

# How Digital Marketing Can Help SMEs Overcome the Impact of the Covid-19 Pandemic in Indonesia

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**Abstract.** Large countries and nearly all nations worldwide are affected by the Covid-19 pandemic regarding the economy, society, and politics. The pandemic hit the economy so hard, including SMEs as the backbone of our national economy. Our study was qualitative by examining international journal articles on the impact of the pandemic on SMEs. We wanted to find the macro and micro approaches to address the economic and business issues caused by the Covid-19 pandemic. This study aims to analyze the impact of the Covid-19 pandemic on SMEs in Indonesia and the solutions to help SMEs survive. Covid-19 has had a significant impact on the economy in Indonesia, especially SMEs.

**Keywords:** Covid 19, Pandemic, SMEs, Performance, Digital Marketing

## 1. Introduction

The Covid-19 pandemic affected the global economy. According to the World Trade Organization, international trade decreased by about 32% in 2020. Restrictions on communal activities have resulted in considerable economic losses across the country. The Covid-19 pandemic impacted transportation, tourism, trade, health, and other industries, but the home sector was the one that was most severely impacted [1], including the Small and Medium Enterprises (SME) sector [2]. This is due to the crucial role that SMEs play in the economy at large. Between 50% and 95% of jobs in ASEAN are created by SMEs, generating between 30% and 50% of the region's GDP. Small enterprises are among those most severely impacted by the Covid-19 problem; many are temporarily shuttering their operations and encountering cash flow issues [1]–[3]. The government needs to pay extra attention to the SME sector in a crisis like this because it is the largest contributor to GDP and can replace the manufacturing of consumer goods or semi-finished goods as a major source of jobs.

The Covid-19 pandemic reduced profits because of weakening demand and troubled supply chains, which raised the price of raw materials and production expenses during the epidemic. Covid-19 also causes significant issues and disruptions throughout the world in supply systems. The threat of a significant economic crisis brought on by the pandemic includes the halt of production in numerous countries, a decline in public consumption, a loss of consumer confidence, and plunging stock markets that create uncertainty [4], [5]. [4], [5] note the pandemic's impact on the economy, especially small businesses, including culinary, fashion, services, digital companies, home industries, and others. In Indonesia, existing data and studies reports showed that 56% of SMEs

experienced declining sales, 22% faced financial issues, 15% found the distribution of goods difficult, and 4% had to deal with problems with raw materials. Even traditional retail stalls are also affected by the pandemic. The government policies related to social distancing, working from home, and other policies to slow down the Covid-19 outbreak, disturbed the sustainability of traditional retail in Indonesia. Thus, we were interested in examining how we could solve the problems, and one of the solutions offered is digital marketing. Digital marketing does not necessarily need face-to-face meetings between customers and sellers, so it is applicable amid social restrictions.

## **2. Literature review**

### **2.1 Covid-19**

A recently identified coronavirus subtype is the cause of the contagious sickness known as Covid-19. Before the outbreak in Wuhan, China, in December 2019, and its subsequent emergence as a pandemic around the world, this novel virus and the illness it produces were unknown. [6], [7] described the most common symptoms of Covid-19 as fever, dry cough, and fatigue. Some patients may also experience other, less prevalent symptoms, including aches and pains, nasal congestion, headache, conjunctivitis, sore throat, diarrhea, loss of sense of taste or smell, skin rash, or discoloration of fingers or toes. The symptoms are usually mild and appear gradually [8], [9]. Some people get the virus but only have mild symptoms, and most affected persons (approximately 80%) recover without needing special care [4], [5], [10], [11]. About 1 in 5 people infected with Covid-19 suffer from severe illness and difficulty breathing. Elderly people and those with co-existing medical diseases, including diabetes, cancer, high blood pressure, or heart and lung disorders, are more likely to develop severe illnesses. However, anyone can become infected and become seriously ill. According to [6], [8], people of all ages should get medical help immediately if they have a fever, cough, and/or other symptoms like shortness of breath, pressure in the chest, or trouble speaking or moving. It is advised to contact the healthcare provider or facility in advance, if possible, so the patient can be routed to the proper healthcare facility.

