

Implementation of the Innovation Strategy of Food SMEs to Increase Product Sales During The Covid-19 Pandemic

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ABSTRACT

Purpose- This research aims to analyze the durability and development of MSME products by using innovative strategies to survive and increase sales of their products during the COVID-19 pandemic. The research focuses on one of the players in the Processed Food Industry, potato derivative products with the brand “Ibu Emi”, located in Ciamis Regency, West Java.

Design/ methodology/approach- The method used in the research is a qualitative method on the basis of a single instrumental case study at SMEs named “Ibu Emi”. Semi-structured interview is a method used by researchers to obtain primary data, using interview guidelines that have been prepared previously, which the questions will develop during the interview process to obtain information about the implementation of the innovations that have been made. At the same time, The collecting data process to increase its data validity, researcher used the triangulation method. In the data reduction process of data collection, researcher used primary and secondary data sources. In presenting the data, the researcher used Microsoft word to transcribe the required information and analyze the collected data. In the writing stage, the researcher divided the interview transcript into several pieces of information. At the interpretation stage, from the data that has been compiled, the researcher makes a new narrative that can explain the data and information that has been previously collected. To strengthen the credibility of the research, the researcher also analyzes the e-commerce platform used for sales and documents of the internal data of MSMEs according to the research requirement.

Result- The results showed that product innovation was the main factor in surviving and increasing product sales. Another supporting factor found during the study was innovation in product marketing strategies through e-commerce and reseller networks.

Keywords Innovation, Product and sales strategy, Small to medium-sized enterprises.

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1. Introduction

The Covid-19 pandemic that surge Indonesia has had a serious impact on Business in various sectors. Based on data released by the Office of Cooperatives and Small Businesses of West Java Province, a survey in April, or one month after the first positive case of COVID-19 in Indonesia was announced by the President of the Republic of Indonesia, there were 37,119 micro, small and medium enterprises (MSMEs) in West Java affected by the pandemic, the Data shows 97% of production decreased and 40% were forced to stop operating. This drastic decrease was due to several factors such as the existence of regional quarantine or Large-Scale Social Restrictions (PSBB), which caused the economic routine to be hampered and product marketing was very limited as people's purchasing power continued to decline. But, surprisingly, not every MSMEs affected negatively by this pandemic, based on the data, there are still 3% of MSMEs which in fact experience an increase in income due to increased market demand (Source Office of Cooperatives and Small Businesses, West Java Province)

According to research conducted by Konstantinos (2020), it is stated that most companies experience difficulties in operating. MSMEs with all their limitations are unable to face risks and cannot serve customers. As a result, many small businesses are expected to survive and get out of the crisis during the Covid-19 pandemic.

This because the pandemic has made the social patterns of the community totally change from the habits that were previously practiced, the changing consumption patterns of the people which prioritize more to health and basic needs rather than tertiary needs, make more use of e-commerce usage to make transactions because it is considered safer to do when pandemic. This change forces MSMEs to start innovating and adapting to new marketing strategies.

Innovation in industry is a necessity, in order to be able to survive, change is an absolute. In the food processing industry, innovations that are usually carried out by food MSMEs are changing the shape, taste, packaging or quality of the product. "Bu Emi" as an MSME producer of processed food derived from potatoes, does the same thing, by changing or adapting to the changing of consumer patterns.

2. Research Purpose and Research Question

In the pandemic condition, the public sector is quite significantly affected, the large-scale social barriers imposed by the government have disrupted economic activity. During a pandemic, entrepreneurs must be able to adapt to make the right innovations. (Kraus et al., 2020).

There is an interesting phenomenon in which, processed food industry MSMEs experienced an increase in sales compared to non-food industry MSMEs such as batik or convection. Therefore, the aim of this research is to analyze the innovation strategy used by MSME specifically "Ibu Emi" which produced potato-based food located in Ciamis Regency, West Java.

