IMPROVING THE PERFORMANCE OF BATIK SMEs IN THE COVID-19 PANDEMIC

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ABSTRACT

The COVID-19 pandemic has made the economy in Indonesia sluggish, especially for SMEs. Whereas the existence of SMEs in Indonesia is very important and considered by the government because SMEs can accommodate many workers and become a source of income for the middle and lower classes of the community. The aims of this research were look at how to improve the performance of SMEs so that they can still exist in the midst of the Covid-19 pandemic. Study was conducted on SMEs in West Java, Indonesia. Based on quantitative approach, this research used survey instrument by delivering questionnaire. The Structural Equation Modeling (SEM) was used to analyze the data. The result showed the significant relationship between Product Characteristics, Market competitive strategy, Price & Product Success Rate on Performance of SME.

Keywords: product characteristics, market competitive strategy, price, product success rate, SME performance.

Introduction

The existence of SMEs in Indonesia is very important and considered by the government because SMEs can accommodate many workers and become a source of income for the middle and lower classes of the community. The productivity of SMEs in an area will undoubtedly have an impact on the availability of jobs, and of course, it will reduce the number of unemployed (Ahyar et al., 2020). The number of micro, small and medium enterprises (SMEs) in 2016 was recorded at 45 million business units. Thus, the majority of our economic actors are small and medium enterprises. In addition, this sector also absorbs 79 million people from the 100 million Indonesian workforce. Therefore, various efforts need to be made to develop small businesses in Indonesia, so that this sector develops better. SMEs that are able to survive for a long time are industries that are able to anticipate changes over time.

Competition in the business world is getting tougher, making SME players try to find the right strategy in marketing their products. Buying interest is obtained from a learning process and a thought process that forms a perception. This purchase interest creates a motivation that continues to be recorded in his mind and becomes a very strong desire which in the end when a consumer has to fulfill his needs will actualize what is in his mind. Every business actor has a goal to realize growth and survival in the long term. To achieve this goal, one must have the ability through strategic management that is able to accurately analyze the business environment. Globalization requires companies to compete at the world level. In order for companies to compete in the global industry, a strategy is needed. According to Pierce and Robinson (2008), Strategy may be defined simply as an integrated, environment-centered approach to accomplishing the firm's mission. Strategic Management is the continuing process of pursuing a favorable competitive fit between the firm and its dynamic environment. Strategy is an environmentally centered approach to achieving the company's mission.
The competition that occurs between business actors is no longer only related to product quality and product advantages they have but has led to a "price war". To anticipate market competition, besides relying on the quality of their products, SMEs in Cirebon continue to develop creativity and innovation in providing quality materials and product advantages offered from each product they sell so that they can still lead the batik SME market. In the midst of the Covid 19 pandemic, SMEs in Cirebon City experienced a lot of decline in sales. There are so many business actors who complain about this situation because many batik products that have already been produced are unable to penetrate sales because there is no purchasing power in the community. The percentage decline in market share which is very drastic for Batik SMEs is due to the current covid 19 pandemic in which all economic activities, especially batik SMEs in Cirebon, are paralyzed and have experienced a drastic decline.

The problem in the research is the decline in the market share of batik sales during the Covid 19 pandemic which experienced a very drastic decline, this cannot be allowed to continue so it is necessary to re-identify all resources that can form a competitive advantage, especially with regard to product innovation. Research conducted by Henard and Szymanski (2001) strengthens the causal relationship sequentially between product success and product characteristics, business strategy characteristics and characteristics. product development. Based on the description of the problems above, the researchers took research on the effect of price.

**Literature Review**

**Small medium enterprises**

SMEs are businesses that can withstand shocks, as evidenced in times of economic crisis where many large-scale businesses experience collapse, but SMEs are able to survive and can even be said to be a savior belt from the impact of the crisis (Ahyar et al., 2020). This type of business grouping refers to the Decree of the President of the Republic of Indonesia No. 99 of 1998 or the Decree of the Minister of Finance No.40/KMK.06/2003 dated January 29, 2003, or the Minister of State for Cooperatives and Small and Medium Enterprises (Menegkop and UKM). However, basically all of them can be stated to have the same understanding and there are similarities regarding the definition of Micro Business, namely: "Small-scale people's economic activities with business fields which are mostly small business activities and need to be protected to prevent unfair business competition".