### **2.2 Small and Medium Enterprises (SMEs)**

According to [6], [7], [12], the concept of SMEs refers to the rules of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. SMEs are privately owned firms that meet the legal requirements. According to [13], [14], the highest asset of this business is IDR 50 million, with the highest turnover of IDR 300 million. SMEs in Indonesia dominate the economy. The group has also shown resilience in the face of Indonesia's economic turmoil. Therefore, the government should strengthen MSME groups that involve many groups. Meanwhile, [5], [10], [11], small businesses are also defined as a business run by individuals or entities not part of medium or large businesses. Its assets range between IDR 50 to 500 million, with the highest turnover of IDR 300 million. According to [6], [7], looking at the different definitions of SMEs, several things can distinguish the two. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that adhere to the standards outlined by the law. Small Enterprises refer to a productive economic business, neither subsidiaries nor branches of companies owned, controlled, or become

part either directly or indirectly of medium or large businesses, carried out by individuals or business entities. [4], [7] mention that medium enterprises refer to a productive economic business, neither subsidiaries nor branches of companies owned, controlled, or become part either directly or indirectly of small or large businesses, carried out by individuals or business entities. The Central Statistics Agency (BPS) defines SMEs based on the quantity of labor: small businesses have 5 to 19 employees, while medium enterprises have 20 to 99 employees. According to [6], [8], [9], countries all over the world implement social welfare programs in a variety of ways and to varying degrees, each with its own implementation challenges and success stories. In recent years, social security has gained popularity as a means of reducing economic inequality and ensuring long-term sustainability. In recent years, social security has gained popularity as a means of reducing economic inequality and ensuring long-term sustainability. In recent years, social security has gained popularity as a means of reducing economic inequality and ensuring long-term sustainability. In recent years, social security has gained popularity as a means of reducing economic inequality and ensuring long-term sustainability.

### **3. Research Method**

We used a qualitative descriptive approach. The data used in this study is secondary data originating from international journal articles. Data were collected through a literature study from relevant sources; so, we did not go into the field to get research data. The analysis technique was a technique where data sources were collected and studied to produce conclusions and findings in accordance with the theme of research on the impact of the Covid-19 Pandemic on SMEs in Indonesia. This study explored how the Covid-19 pandemic affected SMEs in Indonesia and what solutions to solve the problem.

### **4. Results and Discussion**

#### **4.1 How Covid-19 Affected SMEs in Indonesia**

One of the nations in the world with the most severe economic effects due to the pandemic is Indonesia. As of June 8, 2020, Indonesia had 185,184 SMEs impacted by the pandemic. There was a decrease in sales so that capital decreased. According to [13], [14], amid the decreased sales, some SMEs still incur fixed costs such as rent. This is certainly a problem for SMEs, which incidentally have a small turnover. [6]–[9], [12] mention that product distribution is hindered due to social distancing and restrictions. At the beginning of the pandemic, SMEs cooperating with freight forwarding services found it hard to send their products. SMEs also found raw material distribution challenging due to the restrictions.

According to [8], [9], [12], suppliers of raw materials temporarily suspend their activities, causing a delay in manufacturing, so production targets are missed. People that have historically been at a disadvantage in terms of their environment, such as members of minority racial and national groups, immigrants, and low-income households, have been severely impacted by the Covid-19 outbreak [13]–[15]. High insurance costs, inadequate policy in pluralist health services,

higher risk of non-communicable disorders, lost possibilities for growth, and socioeconomic implications like unemployment and deprivation are some of the economic effects of Covid-19 in these nations. The Covid-19 pandemic and associated issues with food supply have created significant gaps in the food supply and distribution networks [6], [8], [9]. In stressful situations like these, customers often exhibit habits to minimize the possibility of being unable to afford food or other products later.

