

Digitalization Strategy for Consignment, Franchising, and Partnership

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Research Article

Digitalization Strategy¹ for Consignment, Franchising, and Partnership Networks Through the Implementation of e-Kolab (Electronics for Consignments, Franchising, Organizational Networks) (Study on MSMEs member of DPD IWAPI Bali Association)

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ABSTRACT

The province of Bali as a tourism area is feeling the impact of the Covid 19 pandemic. The indicator is the decline in the number of MSMEs. IWAPI (Indonesian Women Entrepreneurs Association) Bali Province which fosters MSMEs and Cooperatives as partners in this research requires a strategy that moves many elements to collaborate and co-optimize together. The purpose of this study is: to bring together institutions, capital and MSME actors through digitalization or applications. The purpose of developing the application is to encourage MSMEs owned by Balinese women to operate locally with global quality. The research method used in this study is the OODA (Observe, Orient, Decide and Act) method. The first step is observation by collecting and observing primary data and secondary data of SMEs/IWAPI assisted. The second step is orientation by conducting root causal analysis with fish-bone, SWOT and analysis of service policies towards MSMEs/IWAPI assisted, especially during pandemic recovery. The third step is Decide, namely developing e-collaborations. The last step is Act: implementation of e-collaboration, readiness testing there is application of e-collaboration. The e-Kolab application is a strategy for SMEs Scale Up and can be a Model Business Continuity Plan (BCP) in conducting business collaborations to apply the principle of local wisdom "PangPadePayu". The short-term strategy of this application will provide a digital service boost for MSME actors. While the long-term strategy is to build digital

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technology as a platform in MSME business processes; and the development of modern MSME business models.

Keywords: *consignment, franchise, organizational network, PangPadePayu, e-Kolab*

Background

12 The province of Bali as a tourism area has felt the impact of the Covid 19 pandemic. In June 2020, the arrival of foreign tourists (tourists) to Bali was only 32 visits. This number fell as deep as -11.11 percent compared to May 2020 (month-to-month) which was 36 visits. When compared to June 2019 (year-on-year) where the number of foreign tourists reached 549,516 visits, the number of foreign tourists in June 2020 fell drastically (Balitbang).

MSME entrepreneurs in Bali are seen as having a major contribution to the very large economic growth of the Province of Bali and as one of the leading sectors. MSMEs are able to absorb a large enough number of workers and maintain the community's economy, especially during the pandemic. However, it is undeniable that there has been a decline in the number of MSMEs in Bali due to the ongoing pandemic. 1. Based on data from the Bali Regional Research, Development and Innovation Agency, the number of MSMEs in Bali in 2019 was 327,325. 2. (Balitbang) and there was a decline in 2021 to 123,258 (Kementerian Koperasi dan UKM, 2021). Seeing this situation, it is necessary to 3. immediately intervene all stakeholders and the government in re-invigorating the spirit of the Bali MSMEs to survive in this long crisis.

IWAPI as a forum or organization that oversees MSMEs in Indonesia in this case has an important role in helping the success of government programs to improve the people's economy. Of the majority of IWAPI members, a total of 30,000 are small- and medium-sized entrepreneurs engaged in creative business. This is the right time to be a milestone for Indonesian entrepreneurs in strengthening the small-medium business base with a focus on performance related to improving human resources through assistance in Marketing Network Expansion (Iwapi, 2021).

Economic competitiveness needs to be developed by increasing local potential in Bali

which is rich in arts and culture. Bali as an area that upholds the value of local wisdom provides creative economic support with the concept of "PangPadePayu" the concept of "PangPadaPayu" is an expression in Madya Balinese language whose free translation is "to be equally capable" or "to be together". What is meant by "capable" or "so" is nothing but achieving the goals of each party. It is expected to be able to act as a synergy between institutions, capital, SME players, and the market.

Partners in this study are IWAPI Bali Province which fosters SMEs and Cooperatives. DPD IWAPI Bali fosters ± 650 SMEs and ± 200 cooperatives. IWAPI needs a strategy to Scale Up and become a Business Continuity Plan (BCP) model that drives many elements to collaborate and co-compete together. The problems faced by partners are related to:

The managerial aspect is weak because MSME factors are still running their businesses with the old methods during the Covid-19 Pandemic. Access to investment or capital is still weak because it has not been able to develop business and get investors.

Access to establish mutually beneficial collaboration networks with various parties in business development and market access expansion.