**Product Characteristics**

In creating a new product, the characteristics of the product are influenced by 3 indicators, namely; product advantages, products according to buyer needs, products follow technological developments. (David H. Henard, David M Szymanski, 2001.p.364). In all cases, the company generates market knowledge about its customers or competitors, in order to increase the advantages of its new product. The emergence of this trend in the development of new products did not suddenly occur, but coincided with a growing current in marketing centered on the topic of market knowledge competence. In his research on market knowledge and its strategic implications, Glazer, Razhi (1991) considers market knowledge competence

In Neoclassical theory, the most important resources for production are labor, land and capital. But as information and knowledge replaced goods and energy as the main sources of production (Bell, 1973), Neoclassical theory became less defensible and was replaced by a resource-based theory of the firm (Berney 1991; Conner 1991, Day 1994; Hunt and Morgan 1995)., which develops types of resources (from workers, land, and cars) to include the intangibles as market knowledge competencies, organizational culture, and management skills. Disclosure of knowledge competence as a “higher-level” resource and, when used, may result in a competitive advantage, (Hunt and Morgan 1995, p.8).

Furthermore, as part of an investigation into the key points of product innovation, Drucker (1985) noted the competitiveness of firms in developing new products in the process using knowledge of customers and competitors and integrating those customers with technology. New products launched to customers are expected to have a unique and superior product that is also in accordance with the wishes of the buyer. The price of the product is expected to be affordable by customers and the innovation of the product follows current and future technological developments.

**Market Competency Strategy**

Companies must adapt and innovate continuously. Because customer needs and expectations are constantly evolving all the time, therefore it must be followed and responded to by producing high quality products and services continuously to turn market needs into market competitive strategies. Considering the importance of market knowledge competence is a current theory development phenomenon. Disclosure of market knowledge competencies as a “higher-level” resource and when used may generate competitive advantage (Hunt and Morgan, 1995). Although the view of market knowledge competence resources shows an increase in theory development, the operational definition of this concept is important for empirical testing, because the term "resource" itself is an umbrella covering visible and invisible assets and is intended to convey the competence property of market knowledge itself (Li and Calantone, 1998). Market knowledge and market knowledge competence are two related, but separate concepts. Li and Cantone, (1998) define market knowledge as information that is organized, means the result of a systematic process (as opposed to random retrieval), and is structured, showing that it has a useful meaning. Li and Calantone, (1998) define market knowledge competence as a process that drives and integrates market knowledge. Market knowledge and market knowledge competence are two related, but separate concepts. Li and Cantone, (1998) define market knowledge as information that is organized, means the result of a systematic process (as opposed to random retrieval), and is structured, showing that it has a useful meaning. Li and Calantone, (1998) define market knowledge competence as a process that drives and integrates market knowledge. Market knowledge and market knowledge competence are two related, but separate concepts. Li and Cantone, (1998) define market knowledge as information that is organized, means the result of a systematic process (as opposed to random retrieval), and is structured, showing that it has
a useful meaning. Li and Calantone, (1998) define market knowledge competence as a process that drives and integrates market knowledge.

Here the process shows it is a series of activities (competitors). In his research on market-driven organizations, (Day, 1994) defines market competence as a complex set of shared skills and learnings that are practiced through organizational processes. In their research on the core competencies of firms, Prahalad and Hamel (1990), Li and Calantone (1998), noted that firms' competencies in new product development process use of customer and competitor knowledge and integrate that knowledge with technology. As a series of processes, market knowledge competence shows several characteristics including: (1) inability to imitate,

In the research of Li and Calantone (1998), it is suggested that market knowledge competition from new product development consists of 3 processes, namely: (1) customer knowledge process, (2) competitor knowledge process, (3) marketing research and development interface. The customer knowledge process refers to the set of behavioral activities that drive customer knowledge to bear on current and potential needs for new products. The competency knowledge process involves a set of behavioral activities that drive knowledge about competitors' products and strategies. The marketing research and development interface refers to the process by which the marketing research and development functions communicate and collaborate with one another. Based on the statement of Nerver and Slater (1990) the market competency strategy as a competitive strategy consists of three behavioral components, namely; customer orientation, competitor orientation, and interfunctional coordination. Thus customer orientation and competitor orientation including all activities involved in obtaining information about buyers and competitors in the market that is being addressed and disseminated through the business. Whereas interfunctional coordination is based on customer and competitor information and consists of coordinated business efforts. Thus customer orientation and competitor orientation including all activities involved in obtaining information about buyers and competitors in the market that is being addressed and disseminated through the business. Whereas interfunctional coordination is based on customer and competitor information and consists of coordinated business efforts.

