

# **SURVIVAL STRATEGIES FOR MSME'S DURING COVID 19 IN EAST JAVA INDONESIA**

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## ***Abstract***

*Globally, the impact of Covid-19 has destructed business supply chains, dropped commodity prices, and increased the risk of global economic. Domestically in Indonesia, the impact of Covid -19 caused business closing, travel banning and reduction in discretionary spending. On September 2020, Bisnis Liputan6 highlighted Micro, Small and Medium Enterprises (MSMEs) as one of the main drivers of the economy in Indonesia (Liputan6.com, 2020). If the MSMEs sector is disrupted, the national economy will be also affected. Thus, this indicates the need for MSMEs to continue its operation. Suci (2017) emphasises the ability of MSMEs to survive during the crisis period of 1997-1998. The MSMEs were able to create millions of jobs until 2012. During the Corona Covid-19 pandemic, the MSME sector was most affected. Many of these entrepreneurs had to go out of business because demand fell. This study aims to identify MSMEs' survival strategy and business performance during Covid-19 in Surabaya, East Java Indonesia. This research is a quantitative approach. The data were collected using questionnaire survey. The population and sample in this study were MSMEs in Surabaya. Results indicate MSME believe that future online business is growing. The results also suggest MSMEs must adapt and take advantage of technology and product and services innovation. MSMEs business strategy during a pandemic is to maintain existing market share. Overall results show that the survival strategies have effect on business performance.*

*Keywords : Survival strategies, Covid-19, MSMEs, Business Performance*

## **INTRODUCTION**

In the early 2020, the world was hit with various shocking news. One of the shocking news is the existence of disease outbreak called Corona Virus (Covid-19) which considered as pandemic. A pandemic disease will not only have implications for an individual but can disrupt the pillars of a country, including the economic (Andry, 2020). According to Basri (2020), currently, the Corona Virus outbreak (Covid-19) not only struck Wuhan City, China, but many countries around the world. Many victims who fell due to this virus, increased to about thousands of victims. Moreover, the global economic sector has also begun to be affected by the disease

outbreak of Covid-19. Japanese economic fall by 6.3 percent in the last quarter of 2019 and threatened by recession. Due to the economic growth is moving slow and will further decline as the impact of Covid-19. Likewise, Singapore has revised its economic growth target to 0.5 percent as result of this outbreak.

Globally, the impact of Covid-19 has damaged on supply chains, dropped the commodity prices, and increased the risk of global economic. And domestically, the impact of Covid -19 has reduced discretionary spending, business closing, and travelling ban. But MSMEs should sustain to exist. There are several things that might be done by MSMEs, which are: 1) focus on consumer needs, 2) be innovative and creative, both at product and service based on the changes of consumer behavior, 3) continuous on doing research and development to increase business endurance when the crisis happened, 4) doing collaboration and aggressive in marketing through digital business platforms.

The number of corona patients in the world as of Thursday (April 9<sup>th</sup>, 2020) reach 1.518.719 cases. In Indonesia, until Wednesday (April 8<sup>th</sup>, 2020) there are 2.956 cases of Covid-19. Around 280 patients died after test positive for Covid-19 (Putri, 2020). Based on these conditions, the Government of Indonesia decide to implement Large-Scale Social Restrictions (PSBB) to prevent the possibility of spreading the virus more widely. This policy will have an impact on business activities in Indonesia, including MSME's business activities.

According to President Joko Widodo, while chairing a meeting via teleconference from Istana Merdeka Jakarta on Wednesday (April 29<sup>th</sup>, 2020), he stated that the Government has been prepared five schemes for economic protection and recovery for Micro, Small, and Medium Enterprises (MSMEs) which include of special treatments so MSMEs could survive during Covid-19 pandemic. The first scheme is for Small and Medium Enterprises who are categorized as poor and vulnerable who are affected by Covid-19. Efforts are made to ensure that the business owner of this scheme become recipients of social assistance from the government. The second scheme is related to tax incentives that apply to MSMEs with sales turnover below IDR 4.8 billion per year. The final PPh rate was reduced from 0.5 to 0 percent for six months starting from April to September 2020. Meanwhile, the relaxation and restructuring of MSMEs loans become part of the third scheme, which is the postponement of installments and interest subsidies. Besides, the government will also impose an expansion of financing for MSMEs by giving stimulus on working capital assistance as part of the fourth scheme that has been prepared. As for the fifth scheme, the government through ministries, state-owned enterprises (BUMN), and local governments will act as a buffer on the MSMEs ecosystem, especially in business