To focus on the research exploration, the research questions for this study are:

RQ1. What is the innovation strategy applied by "Bu Emi" in increasing sales during the Covid-19 pandemic?

To answer these questions, researchers used a single case study qualitative approach, that are the basis of management Research Methods. From Tharenou et al (2007)

“Management Research Methods aims to foster in readers an understanding of the basic research processes and a capacity to identify management-related research questions. Readers will learn the manner in which others have designed and conducted research studies to answer management-related questions, the sources of the main existing literature in management-related studies, the procedures involved in collecting primary data, the purposes of techniques for analysing and presenting data, and the necessary structuring and writing skills to generate a research report.”

3. Literature Review

Ideas, systems, goods and methods that offer new solution called innovation. Innovation is needed in every field of industry, some researchers found that Innovation used to increase efficiency, reduce costs, and increase accessibility is a powerful effort to achieve the goals and sustainability of educational institutions. Alfred (2012). Weak support structures, lack of consultative processes, lack of a holistic approach and lack of evaluation and improvement will undermine the process of implementing innovation in educational institutions. Detelin et al. (2005) The leadership strategy has a relationship with the executive innovation process. Top management team affects Executive leadership and innovation attitudes that affect products, markets and innovation administration. Socio-cultural also has an effect on administrative innovation but has no effect on products and markets.

Types of innovation

Business model innovation, business model innovation represents a new dimension of innovation, which is different from traditional innovation dimensions, such as products, processes, or organizations Chuanpeng Yu (2018).

Design driven innovation, an important aspect of innovation concerns skills to understand, anticipate, and influence the emergence of new product and service meanings Heleen et al. (2018).

Service Innovation, service innovation consists of activities, such as transportation and logistics, information and knowledge-based services. In general, services are characterized by intangibility, heterogeneity, and inseparability. M. Imran and M. Umer (2018).

4. Research Methodology

The method used in this research is a qualitative method, particularly the basis of a single instrumental case study, which aims to examine the phenomenon of case studies that focus on one issue or center of attention, namely by examining innovations made by SMEs to be able to sustain during a pandemic. this time. According to Alberto and Giudita (2009) Another important point in qualitative research is related to the coherence of writing, which concerns the link between theoretical and applied dimensions in a phenomenon. Qualitative research focuses more on the

applicative field by making special contributions, socially important and related to scientific theory and in organizational life. Robert (2004). To illustrate this issue, only one limited case is used, that are Bu Emi, an MSMEs, which is engaged in the food business. In addition, case study design is an appropriate method for collecting data obtained from informing questions about the how and why of current phenomena, which the researcher has no control. (Yin, 2018). Case study research makes it possible to handle simple matters in complex situations, while considering how the phenomenon is influenced by the context in which it is situated. Pamela and Susan (2008).

Semi structure interview is a method used by researchers to obtain primary data. In this study, the researchers visited *Bu Emi's* business location and conducted face-to-face interviews directly with the owner, using interview guidelines that had been prepared previously and the questions would develop during the interview process to obtain the information needed. The interviews that are conducted are included in the in-depth interview category, which in practice is freer than the structured interview. The purpose of this type of interview is to find problems more openly, in which the interviewee is asked for their opinion, and ideas. In addition, researchers also took secondary data such as sales turnover reports, and current target market to strengthen the data obtained.

5. Data Collection Processing and Analysis

The process of collecting data and increasing its validity, the researcher used the triangulation method. In the **data reduction** process, researchers used primary and secondary data sources. Primary data were obtained from semi-structured interviews with the owner of *Bu Emi* who had successfully implemented innovations to increase product sales. Interviews were conducted 2 times, the first one was done digitally, and the second one was done by meeting face to face to conduct direct interviews with the owner. In the interview process, the researcher previously had made an interview guide as a basic reference for the questions asked, the question consisted of 8 main questions with follow-up questions in case there was information that needed to be explored more. the focus of the interview was trying to dig deeper information about sales strategies before the pandemic and during the pandemic, it is strengthened by the turnover and sales data resulting from these two situations. Researchers only interviewed the owner because the owner also acts as a manager who regulates the running of the business, and all controls and business policies are held by the owner, so that interviews can be carried out more depth in order to explore information related to the research topic.