Aspects of institutional improvement to strengthen the strategy/pattern of sustainable development of MSMEs. It aims to be able to do a digital "sharing economy" in conducting their business by sticking to "PangPadePayu"

This pandemic situation has caused many businesses to be unable to survive, but some businesses are actually able to capture new business opportunities. Large-scale digital platforms operating globally are finding innovations to survive amidst crises. Meanwhile, small and medium enterprises (MSMEs) located in the local economy have proven vulnerable to shocks. This causes many local economies to not survive (Korsgaard, 2020). In this study,

the digital platform implemented as a MSME business development strategy under the auspices of the Bali branch of IWAPI is the use of e-Kolab (Electronic Consignment, Franchise, and Organizational Networks) which will be web-site and android based.

The use of e-Kolab is expected to encourage Bali SMEs to operate locally with global quality. The application is also an access to form a sharing economy with consignments, franchises and organizational networks. In consignment, SMEs as retailers interact with their suppliers by offering consignment contracts, based on a profit-sharing policy. In this type of contract, the producer continues to own the product and is usually fully responsible for determining its selling price. For each product sold, the retailer

charges an agreed percentage of the selling price (Chernonog, 2020).

The objectives of this research are: 1). to bring together institutions, capital, MSME players and the market through digitalization or applications, 2). To map the potential and capacity of tourism/custom village communities through digitization, 3). Easy application development to encourage MSMEs owned by Balinese women entrepreneurs to operate locally with global quality in the midst of digital application literacy. This research is important because the involvement of women entrepreneurs in production work will encourage household economic activities, social and economic change and development in both rural and urban areas.

Methods

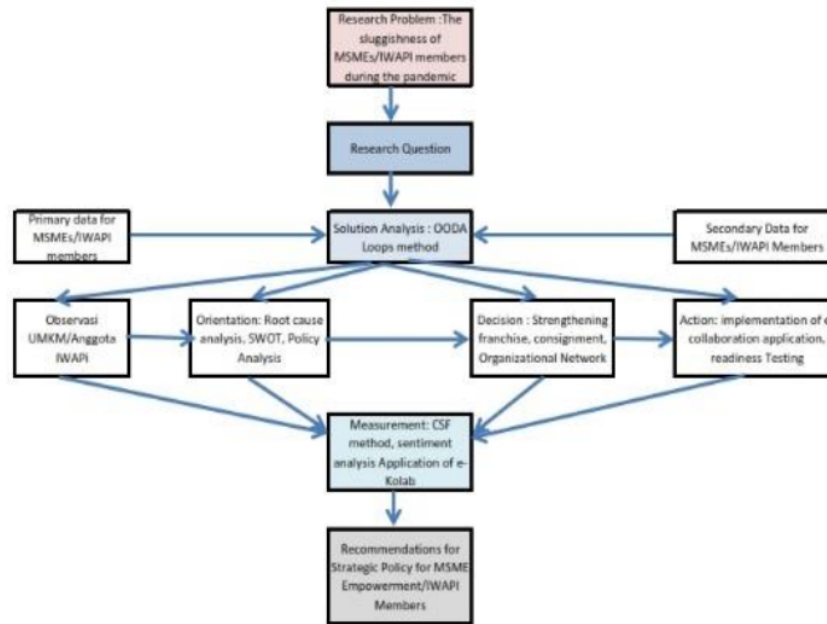


Figure 1. Research Methodology

The research method used in this study is the OODA (observe, orient, Decide and Act) method. This method consists of observation by collecting and observing primary data and secondary data of MSMEs/IWAPI assisted, orientation by conducting root causal analysis with fishbone, SWOT and analysis of service

policies on MSMEs, decisions namely developing e-collaboration, and action by implementing e-kolab, readiness testing there is an e-kolab application. The concept of OODA loop is the concept of iterative analysis to determine the decision of a problem. The term circle or loop is because in this concept all

processes are repeated until the decisions taken are effective and able to have a significant impact in dealing with problems (Richards, 2008). Observation is the first step in assessing the environment by identifying the situation and collecting data and facts. Orientation is the amalgamation of cultural traditions, previous experiences, education, and new information and the analysis and synthesis that follow. A decision is a choice of action thinking at the future and its consequences. This stage is the real step that has the biggest impact. The decisions taken will have an impact on new situations that will arise. Actions are expected to implement decisions made to solve problems (Boyd, 2018).

In this research, the research flow is arranged inductively, namely examining general things and then finding their impact. This is expected to condense on one of the impacts studied. The description of the flow that becomes the research design in Figure 1.