recovery and consolidation stages after Covid-19. In that condition, MSMEs should have strategies to survive so the business sustainability could be well maintained. Based on the statement, so it is necessary to do research about MSMEs Survival Strategies during Covid-19 in East Java.

## LITERATURE REVIEW

### *Micro, Small, and Medium Enterprises (MSMEs)*

Micro, Small, and Medium Enterprises (MSMEs) are businesses that are usually carried out with capital investment which is not so large and sometimes its form as a home industry. However, MSME's activities are activities that can revive the economy for small and medium-sized communities. This has been proven by the global crisis of Indonesia's economy in 2008 that not affect MSMEs. The criteria for MSMEs are as follows:

**Table 1**  
**MSME's Criteria**

No.	Description	Criteria	
		Asset	Sales Turnover
1	Micro Entreprises	Max. 50 Million	Max. 300 Million
2	Small Entreprises	> 50 Million - 500 Million	> 300 Million - 2,5 Billion
3	Medium Entreprises	> 500 Million - 10 Billion	> 2,5 Billion - 50 Billion

Source: Undang Undang No. 20 Tahun : 2008

Bein in economic uncertainty due to the Covid-19 pandemic, Indonesia actually has a Small and Medium Enterprises (MSMEs) sector that can act as a foundation for the national economy and contribute to the revival of the Indonesian economy.

Bappenas explained that the role of MSMEs consists of:

- 1) Expansion of employment opportunities and absorption of labor.
- 2) Formation of Gross Domestic Product (GDP).
- 3) Provision of safety nets, especially for low-income people to carry out productive economic activities.

In general, there are three roles of MSMEs or the contribution of MSMEs to the Indonesian economy, including:

#### 1. Equity Facility for Small People Economic Level.

MSMEs play a role in equalizing the level of the people's economy because they are located in various places. MSMEs even reach remote areas so that people do not need to go to cities to get a decent living.

2. Means of Alleviating Poverty. MSMEs play a role in alleviating people from poverty because the labor absorption rate is high.
3. Facilities for Foreign Exchange Revenue for the State. In fact, MSMEs contribute foreign exchange for the country because the market does not only reach the national level but also abroad. (www.idxchannel.com, (2020))

The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reported that as many as 3.79 million micro, small and medium enterprises (MSMEs) have used online platforms to market their products. This amount is around 8 percent of the total MSME players in Indonesia, namely 59.2 million. To grow the number of MSME players who surf in cyberspace, the Ministry of Cooperatives and SMEs (Kemenkop UKM) and the Ministry of Communication and Information Technology (Kemkominfo) together with e-commerce players initiated a program entitled 8 Million UMKM Go Online. Through this collaboration, the government also hopes to accelerate the transformation of MSMEs in Indonesia to digital. MSMEs must become major players in the development of the digital economy in Indonesia. (www.kominfo.go.id/)

### ***Survival Strategies***

The strategy is a potential action that requires top management decisions and a large number of company resources. The strategy is defined as an action or activity by a person or company to achieve goals or objectives which has been prepared. The main reasons for the important role of management strategy for organization are giving long term aimed direction, helping the organization to adapt to the changes that will occurred, and making organization more active. Through management strategy, expect that the strategy can be well managed so that it can be implemented to integrate all decisions and actions in the organization. The stages of activities for executing the strategy are formulating strategy, action planning, and implementation. Strategic management helps the company to deal with changes that will occur when the company is not ready to anticipate in its current conditions. Companies that have many divisions, products, markets, and technology also tend to be more formal in the application of strategic management concepts.