Price

According to Kotler & Armstrong (2006), price is the amount of money charged for a product or service or the amount of value that consumers exchange for the benefits of having or using the product or service. Meanwhile, according to Stanton (2004), the market price of a product affects wages, rent, interest, and profit. That is, the price of the product affects the costs of the factors of production (labor, land, capital, and entrepreneurship. So the definition of price is the basic measuring tool of an economic system because prices affect the allocation of factors of production. And price can also be defined as the amount of money needed to obtain some combination of a product and the accompanying service.
Product Success Rate

Product innovation is increasingly being valued as a key component of sustainable success in business operations. David H. Henard and David M. Szymanski (August, 2001), in their research said; product advantages, market potential, meeting customer needs, pre-development of task skills, and resource usage, are generally among the most important factors that have a significant impact on new product performance. According to Sridar Samu (1999; p.60) the characteristics or characteristics of a new product sold in the market will determine the level of success of the product. The consumer's decision to repurchase the product is a form of new product success. The components, characteristics and characteristics of these products are important things that must be considered to improve marketing performance. The success or failure of a product is one of the indications, namely consumer buying interest (how much someone is interested in buying a product). It can be said that this interest will give birth to the frequency of purchases or repurchases, therefore the dimension of buying interest is the amount of interest or how likely a purchase is (Mittal, 1999; p.50).

Business Performance

Business performance according to Jeaning and Beaver (1997) is a measure of the success and development of small and medium and large companies. Measurement of return on investment, growth, volume, profit, and labor in general companies is carried out to determine the company's performance. Performance measurement is something complex and is a big challenge for researchers, who according to Beal (2000) because a performance construct is multidimensional and therefore performance measurement with a single measurement dimension is not able to provide a comprehensive understanding. Performance measurement according to Bhargava et al. (1994) should use or integrate multiple measurements (multiplemeasures). Wright et al., in Beal (2000) suggests that there is no consensus on the most appropriate performance measures in a study and the objective measures of performance that have been used in many studies are still lacking. For example, the size of ROI (Return On Investment) has a weakness, because there are various methods of measuring depreciation, inventory and fixed cost values.

Further, Sapienza et al. in Beal (2000) suggests that accounting and financial-based organizational performance measures have drawbacks other than caused by the variety of accounting methods, also caused by a tendency to manipulate numbers from the management so that the measurement becomes invalid. To anticipate the unavailability of objective performance data in a study, it is possible to use subjective measures, which are based on managers' perceptions. Zahra and Das (1993) prove that subjective performance measures have a high level of reliability and validity. In addition, research by Voss & Voss (2000) shows a close correlation between subjective performance measures and objective performance measures.

Business performance is a factor that is commonly used to measure the impact of the strategies implemented by the company. In other words, outlet performance is a concept to assess the performance of business activities carried out by outlets or agents. However, Keats & Hill (1988) say that performance is a difficult concept, both to define and to measure. Beals (2000) says that performance measurement is something complex and a big challenge for a researcher. It is said to be a big challenge because as a construct, performance is
multidimensional so that the use of a single measurement is not able to provide a comprehensive understanding. High business performance is influenced by whether or not the company's products are superior to the existing level of competition. Kim and Mauborgne (2005) suggest that to obtain high performance, companies need to win the competition in the future, organizations that succeed not because of fighting with competitors but by creating a blue ocean strategy from a new space that is unmatched in a market. The business performance variable is formed by four indicators, namely profit growth, customer growth, market growth, sales growth.

**Hypothesis**

**The Impact of Product Characteristics on Product Success Rates**

Companies can maintain product excellence or better standards with unique features (Bergreen, 2001, p. 95-100). Li and Calantone (1998, p.13) say that the success of the product is related to the uniqueness and contemporaneity of the product, which is an advantage over other products. This when compared to other products is one of the factors that determine the success or failure of the product. In addition, it can also be said that the management of consumer knowledge can be used as one of the factors that determine companies to increase the success of new products. Hamel & Prahalad (Cooper, 1996; p.3). In a study conducted by Cooper and Kleinschmidt (1996, p. 19) in their journal entitled: Winning Business and Product Development: The Critical Success Factor at the end of his research journal states several things about the research agenda that are important to do. Where the research that needs to be done is to examine the product marketing performance and the factors that influence it (Cooper, 1996, p. 18-29). Meanwhile, in a study conducted by Song and Parry (1997, p. 64-76) that to determine the success of a new product can be seen from the marketing performance. Then in the research conducted by Delene (1997, p. 47 – 54) which examines the advantages of competitive new products, he states that further research is needed on product strategies that improve marketing performance. Where the research that needs to be done is to examine the product marketing performance and the factors that influence it (Cooper, 1996, p. 18-29). Meanwhile, in a study conducted by Song and Parry (1997, p. 64-76) that to determine the success of a new product can be seen from the marketing performance. Then in the research conducted by Delene (1997, p. 47 – 54) which examines the advantages of competitive new products, he states that further research is needed on product strategies that improve marketing performance. Where the research that needs to be done is to examine the product marketing performance and the factors that influence it (Cooper, 1996, p. 18-29). Meanwhile, in the research conducted by Song and Parry (1997, p. 64-76) that to determine the success of new products can be seen from marketing performance. Then in a study conducted by Delene (1997, p. 47 – 54) which examines the advantages of competitive new products, he states that further research is needed on product strategies that improve marketing performance.