Secondary data is the internal documents of the related MSME and the MSMEs e-commerce site platform. In addition, to keep the information intact, the researcher also uses a voice recording device to be able to record conversations during the interview, this is considered more flexible for the researcher so that both the researcher and the respondent can focus more on the discussion on the interview topic. After the interview data were recorded, then in presenting the data, the researcher used Microsoft word to transcribe the information needed and analyze the data collected. In the writing stage, the researcher divides the interview transcript into several pieces of

information, then observes the emerging themes, and finally provides subtitles to facilitate the **presentation of the data.**

At the interpretation stage, base on the data that has been compiled, the researcher makes a new narrative that can explain the data that has been previously collected. Based on both primary data obtained through the interview process and secondary data, researchers dig up information about comparisons and changes from the strategies carried out before the pandemic and during the pandemic that is still happening today. Furthermore, at the conclusion stage the researcher explains based on the interpretation of the resulting themes or subtitles. To show the validity of the data and its reliability, the researcher took several actions. First the researcher recorded details of the research process starting by using methodological triangulation to analyzing data from interviews and from secondary data. Second, researchers share analysis and research reports to the respondents, who in this case is the owner, this was intended to get feedback from respondents. And to strengthen its credibility, the researcher also analyzes the e-commerce platform currently used for sales and documents internal MSME data according to research needs. Researchers try to provide detailed information about the context of the study so that readers can understand directly and can enable readers to find suitability to be used as research topics in other cases. The researcher has tried to dig up other information from the marketing party at the MSMEs, but the researcher does not get any information because the control in managing the company is all in the hands of the owner.

6. Results

Five themes emerged from the analysis of primary and secondary data. The implementation of innovations carried out by MSME owners seems to have a strong impact on the success of increasing sales during a pandemic.

Theme 1, the business profile as well as a family company and innovation in the field of HR Governance

Bu emi's company was founded in May 2014, initially as a family company. Previously, they had started businesses in various fields ranging from fashion and restaurant, but it did not last long. Until finally the owner created a fried-shoestring-potato product that she liked personally and from that moment the orders of the product started to come, but because the owner did not have the ability to do marketing, her daughter, who is now the owner, acting as marketing and company manager, and it last until now. To manage the company, the owner involves other family member to take part in being employees in the company, but the obstacles faced until now are often ineffectiveness in carrying out the assigned tasks, because it is the family's nature that makes professionalism still low as a result before the pandemic in the production process often hampered which in turn has an impact on product sales.

This is in accordance with previous research which suggests that the consequences of family ownership and management in the long term are that family members usually involve more emotionally in work (Berrone et al., 2012). And this can directly affect company performance

(Arrondo-Garcia et al., 2016). However, when the pandemic occurred, owners began to realize the need for new innovations in the HR sector in their company, eventually the owners divided the task according to their respective abilities and skills by involving 60% of employees from the family and 40% from outside parties. And this has proven to be effective with the creation of a formal organizational structure and a clear job division which can now make it easier to run the company both in the process of supplying raw materials, production, packaging, distribution to marketing that is properly directed.

There is a unique characteristic that may indicate family companies are more likely to navigate through crises based on their focus on family, company ownership and business continuity. Family companies usually have extensive safeguards and information. (Miller and Le Breton-Miller, 2005). And usually for companies whose ownership or managed by the family, it minimizes the possibility of companies stuck in a crisis. (Faghfour et al., 2015).