One of the strategies used by an organization or company to compete the competitors is by using a good information system. Information technology in an organization consists of hardware, software, telecommunications equipment, database management, and other technologies that are used to store data and make the data available in the form of information to decision-makers. (Daft, 2000 in(Dinar, 2006)). According to (Wreden, 1997 in Hendri 2008) the

use of technology in the company will support the company's activities which are: 1) increasing productivity, 2) reducing operating costs, 3) increasing decision making, 4) increasing customer relationships, 5) developing new strategic applications.

### ***Innovation***

Entities innovation are expected to penetrate new markets, maintain existing market share and increase competitive advantage. Innovation is an essential element of the entity's business strategy. Innovation has become an important contributor to winning the competition. Innovation has become the main focus of intensive academic and industrial research in the context of overcoming various business problems being faced by the entity. Innovation in strategy implementation plays a role in achieving a sustainable competitive advantage in global competition (Hitt et al., 2001; Kuratko et al., 2005). Innovation is important not only for reducing costs, but also for improving product and service quality, designing better products, longer product life cycles, and responding to changing customer needs and demands.

Global competition forces entities to innovate by reducing production costs and increasing technological capabilities as well as making product innovations. Entities need to engineer the structure of the entity and their work, improve core competencies, develop new structures to respond to new market conditions and customer demands, and define different markets, improve collaboration with other entities, and invest in innovation (Ulusoy et al., 2001). The Innovation Strategy is a guide that makes companies think about why they are innovating before attempting to innovate.

According to Lendel and Varmus (2011), Innovation Strategy is determining a strategy to form an approach to goals, methods and ways to increase and improve the company's innovative potential. The innovation strategy enables top management to follow the activities of their competitors, to achieve customer market information, to use company resources effectively and to make efficient investments in research and development (Oke et al., 2012). The existence of innovation determines the success of the entity (Choo & Bontis, 2002; Hamel, 1999). Innovation is defined as a process within an entity to utilize skills and resources to develop new products and or services or to build new production and operational systems so as to answer customer needs (Jones, 2004) In the face of increasing environmental uncertainty and competition, some entities try to implement different strategies with their competitors, especially in establishing their position as the most innovative, as the most cost-effective producer, and as the most responsive entity. against market changes. An entity that positions itself as one of the most innovative on the market, will struggle to identify unmet customer needs by developing new products and services to meet these needs. Some entities turn out to be superior to others in

achieving this goal because they consider the various internal and external factors they face (Hariyati & Tjahjadi, 2017)

**Business Performance**

Many researchers have proven that strategy affects performance. Performance is the outcome of workability which is indicated by performance results. Business performance is something that is produced by the company in a certain period regarding the standards-setting (Anatan & Ellitan, 2005; Hopkins & Hopkins, 1997; Kaplan & Norton, 2001). According to (Kaplan & David, 2001), business performance measurement implies an assessment and evaluation process or system regarding the implementation of a company (organization) work capability based on certain standards. The performance measurement standards can be formed on management policy or formal plan as outlined in the organization's strategic plan, program, and budget.

Performance measurement is very complex and a big challenge for researchers (Beal, 2000) because of the multidimensional construct of performance. Performance measurement with a single measurement dimension is not able to provide a comprehensive understanding (Bhargava et al., 1994; Venkatraman & Ramanujam, 1986). The objectives of performance measurement are to motivate personal workers to achieve organizational targets and adhere to standards of behavior (ethics code).

**METHOD**

**Data**

The population in this study were MSMEs, and the sample used were MSMEs which location at Surabaya, East Java, Indonesia. Data collection was carried out online and through mail. There are 55 MSMEs in Surabaya, East Java. The questionnaires was sent to the all 55 MSMEs owners. The total respondents and completed data was only 45. Of the Three outliers were identified, thus the final sample is 42.