H1 : There is a positive effect of product characteristics on the level of product success.
The Impact of Market Competitive Strategy on Product Success Rates

In the research of Li and Calantone (1998), it is suggested that market knowledge competition from new product development consists of 3 processes, namely: (1) customer knowledge process, (2) competitor knowledge process, (3) marketing research and development interface. The customer knowledge process refers to the set of behavioral activities that drive customer knowledge to bear on current and potential needs for new products. The competency knowledge process involves a set of behavioral activities that drive knowledge about competitors’ products and strategies. The marketing research and development interface refers to the process by which the marketing research and development functions communicate and collaborate with one another. Based on the statement of Nerver and Slater (1990) the market competency strategy as a competitive strategy consists of three behavioral components, namely; customer orientation, competitor orientation, and interfunctional coordination. Thus customer orientation and competitor orientation including all activities involved in obtaining information about buyers and competitors in the market that is being addressed and disseminated through the business. Whereas interfunctional coordination is based on customer and competitor information and consists of coordinated business efforts. Kholi and Jaworski (1993) explicitly define market competitive strategies into three types, namely; customer focus, coordinate marketing, and profitability, because these 3 things are closely related to the organizational decision-making process based on the information obtained and have undergone a process of unifying the values of behavior adopted by the company (culture) owned by the company. Jaworski and Kohli (1993) state that customer needs and expectations evolve over time, therefore they must be followed and responded to by producing high quality products and services continuously to turn market needs into market competitive strategies.

H2: There is a positive influence of market competitive strategy on the level of product success

The Impact of Price on Product Success Tingkat

For some types of products, consumers prefer to buy products at lower prices with the quality and criteria they need. A company that sells its products directly to consumers and through distribution sets different prices. As for promotion, product prices will be cheaper if product promotion costs are not only charged to the company, but also to retailers. An entrepreneur needs to consider the costs in production and the changes that occur in the quantity of production if he wants to be able to set prices effectively. Fandy Tjiptono (2001), suggests that price is often used as an indicator of value when the indicator is associated with the perceived benefits of an item or service. Thus it can be concluded that at a certain price level,

H3: There is a positive effect of price on the level of product success

The Impact of Product Success Rate on Business Performance

Product innovation is increasingly being valued as a key component of sustainable success in business operations. David H. Henard and David M. Szymanski (August 2001), in their research said; product advantages, market potential, meeting customer needs, pre-
development of task skills, and resource usage, are generally among the most important factors that have a significant impact on new product performance. According to Sridar Samu (1999; p.60) the characteristics or characteristics of a new product sold in the market will determine the level of success of the product. The consumer's decision to repurchase the product is a form of new product success. The components, characteristics and characteristics of these products are important things that must be considered to improve marketing performance. The success or failure of a product is one of the indications, namely consumer buying interest (how much someone is interested in buying a product). It can be said that this interest will give birth to the frequency of purchases or repurchases, therefore the dimension of buying interest is the amount of interest or how likely a purchase is (Mittal, 1999; p.50).

H4 : There is a positive effect of product success rate on business performance

Research Method

This study uses quantitative data types because the data presented is related to numbers or scoring. The data is then analyzed and processed into statistical analysis to test the hypotheses that explain the relationship between the variables used. The data source used in this study is primary data. According to Sugiyono (2014), research variables are anything in the form of what is determined by researchers to be studied so that information is obtained about it, then conclusions are drawn. The variables of this study are divided into two, namely: (1) Endogenous Variable (Y) The endogenous variable is a variable that is affected or which is due to the exogenous variables (Sugiyono, 2014). The related variable in this study is Product success rate & the performance of SME’s. (2) Exogenous Variable (X) Exogenous variable or exogenous variable is a variable that will affect the endogenous variable or in other words the exogenous variable is the cause of the formation of the endogenous variable. The exogenous variables used in this study are Product Characteristics, Market competitive strategy & Price. The population in this study were all SMEs in West Java. The sample used was Batik SMEs in Cirebon with a minimum of 10th years of establishment the number of Batik SMEs in Cirebon was 165.