Theme 2 The role of SME Owner/ visi owner/ managerial implication

Innovation management is a critical area of study because of its contribution toward the enhancement of the competitive advantage. Monther et al. (2020). The increase in sales during the pandemic is inseparable from the owner's role in managing the company, the owner has clear enthusiasm and goals that must be realized within a certain period of time, as is currently the case, the owner has actually projected that she must make new products in 2020 and establish shops and places, and separate production with living quarters. The plan is literally written and used as motivation for the owner and employees. And this year the plan has been realised, the owner's persistence in planning and operating the company makes an innovation both in terms of products and the sales strategy used continues to grow along with the needs. This is appropriate to the research conducted by Shafique and Kaylar (2018) which states that basically leaders who have a clear and directed vision can influence employees to innovate and even exceed company expectations. However, in essence, the innovation carried out by the owner and employees must be in accordance with the company and the type of product being traded, this is to keep the innovations that are carried out focused and not too widespread or adapted to needs.

Theme 3 Innovation and network / relation and e-commerce

Emirati women engaged in innovative SMEs are establishing personal networks with customers, suppliers, and other business partners globally to enhance their business performance (Erogul and McCrohan, 2008) and to match their competitors across the world. In one recent study, Sefiani et al. (2018) explained that the most important factor affecting the success of MSME businesses is the network.

In addition to market needs, the innovations made by *Bu emi* comes from participating in Business Development trainings, so from there comes creative ideas that can be used as an innovation both in terms of products and the right marketing strategy to do. In the early days before the pandemic, the products sold were focused on offline stores such as Yogya department stores and supermarkets, Asia Plaza, and product sales per month were 2000 pcs, but at the time of the pandemic, *Bu Emi* had started to focus on selling products online and started relying on resellers. This was triggered because the owner participated in various scale-up business training from one

of the logistics services company that challenged the owner to be able to scale up her company 10 times, since January, when the coaching begins, it has been intensely starting to make changes and innovations such as improving the company's internal structure, HR operational standards, packaging and marketing strategy.

In a study conducted by Fawzy and Mohamed (2003), the implementation of e-commerce has an impact on many growing cases, therefore organizations need to react to dissolve the flow of business processes along with increasing demand. And this is in line with what was done by Bu Emi, even though this pandemic is still taking place the owner has prepared the right strategy for product sales by focusing on e-commerce and attracting many resellers, this will ease the process of selling, promoting and distributing products. In fact, for now, the highest sales are conducted by resellers who resell Bu Emi products on e-commerce platforms. Currently, Bu Emi already has 50 resellers throughout Indonesia, 2 social media platform for fried-shoestring potatoes, and 1 e-commerce platform. And since then, product sales significantly increased 3 times to 6000 pcs per month.

Theme 4 Product Innovation and packaging, creating new products

In order to achieve a competitive advantage in any food supply chain, it is imperative for entrepreneurs to create attractive and functional packaging. (Lee et al., 2012). At first Bu Emi only had one product, namely fried-shoestring potato (mustofa Bu Emi) with a simple packaging label and still using transparent and unattractive plastic, then the owner made a product innovation by adding a flavor variant of fried-shoestring potato which initially only had one taste, currently, there are 8 flavors available. During this pandemic the owner also tried to make 3 new flavors that had not yet been launched and were still in the panellist test stage. In addition, in terms of packaging, Bu Emi had innovated by replacing simple sticker labels into industry-standard packaging using metalized paper with a more attractive visual packaging design. In addition, during this pandemic, Bu Emi began to create new products as additional product variants, but they were still in one type of staple food. the products that are now available at the Bu emi company are 4 products, there are: fried-shoestring potatoes, fried shallots, serundeng coconut (fried-coconut flakes) and potato chips.

7. Conclusion

The results showed that product innovation was the main factor in surviving and increasing product sales. During the research, researchers found 3 other supporting factors that helped in sales, those are: innovation in personal management, implementing a consistent vision and mission, and expanding the marketing network through e. -commerce and reseller. Those supporting factor can be used as subjects for further research.

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