**Table 2**  
**Final Sample According to Industries**

Industry	Total
Fishery	1
Food business	3
Trading	6
Beauty / cosmetics	3
Crispy fried banana	1

chicken farm	2
Onlineshop	1
Herbal drinks	1
Frozen food	5
Culinary	4
Souvenir	4
Convection	4
Printing	4
Delivery service	2
Wedding organizer	1
Total	42

### ***Dependent Variable***

The dependent variable in this study is business performance. Business performance is a process of assessing the progress of work against predetermined goals and objectives. Performance measurement includes information on: efficient use of resources in producing goods and services; the quality of goods and services (how well the goods and services are delivered to the customer and to what extent the customer is satisfied) as well as the existing internal processes in the company. The questionnaire in this study contained 7 (seven) questions with a 4-point Likert scale measurement, which measure from number 1 (strongly disagree) to number 4 (strongly agree).

### ***Independent Variable***

The independent variable in this study is the MSME's survival strategy. Strategy is a potential action that requires top management decisions and large amounts of company resources. So a strategy is an action or activity carried out by a person or company to achieve predetermined goals or objectives. The questionnaire in this study contained 23 (twenty tree) questions with a 4-point Likert scale measurement, which measure from number 1 (strongly disagree) to number 4 (strongly agree).

### ***Research Approach***

This study uses a quantitative approach. This research is conducted to understand how the MSMEs survival strategy in Covid-19 conditions. This quantitative research describes the MSMEs survival strategy in Surabaya during the Covid-19. This research will explain based on the existing data that has been collect.

### ***Data Collection Technique***

The types of data used in this research are quantitative data. Quantitative data use numerical scores as the results of respondent's answer to the questionnaires. The data sources in

this research are primary data. The primary data used are a questionnaire that will distribute to the respondents in this research. Respondents in this research consist of MSMEs owners in Surabaya.

**Operational Variable**

The variables in this research are classified on:

1. Strategy is a potential action that requires top management decisions and a large number of company resources. The strategy is an action or activity by a person or company to achieve predetermined goals or objectives. The questionnaire in this research contains 23 questions with 4-point Likert scale measurement, that point 1 means strongly disagree to point 4 means strongly agree.
2. Business performance is a process of evaluating work progress against predetermined goals and objectives. Performance measurement includes information on the efficiency of the use of resources in producing goods and services, the quality of goods and services (how well the goods and services deliver to the customer and the customer is satisfied), and internal processes in the company. The questionnaire in this research contains 7 questions with 4-point Likert scale measurement, that point 1 means strongly disagree to point 4 means strongly agree.

**RESULTS AND DISCUSSION**

**Validity Test**

The test shows a correlation value of MSMEs survival strategies > 0.2876, it means that all question instruments for survival strategies are valid. These results obtain after issuing two invalid question instruments for survival strategies. Likewise, the correlation value of business performance is > 0.2876, it means that all questionnaire questions for business performance are valid.

**Table 3**  
**Statistic Descriptive**

<b>Description</b>	<b>Business Performance</b>	<b>Survival Strategies UMKM</b>
N Valid	42	42
Missing	0	0
Mean	25,12	71,57
Median	25,00	71,00
Mode	28	71
Sum	1055	3006

Source: SPSS



**Reliability Test**

The result of the reliability test on survival strategies is 0.869 and business performance is 0.728. Both values show greater than 0.60, it means that all the data on survival strategies and business performance are reliable.

**Classic Assumption Test  
Normality Test**

**Table 4  
One-Sample Kolmogorov-Smirnov Test**

		<b>Unstandardized Predicted Value</b>
N		45
Normal Parameters <sup>a,b</sup>	Mean	25,0666667
	Std. Deviation	1,34184694
Most Extreme Differences	Absolute	,134
	Positive	,102
	Negative	-,134
Test Statistic		,134
Asymp. Sig. (2-tailed)		,040 <sup>c</sup>

Source: SPSS

Normality test is a comparison between the data selected and the data normally distributed which means and the same standard deviation as the data which are selected (Sarjono & Julianita, 2013). The normality test aims to test whether the residual value in the regression model is normally distributed or not. This test use the Kolmogorov Smirnov. The result significance value is 0.040. The values shows  $< 0.050$ , it means that the data is not normally distributed. So it is necessary to test for eliminating the outliers. Based on the results of the outlier test, there are three data as outlier which is the 8th, 16th, and 41st data. Then those three data are eliminated, so there are 42 data remaining which are ready to be processed. Furthermore, the data is processed to determine whether the data has been normally distributed. The Kolmogorov Smirnov non-parametric statistical test can be seen if the value of sig (2-tailed) is greater than 0.05, then the data is normally distributed (Ghozali, 2006). This statistical test results after eliminating the outliers data show a significance value is 0.200. This value shows  $0.200 > 0.05$  so the data is normally distributed as presented in table 5.

