
Analysis of MSME Innovation Strategies Before and After the Covid-19 Pandemic (Case Study of Omahan Kepanjen Coffee)

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Abstract

The phenomenon of the COVID-19 pandemic has resulted in economic sluggishness in various sectors. The sectors affected include the MSME sector. Many business actors experienced a decrease in buyers which resulted in a decrease in sales turnover and many MSMEs closed, but there were still many MSMEs that survived and soon rose. Therefore, it is necessary to have a strategy that can make them continue to survive and increase the income turnover of MSME actors. One approach that can be taken to find opportunities and adapt to the situation is an innovation strategy-based approach. This study aims to explore the ups and downs of MSMEs by analyzing the innovation strategies carried out by MSMEs in the period before and after the Covid 19 pandemic with a case study of the Kepanjen Coffee Omahan business. The results of the study indicate that a business needs to immediately implement innovation management by taking into account the internal and external aspects of the company. The results of the innovation must be able to continue to strengthen the value proposition that can make the business strong in the long term. This can be seen from the Kopi Omahan business journey which implemented 4 types of innovation (product, process, marketing, organization), experienced growth in the pre-pandemic phase, then entered a crisis at the peak of the pandemic, and was able to bounce back when the pandemic began to subside.

Keywords: MSME, Innovation, Strategic Innovation

INTRODUCTION

All aspects of this pandemic era are greatly affected by the decline, especially the economic aspect. Hidayat, (2020); de Vries, Erumban and van Ark, (2021); Minh, (2022); Triwahyuni, (2022) stated that the impact of the Covid pandemic phenomenon resulted in economic sluggishness in various sectors. The sectors affected include the MSME sector. Many business actors experienced a decrease in buyers which resulted in a decrease in sales turnover. This is due to restrictions imposed by the government on people to stay at home (Kaushik, 2020; Syawfi, 2020). In October 2021, the United Nations Development Program (UNDP) published a survey which stated that 24% of micro, small and medium enterprises (MSMEs) in Indonesia closed their businesses during the Covid-19 coronavirus pandemic. Respondents gave reasons for lack of funds for production costs, then the selling price dropped drastically, closed due to government regulations, difficult to access internal finance and difficult to get raw materials. The length of business closure is approximately 2 weeks to 6 months with some MSMEs experiencing losses of more than 50 percent, especially in Java and Bali.

In Malang City, The pandemic caused Regional Original Income (PAD) to decrease by 20.78 percent. All sectors / industries are feeling the impact of the pandemic and even some sectors have to stop operating. The Indonesian Cafe and Restaurant Entrepreneurs Association (Apkrindo) Malang City stated that there was a drastic decline in restaurant and cafe turnover during the implementation of the curfew policy along with the Implementation of Community

Activity Restrictions (PPKM) (rri.co.id, 2021). Even though there was a decline in turnover and many MSMEs were closed, there were still many MSMEs that survived and soon got up. Therefore, it is necessary to have a strategy that can make them continue to survive and increase the income turnover of MSME actors. One approach that can be taken to find opportunities and adapt to circumstances is an approach based on an innovation strategy (Borshalina, 2019; Haefner et al., 2021). This is also in line with the research results Appio et al., (2021) and Haefner et al., (2021) states that the innovation strategy can form competitive forces through various available resources by uniting differences in abilities or strengths as a competitive strategy. This perspective states that a leader is said to be successful if he can utilize unique and different internal resources as the company's strength to compete with others. (Astuti, Sanawiri and Iqbal, 2020; Ramli, 2020; Suroso et al., 2021; Bakaritantri, 2022). Thus, this study aims to explore the ups and downs of MSMEs by analyzing the innovation strategies carried out by MSMEs in the period before and after the Covid 19 pandemic with a case study of the Kepanjen Coffee Omahan business.

RESEARCH METHODS

This study uses a qualitative method. Researchers conduct literature studies from journals, reports, survey results and other scientific materials. This research is also descriptive in order to describe the object being studied in depth, detail and comprehensively.

Qualitative research is "emic perspective" which means the data describe what is happening in the field, experienced, felt and thought by participants or data sources. This study also uses grounded research, namely the use of theory based on data obtained in the field or from social situations (Sugiono, 2017), including the Business Model Canvas framework. For the case study, the researcher conducted a direct interview with the SMEs of Kopi Omahan Kepanjen.

RESULTS AND DISCUSSION

Case Study of Kepanjen Omahan Coffee

The Kepanjen Omahan Coffee Business was founded by Lilik Teguh in 2017. At the beginning, this business attracted 20 to 25 visitors with a turnover of Rp. 200,000 to Rp. 300,000 per day. Omahan Coffee innovates with the aim of creating a value proposition on menu quality, service, and location. Especially for the location, the owner tries to create a positive atmosphere for drinking coffee, a place to share knowledge and experiences.