[16]–[18] also revealed that Covid-19 had affected MSMEs. During the lockdown, sales dropped by 30% to 50% percent, which caused cash flow to stop. Because their services could not be provided, almost 60% of consumer orders had to be fully reimbursed. [16]–[18] furthermore said that Work From Home caused the business being closed down. It is challenging to sustain the supply chain when a business shuts down. Other vendors are likewise impacted and are unable to offer their services. Coordination between suppliers becomes difficult, causing business disruption. [18], [19] state that SMEs had temporary business closures and incurred losses during the Covid-19 pandemic. The most significant economic impact was the absence of customers or demand limitations, not cash flow difficulties or financial constraints.

[6]–[9], [12] found that the negative impact of Covid-19 on small businesses had a negative impact on 74% of their respondents' business. This means that most of them experienced very large losses; some even experienced very large losses compared to the profits a few months before Covid-19. Interestingly, it was also found that most respondents stated that most people paid more attention to the product's price than the quality. [20]–[22] stated that credit sales grew quickly throughout the pandemic outbreak.

[7]–[9], [12] mentioned that SMEs had no cash, so they were forced to reduce their spending drastically, take on more debt, or file for bankruptcy. [6], [7] illustrate that during the Covid-19 pandemic era, all SMEs struggled against low demand and broken distribution. Other studies mention that although the severity varies between businesses and industries, Covid-19 has forced SMEs to suffer logistical difficulties and declining demand in the short term. In the long term, Covid-19 may bring different challenges and opportunities depending on the type of SME. [16]–[19] stated that The SMEs were the most sensitive to the effects of social distance since it forced people to limit their activities outside the home, resulting in a fall in sales turnover. [20]–[22] also greatly affected MSMEs in China due to decreased demand. [1]–[3] mention how many SMEs struggle with cash flow due to limited income yet unchanged fixed costs. The pandemic has also disrupted the capital chain causing a crisis leading to bankruptcy. To sum up, SMEs cry for help from the government.

Only a few SMEs reported positive growth, and most SMEs acknowledged the pandemic's negative effects. This pandemic caused most SMEs to experience a decrease in turnover of more than 30% [4], [5], [10], [11]. The KIC survey also shows that SMEs have made some efforts to maintain their business. [16]–[19] state that SME efficiency measures include cutting back on producing goods and services, staffing levels, working hours, and sales channels. [13]–[15] mention that consumers now turn to digital technology as they have to stay more at home. [16], [17] assert the need for SMEs to innovate in producing goods and services in accordance with the current market needs. These business actors can also develop new business ideas that can solve the community's socio-economic problems due to the pandemic's impact.

## 4.2 The Role of Digital Marketing

According to [4], [5], digital marketing is a form of advertising and market research that uses digital online media, including social networks. According [5], [10], SMEs need to shift their businesses to digital marketing because the pandemic has forced people to avoid social encounters physically. Thus, digital marketing, including e-commerce, is the best alternative at the present time.

Digital promotion can be run during this pandemic. [4], [5], [10], [11] stated that e-commerce has a positive and significant effect on improving the performance and income of SMEs. SME actors are advised to change their promotion and sales system to fit the digital era and to address the hardships during the pandemic. Digital marketing also helps to reduce costs. Since a good relationship with customers is also a key factor for marketing performance, SMEs must prioritize building and maintaining good customer relationships even during the pandemic. Such good relationships will lead to loyalty from customers (and suppliers when it comes to the supply chain). Customer loyalty will eventually lead to increased and sustainable income through repurchases. The pandemic has also led to changes in products needed by the market [2], [3]. SMEs may already have their products and services, but adding new ones based on market demand during the pandemic will also be good for business expansion [16], [17].

## 5. Conclusion

Our findings lead to the following conclusion. First, SMEs must consider digital technology-based businesses as a strategy during the pandemic and toward industry 4.0; they can use social media, e-commerce, and marketplaces to sell their products and offer services. Online transportation services can also greatly assist product delivery during the pandemic because people prefer to stay home. Second, SMEs as business entities must be able to manage the business cycle by considering the stages of a business cycle (cycle peak or prosperity, recession or slump, trench or severe depression, and recovery or expansion). SMEs will survive and even thrive by effectively managing the business cycle management, altering business models, and embracing digital transformation while adjusting to the pandemic's demand. Finally, there must be good harmony between the company's micro and government policies in tackling the crisis due to the pandemic.

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