**Table 5  
One-Sample Kolmogorov-Smirnov Test  
(After Outlier Data Test)**

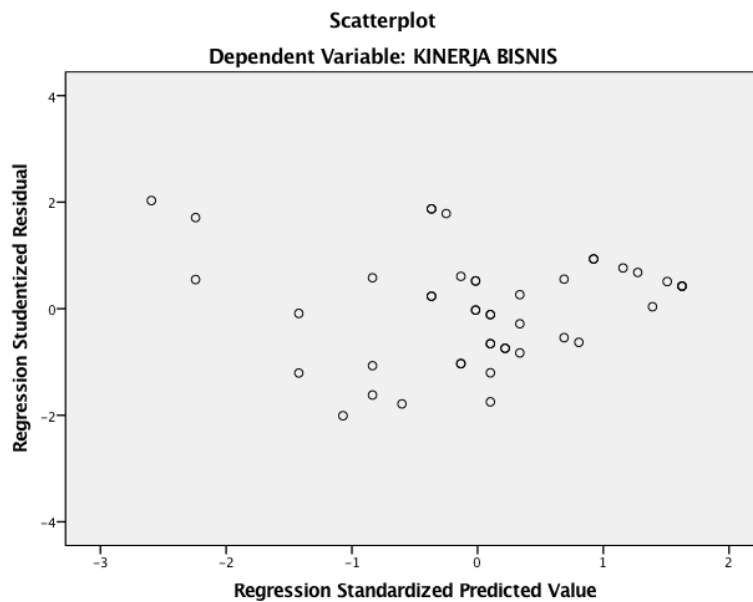
		<b>Unstandardized Predicted Value</b>
N		42
Normal Parameters <sup>a,b</sup>	Mean	0
	Std. Deviation	1,64897
Most Extreme Differences	Absolute	0,092
	Positive	0,092

	Negative	Unstandardized Predicted Value
Test Statistic		-0,063
Asymp. Sig. (2-tailed)		0,092
		,200 <sup>c</sup>

Source: SPSS

**Heteroscedasticity Test**

This test aims to prove whether the regression model is on imperfect variance from one residual of the observations to other observations. Based on the scatterplot diagram, it can be seen that the dots spread and not form a certain pattern so it means that heteroscedasticity does not occur.



**Figure 1**  
**Scatterplot Diagram**

**Hypothesis Test**

**Table 6**  
**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	MSMEs SURVIVAL STRATEGIE S <sup>b</sup>		Enter

a. Dependent Variable: BUSINESS PERFORMANCE

b. All requested variables entered.

Source: SPSS

Table 6 describes the variables and the method used in this study. The method used is the entry method. There are two variables used in this study, which are the MSMEs survival strategies variables as the independent variable and the business performance variables as the dependent variable.

**Table 7**  
**Model Summary<sup>b</sup>**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	,706 <sup>a</sup>	,499	,486	1,669

Source: SPSS

Table 7 explains the value of the correlation/relationship (R) equal to 0.706. The output shows the coefficient of determination (R Square) is 0.499. The coefficient of determination value should be between zero to one. The results of the R square means that 0.499 or 49.9% contains information about the effect of the MSMEs survival strategies variable on the business performance variable and the remaining 50.1% are effected by other variables outside the model.

**Table 8**  
**ANOVA<sup>a</sup>**

<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1 Regression	110,921	1	110,921	39,798	,000 <sup>b</sup>
Residual	111,483	40	2,787		
Total	222,405	41			

Source: SPSS

Based on table 8, ANOVA (Analysis of Variant) test shows that the F value equal to 39.798 with a significance level of 0.000. The results of F value is greater than F table which equal to 4.08 (on df 1;40 and sig  $\alpha = 0.05$ ). So that F value > F table with significance level less than 0.05, it means the regression model can be used to predict the effect of the MSMEs survival strategies variable on business performance variable.