Figure 3. Omahan Coffee Atmosphere (https://www.instagram.com/kopiomahan_kpj/)

For marketing, at that time the use of social media was not effective. Therefore, the distribution of physical brochures was carried out door to door, then held events at the location and opened a communication network with various communities. The visitor segment is targeted from cities that have cars, this is to create an image as a village shop with visitors from the city.

In the initial phase of its establishment, precisely in the 6th month, Kopi Omahan's business experienced a crisis because it ran out of funds for branding. This is circumvented by collaborating with large companies. Collaboration is carried out in the form of organizing a joint World Cup viewing event at the Kopi Omahan location by promoting the event using billboards in strategic locations. This strategy results in strengthening branding with minimal costs because promotional costs are borne by partners.

Omahan Coffee is also consistently innovating by issuing a new menu every month accompanied by a unique presentation. In general, the strategies and innovations implemented by Kopi Omahan in the pre-pandemic phase (2017 – 2020 Q1) resulted in an increasing trend of visitors and turnover on a regular basis, namely 10 percent per month with a minimum target of 100 visitors per day.

In February 2020, when Omahan Coffee's business performance was in very good condition (6 million/month turnover), the pandemic entered its peak period and the government's Large-Scale Social Restrictions (PSBB) policy was implemented. Here the Omahan Coffee business immediately experienced a crisis so that it could not operate, even though the stock of raw materials was abundant because it had already been prepared for needs until the month of Ramadan. This forces the owner to first deactivate all employees, by previously giving them all salary and bonus rights.

This crisis phase made the owner experience extraordinary emotional symptoms. Only this symptom did not last long, because the owner immediately got up and went back to carrying out his innovation strategy, especially in terms of customer relationships. The owner is actively reviving Kopi Omahan's Instagram social media, by uploading the atmosphere of the location before the pandemic, also actively greeting and interacting with customers, including interacting personally on the customer's Instagram account. This aims to maintain bonds with customers, as well as create a longing to return to visit Omahan Coffee again.

When the crisis began to improve, it was marked by the easing of the PSBB. Employees gradually began to be reactivated, and visitors began to come again little by little until finally Kopi Omahan was bustling again. Although conditions are improving, turnover has not returned to the way it was before the pandemic. There is also a new challenge, namely that many similar businesses are born as competitors that create conditions for sharing customers. In order to remain competitive with new competitors, Kopi Omahan consistently uses the same innovation strategy as before the pandemic, including strengthening/renovating the "location" as one of the value propositions. Not only that, Kopi Omahan has succeeded in collaborating again by establishing a second branch with a different concept, namely the Pertelon Coffee business.

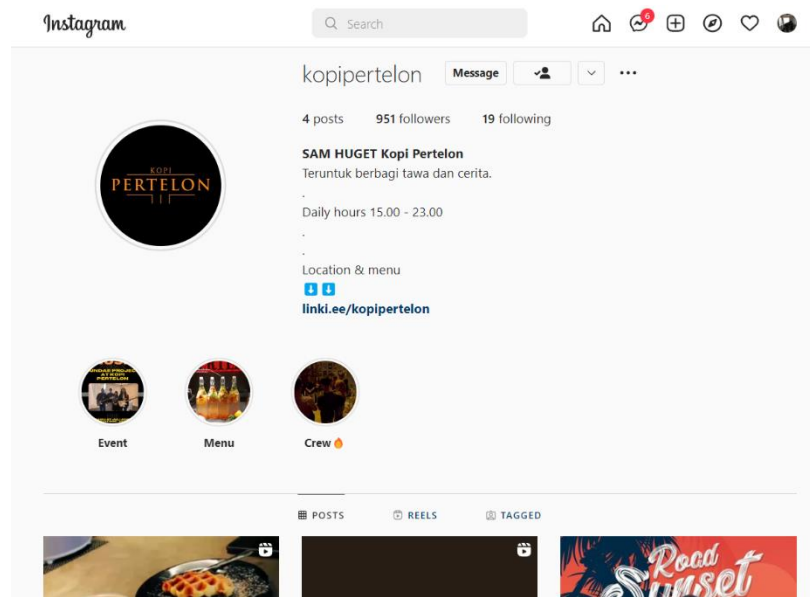


Figure 4. Kopi Pertelon (<https://www.instagram.com/kopipertelon/>)

CONCLUSION

From the discussion, it can be concluded that since its inception, a business needs to immediately implement innovation management by paying attention to internal and external aspects of the company. Furthermore, the results of innovation must be able to continue to strengthen the value proposition that can make a business strong in the long term. This can be seen from the journey of Kopi Omahan's business which implemented 4 types of innovation (product, process, marketing, organization), experienced growth in the pre-pandemic phase, then entered a crisis at the peak of the pandemic, and was able to rise again when the pandemic began to subside.

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