia. This is due not only to the spread of the virus which is harmful to public health, but also because the supply chain for goods is highly dependent on China as a supplier of raw goods and the existence of expert resources from China [1]. In Indonesia, Covid-19 has had an impact in various sectors. Indonesia's economic growth this year is expected to decline [2]. Small and medium enterprises have been particularly affected by the Covid-19 situation [3].

The government, through the Ministry of Cooperatives and SMEs, has also released an e-form for the benefit of collecting data on cooperative and MSME actors affected by COVID-19.

This data collection is a follow-up to the program through the complaint hotline for Cooperatives and SMEs, which have been affected by Covid-19, which was opened on March 17, 2020 as a quick response from the Ministry of Cooperatives and MSMEs to receive reports, as a basis for preparing the right strategy, so that they can distribute immediate assistance [4].

This study aims to analyze the process of adaptation of business models in food and beverage SMEs in Surabaya to the Covid-19 pandemic crisis.

2. Literature review

A. SMEs

MSMEs have an important role in the national economy [5]. However, SMEs have limitations, such as scarcity of resources, unstructured innovation processes, and unstructured internal capabilities [6]. Nonetheless, SMEs are less bureaucratic, more flexible in decision-making, have greater risks, and often have specialized knowledge in a particular niche [7].

B. SMEs Supply Chain Strategy

SMEs must have an effective coordination strategy to strike the right balance among all members of the supply chain [8]. The members of the supply chain are interdependent and these members need to be coordinated with managing dependence efficiently between one another [9].

MSMEs are faced with the challenges of order uncertainty, fluctuating raw material prices, improving service quality, and cost efficiency. For that, MSMEs must build networks with suppliers and customers to improve coordination and turn the challenges they face into opportunities to develop their [8].

C. SMEs Customer Relationship Management (CRM)

CRM is very important in ensuring positive relationships and interactions with current and potential customers. The presence of the internet has made CRM easier. CRM with the help of this technology is known as electronic CRM (e-CRM) [10]. Furthermore, the existence of social media gave rise to social CRM (s-CRM), which is a new approach by engaging customers in mutually beneficial collaborative conversations between business people and customers [11]. s-CRM can significantly increase business presence in social media and improve the future performance of MSMEs [10].

D. SMEs Promotion

Like large companies, MSMEs must be consistent and coherent in communicating their brand and organizational values. Building and efficient brand management in SMEs implies greater use of creativity, focusing on strong associations developed by the company itself or through partners and finding low-cost communication schemes to increase brand equity [12]. The existence of internet technology, especially social media, has made it easier for MSMEs to carry out promotions or marketing communications. Many MSMEs use social media to advertise and market their products and services and attract audiences who use these social media [13].

E. Agile Methodologies (AM)

Agile methodologies are a set of software development methods based on iterative and incremental development, which promote adaptive planning, evolutionary development and delivery, and encourage a fast and flexible response to change [14]. AM has the benefit of promoting customer engagement from the early stages of product development, thus making it more customer-centric [15].

3. Method

This research is an experimental study by providing a subject stimulus and observing the results. Data obtained by observation and in-depth interviews. The research subjects were food MSMEs in Surabaya which were affected by the Covid-19 Pandemic. The research was conducted at food MSMEs at the Sentra PKL Karah, totaling 38 tenants.

This research begins with observations about the impact of the Covid-19 Pandemic on MSMEs in Surabaya. From the results of these observations, it is necessary to identify steps that can be taken to help MSMEs to be able to invest in times of crisis. Furthermore, the preparation of a strategic card for MSMEs is carried out. The strategy cards that have been prepared are then validated with the help of experts and several MSMEs. The final step is to evaluate the strategy card according to expert input and SMEs.

4. Result and discussion

a. *Interviews and Observations to MSMEs.*

From the results of interviews and observations to MSMEs Food at the Sentra PKL Karah, it can be seen that marketing communications are only carried out by the Karah PKL Center and only by relying on business signage in front of the Karah PKL Center area. Meanwhile, the majority of MSMEs Food tenants do not carry out marketing communications themselves and sales are only carried out offline. Some food MSMEs receive orders via Whatsapp with the help of their children by communicating MSME products via Whatsapp status.

In addition, since the Covid-19 Pandemic, MSMEs owners said that visitors to the Sentra PKL Karah have decreased, especially when the large-scale social restrictions was run. This has an impact on the income of MSMEs which has decreased drastically. This caused the raw material expenditure for MSMEs to also decrease to half from before the Covid-19 Pandemic. Purchases of perishable raw materials such as fish have decreased by more than half in the period before the Covid-19 Pandemic.

Even though their income has decreased, MSMEs at the Sentra PKL Karah still have to pay land rent according to the regulations. Due to the Covid pandemic situation, Sentra PKL Karah complements health information in the Sentra PKL Karah area by placing information about the correct way to wash hands in the hand washing facilities which is at the entrance to the Sentra PKL Karah location. Then, the consumer's table is marked to ensure whether it is allowed to be used by consumers or not so that all visitors can keep their distance and stay safe.

b. *MSME Strategy Cards*

The MSME Strategy Cards to be compiled consist of: Raw Material (Supplier) Strategy Cards, Production Strategy Cards, Customer Relationship Management Strategy Cards, Promotion Strategy Cards, and Information System Strategy Cards with G-Suite. The Customer Relationship Management Strategy Card consists of 4 cards, namely Marketing, Support, Orders, and Sales. In developing a strategy card, the initial step taken is making a strategy card template. Furthermore, the research team periodically presented and discussed the results of the strategy card formulation to ensure that the strategy card content was suitable for MSMEs both in terms of content, or simple grammar so that MSMEs could easily understand it.



Figure 1. Cover of MSME Strategy Cards

Furthermore, researchers contacted experts in the field of Entrepreneurship at both the University and practitioners to find out whether the Strategy Card made was suitable for food MSMEs. Review and validation include content feasibility, presentation feasibility, linguistic feasibility, and graphic feasibility. Several revisions were made to accomplish the strategy cards.

Furthermore, the strategy card is given to each UMKM at the Karah PKL Center to help them manage their operational activities. Researchers also convey how to use the card to ensure they can use the card properly.

c. Creating Website for Sentra PKL Karah.

The Setra PKL Karah website (<https://sentrapklkarah.com/>) was created to help the online marketing communication of the Karah PKL Center as a complement to the G-Suite Marketing Information System Strategy Card.

5. Conclusion

This research produces a product, namely a Strategy Card that can be used by Food MSMEs to implement strategies with easy steps. MSMEs need assistance from related parties to survive in the Pandemic era. It is important to teach MSMEs to apply Health Protocols to gain consumer trust. Utilizing technology in operational activities, especially marketing, is a must for MSMEs to survive in the Pandemic era. Under change, there are always opportunities that can be captured by MSMEs so that they can survive in the Pandemic era.

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