**Table 9**  
**Coefficients<sup>a</sup>**

<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	7,791	2,759		2,824	,007
	MSMEs SURVIVAL STRATEGIES	,242	,038	,706	6,309	,000

Source: SPSS

Table 9 shows that the constant value (a) is 7.791 and the value of the MSMEs survival strategies variable (b/regression coefficient) is 0.242. The regression equation is:

$$Y = a + bX$$
$$Y = 7.791 + 0.242X$$

Through this equation, it explains that the constant equal to 7.791 is a consistent value of the business performance variable. It has the meaning when the independent variable, MSMEs survival strategies, is constant, so the mean of business performance is 7.791. Then, the dependent (X) regression coefficient is 0.242 explains that by adding 1% of the MSMEs survival strategies, the value of business performance will increase by 0.242. The value of the regression coefficient is positive, it means that the direction of the influence of dependent (X) variable on independent (Y) variable is positive.

According to the significant value of the coefficient table, it obtains a significance value  $0.000 < 0.05$ . The t test determine to prove a significant effect between the independent variables and dependent variables, as if the t value  $>$  t table that indicates the acceptance of the hypothesis. Based on table 9, the t value equal to 6.309 while t table value is 1.672 (sig  $\alpha = 0.05$ ). It conclude that t value is greater than t table, so the MSMEs survival strategies variable (X) have an effect on the business performance variable (Y).

### ***Discussion***

During the pandemic, MSME owners tried to make products that were different from products from other businesses. This shows that MSMEs are innovating their products so that they are still in demand by consumers. During a pandemic, business owners, especially MSMEs, will try hard to find business opportunities to maintain existing market share. A business that can survive in the midst of a pandemic is something to be grateful for because of the decreasing/low purchasing power of the community. Layoffs, an increasing number of unemployed, cessation of a business due to social distancing policies have an impact on business patterns in general. So that maintaining existing market share is a business strategy in the midst of a pandemic. MSME owners make and prepare products that focus on consumer needs. On average, MSME owners agree that they continue to innovate and be creative in terms of products and services according to changes in consumer preferences and behavior. MSME owners agree to innovate in the form of collaboration and aggressive marketing using digital marketing and online (e-commerce) platforms. On average, MSMEs really believe that in the future online business will develop so that MSMEs must adapt and take advantage of technology.

The ability to survive small industries is in line with the opinion of Audretsch et al (1997) which states that the survival of a company depends on: (1) the startup size, the number of employees it had when the company started, (2) capital intensity, reflecting costs. production

that must be spent mainly for fixed costs, and (3) debt structure, capital structure especially due to the large amount of debt interest as fixed expenses that must be borne. The difference in the value of the three elements mentioned above causes differences in the survival rate of a company.

Small companies that are not burdened by many burdens will still avoid the difficulty of bearing all costs in worsening economic conditions, even though small companies often experience difficulties in managing economies of scale and find it difficult to compete with large scale economies. The debt structure has a positive effect on the chance of a company to survive for two reasons. First, on the basis of agency theory in finance, Jensen (1986) states that the higher the ratio of debt to equity, which results in higher interest on debt, will limit the available cash flow in the company so that the company loses the opportunity to invest this cash flow into investment projects. which is more profitable. Second, according to Caves and Porter (1975), large investments can indeed prevent new competitors from entering but at the same time prevent companies from exiting flexibly from the industry.

The results show that the MSMEs survival strategies affect business performance, which means that the better the MSME's survival strategy, will impact the better business performance too. According to Soetjipto (2020) , the current condition of Covid 19 has made MSME's business sector encounter a drastic fall in sales turnover, any kind of sales and marketing problems, and also product distribution problems. MSMEs owners always reviewing the company's cost structure to improve its cost structure as an effort to increase efficiency. The cost structure consist of fixed costs, variable costs, economies of scale, economies of scope. By analyzing the cost structure, the revenue can be compiled to create a sustainable business model and achieve business survival. Business survival (business resilience) is the ability of a company to anticipate, prepare, respond, and adapt the sudden change. (Fitriasari, 2020)