Results and Discussion

Based on data collected during the study, a questionnaire distributed to respondents was 165 copies. From the results of data processing most female respondents as respondents as many as 110 people, respondents with ages 41-50 are the most dominant as many as 65 people. The table below shows a summary of the results of the analysis of existing data,
Figure 1. Research Model

Table 1. Sample Characteristics

<table>
<thead>
<tr>
<th>Demographics Characteristics</th>
<th>Number Response</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 30</td>
<td>35</td>
<td>0.21</td>
</tr>
<tr>
<td>31-40</td>
<td>30</td>
<td>0.19</td>
</tr>
<tr>
<td>41-50</td>
<td>65</td>
<td>0.39</td>
</tr>
<tr>
<td>&gt;51</td>
<td>35</td>
<td>0.21</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>55</td>
<td>0.33</td>
</tr>
<tr>
<td>female</td>
<td>110</td>
<td>0.67</td>
</tr>
</tbody>
</table>

Reliability is a measure of the internal consistency of the indicators of a construct variable that shows the degree to which each indicator indicates a general formation variable. There are two ways to test reliability, namely by composite/construct reliability and variance extracted. The cut-off value of construct reliability is at least 0.70 while the cut-off value for variance extracted is at least 0.50. Variance extracted shows the amount of variance of the indicators extracted by the developed variable. The high value of variance extracted shows that these indicators represent well the developed variable formation (Ghozali, 2013).

Table 2. Reliability and Variance Extracted Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Characteristics</td>
<td>0.883</td>
<td>0.654</td>
</tr>
<tr>
<td>Market competitive strategy</td>
<td>0.852</td>
<td>0.69</td>
</tr>
<tr>
<td>Price</td>
<td>0.909</td>
<td>0.715</td>
</tr>
<tr>
<td>Product success rate</td>
<td>0.910</td>
<td>0.670</td>
</tr>
<tr>
<td>Performance of SME’s</td>
<td>0.930</td>
<td>0.725</td>
</tr>
</tbody>
</table>

Reliability for each construct turned out to be high, all values were above the cut of value 0.70. The results of the variance extracted calculation showed that all constructs met the minimum cut-of-value requirements of 0.50.
Table 3. Hypothesis Testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>estimate</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product success rate</td>
<td>0.147</td>
<td>0.108</td>
<td>2.108</td>
<td>0.029</td>
</tr>
<tr>
<td>Product success rate</td>
<td>0.162</td>
<td>0.125</td>
<td>2.781</td>
<td>0.014</td>
</tr>
<tr>
<td>Product success rate</td>
<td>0.175</td>
<td>0.154</td>
<td>2.848</td>
<td>0.010</td>
</tr>
<tr>
<td>Performance of SME's</td>
<td>0.389</td>
<td>0.167</td>
<td>2.906</td>
<td>0.008</td>
</tr>
</tbody>
</table>

The results of testing the effect of Product Characteristics on the Product success rate can be concluded that Product Characteristics has a positive effect on the Product success rate. The results of testing the influence of Market competitive strategy on Product success rate can be concluded that Market competitive strategy has a positive effect on Product success rate. The results of testing the effect of Price on the Product success rate can be concluded that Price has a positive effect on the Product success rate. The results of testing the effect of Product success rate on Performance of SME's can be concluded that Product success rate has a positive effect on Performance of SME's. The four hypotheses are declared accepted, so that the success of the current product for Batik SMEs in the midst of the Covid 19 pandemic is influenced by Product Characteristics, Competitive Market and Pricing Strategy. Even though the market share has decreased in this pandemic condition, if Batik SME actors in Cirebon pay attention to these three exogenous variables, they will be able to improve their business performance.

In addition, from in-depth interviews, it is known that the factors that influence the success of an SME are the same for each type of business. However, what distinguishes each SME is the magnitude of the problems they may face. For SMEs that have raw materials or are directly related to materials that have relatively unstable prices, such as basic commodities, fuel, etc., it is an indication that they will experience more difficult problems than other types of SMEs. But that doesn't mean they don't have a chance to succeed. They will be more successful if they do the strategy well and are not fixated by the problems they face.

Conclusion
Judging from the characteristics of SMEs, it can be concluded that all of the variables, namely product characteristics, market competition strategies and prices, are significantly related to the success of an SME and are able to improve the performance of SMEs. Judging from the contextual variables, it can be concluded that the SME performance dimension is positively related to the level of product success. SMEs that are easy to maintain product, market and price characteristics will be more successful. Meanwhile, SMEs find it difficult to maintain product characteristics, markets and prices will be less successful. For SMEs, product success is the most important thing as a driver of their success, meaning that good SME performance is synonymous with product success.

References


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