In current conditions, the performance of MSMEs has decreased from the demand side (consumption and purchasing power) which has an impact on the supply side, namely termination of work relations and the threat of bad credit payments (Pakpahan, 2020). However, in these conditions, MSMEs still try any kind of effort to find alternatives and strategies in marketing and sales, protect capital and assets, temporarily transfer to another type of business, and learn effective technology for promotion and sales (Soetjipto, 2020). To adapt to sudden change caused by the pandemic, MSME owners agree to escalate the utilize of assets by paying attention to its capacity periodically. Also, performing a market survey to expanse the opportunity that can increase company revenue. Those strategies or alternatives can be implied by MSME owners to survive in sudden change. Hambrick (1981) state that company strategies

are a pattern of decisions which relate to the achievement of business performance. To achieve a good performance, so the company should have a competitive advantage.

This pandemic becomes the right time for MSME owners to improve the quality of their products and services, also develop a product offer strategy. Besides, MSMEs also need to automate their business processes. MSME's business process should be improved so that MSMEs can survive in these current conditions. Improvements that can be made by MSMEs are, for example: by changing the manual recording system with online accounting software, the manual payroll system to an automatic payroll system, or the tax payment system by using the software. In the marketing process, business owners can optimize the use of information technology by digital marketing and social media platforms. MSMEs could also use online delivery services that are currently in demand by the public. Moreover, business owners also need to increase their capability and competencies for developing their business by increasing the capability of doing digital marketing or developing an e-commerce platform. So when the market becomes normal after this outbreak, the business operations can adjust quickly compared to the previous system. These strategies need to be implemented by MSMEs to maintain business sustainability so that the business can be normally run in pandemic conditions like this (Setiono, 2020).

During a pandemic like this, MSMEs are not only required to attract new customers but also retain old customers by implementing customer relationship marketing (CRM). The CRM strategy is a marketing strategy that focuses on creating long-term relationships between MSMEs and customers so the loyal customer can be created. Sin, Tse & Yim (2005) state that Customer Relationship Marketing (CRM) can reach and retain long-term relationship by maximising company's capability to align marketing strategy and services. Showing empathy and care about the complaints of customers can be the best way to make good relationships with customers during this pandemic. As a form of concern, MSMEs also can provide promos and free shipping schemes for customers, establish intensive communication on social media with customers, and make donations to people who need help. These strategies can create a good image of MSMEs from the point of view of customers and the public, it will create a good relationship among others (Hardilawati, 2020).

During this pandemic, MSMEs also consider for making products different from the other MSMEs (competitors). The product is designed as a unique product that is not easy to imitate. Therefore MSMEs need an innovative strategy to make this unique product. As Evangelista et al (1998) describe there are several studies results showed that currently companies must be more

innovative in order to compete and survive better in the market. MSMEs also developing the product packaging, attributes, and features of their products even during the pandemic. This strategy aimed to focus on consumer needs. Fulfilling consumer needs and demands, also elevate customer satisfaction is considered the CRM goal (Claycomb et al.,(1999). MSMEs also continued to be innovative and creative, not only on products but also services which according to changes in consumer preferences and behavior. Innovation in strategy varies in complexity from minor changes that include products, processes, or services to breakthrough products and first-time features or extraordinary features in business performance (Dibrell et al., 2008). Lopez-Nicolas and Merono-Cerdan (2011) state the concept of innovation in strategy is defined as a new structure or management process, a policy, plan or program, a new production process, or a new product or service produced in a particular area. So that, innovation in MSMEs is the important thing that companies should do.

There is a decrease in the purchasing power during the pandemic, so MSMEs try to sell the products cheaper even though the quality of products is good. Besides, MSMEs also try to ensure that raw materials or products are available in sufficient quantities. Another thing that is also done by MSMEs is taking advantage of Business opportunities, tax relaxation provided by the government, and working capital assistance that provided by the government which specifically planned for MSMEs during Covid-19. It is expected with any kind of effort made by MSMEs will help market recovery and will impact MSME's improvement in business performance.

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