Results

Based on the contents of the questionnaire with respondents of MSME actors from IWAPI DPC members spread across 9 districts/municipalities in Bali Province, it was found that from 123 respondents, 50.4% did not have a UMK permit number and 49.6% had a UMK permit number. Based on the length of time these MSMEs have been running the business, the data obtained are as follows: 27.08% of respondents have run a business for less than 1 year, 22.8% have run their business for 1-3 years, 13.8% have been in business for 3-5 years and the rest 59.3% have been in business for more than 5 years.

Table 1. Business Locations of IWAPI respondents

| No | District/city | Number of MSME Respondents |
|--------------|---------------|----------------------------|
| 1 | Buleleng | 21 |
| 2 | Klungkung | 3 |
| 3 | Tabanan | 18 |
| 4 | Karangasem | 34 |
| 5 | Denpasar | 21 |
| 6 | Bangli | 1 |
| 7 | Badung | 14 |
| 8 | Jembrana | 6 |
| 9 | Gianyar | 5 |
| Total | | 123 |

Most of the respondents had never been offered a franchise, as many as 85.2% and the remaining 14.8% had been offered a franchise. The same goes for consignment. As many as 69.7% have never been offered a consignment and the remaining 30.3% have been offered a consignment. Cooperation is very important between MSME actors and partners who are already at a higher level. Based on the variety of cooperation desired by them, there are 59.5% of the respondents who want cooperation in the form of a capital loan. This shows that capital cooperation is one form of cooperation that is highly expected for IWAPI SMEs in Bali. Then there are as many as 14.9% of respondents want cooperation in the form of a place of business, 5.8% want cooperation in equipment, 3.3% cooperation in joint production and 16.5% want cooperation in other forms.

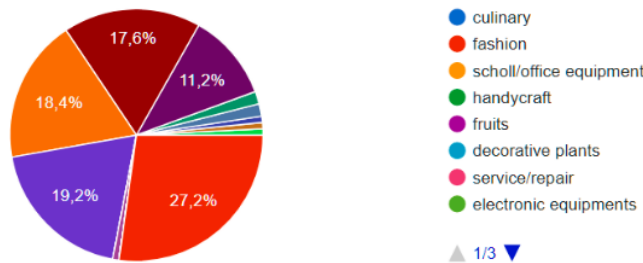


Figure 2. Pie chart of the respondent's MSME business sector

Orientation stages in the OODA Loop model were analyzed using SWOT analysis. SWOT analysis is an analysis of the internal and external conditions of an organization which will then be used as a basis for designing strategies and work programs. Internal analysis includes assessment of the factors of strength (Strength) and weakness (Weakness). Meanwhile, the external analysis includes opportunity (Opportunity) and challenge (Threat) factors (Febriantoro, 2018). This study uses a SWOT analysis with a qualitative approach. Strengths in MSMEs assisted by the Bali Province Women Entrepreneurs Association include: 1) Creative economic support that upholds local wisdom with the concept of "PangPadePayu" or in other words working together in a "win-win solution"; 2) The provision of Social Assistance is aimed at poor and vulnerable MSME actors; 3) Exemption of tax incentives for MSMEs and relaxation and credit restructuring for MSMEs; 4) Expansion of working capital financing for MSMEs; 5) Placing Ministries, SOEs and Local Governments as a buffer for MSME products; and 6) e-Learning training and awareness building on the importance of technology. Meanwhile, the weakness (weakness) in the managerial aspect is because the SME players who are fostered are still running their business using the old method during the Covid19 pandemic and the investment or capital aspect is still weak, so they have not been able to develop their business and get investors.

The realization of the "sharing economy" in achieving the targets of the 2020-2024 National Medium Term Development Plan (RPJMN). RPJMN is for accelerating economic and digital structural transformation. This means that it requires collaboration from many parties. This is a big opportunity factor for the MSME market assisted by IWAPI Bali. Meanwhile, the challenge that is still being faced by MSMEs assisted by IWAPI Bali is that the Covid 19 pandemic has not yet ended, especially in Indonesia. The impact is still very much felt as well as competition with MSMEs from other countries in ASEAN to other Asia due to the rapid development of the global marketplace.

The decision in the advanced stages of the OODA Loops model by formulating a 10-step strategy to save MSMEs in Bali, namely a short-term and long-term strategy. The short-term strategy is to provide digital service encouragement to MSME actors, while the long-term strategy is related to the design of the MSME development roadmap which consists of; 1) build digital technology as a platform in MSME business processes; and 2) development of modern MSME business models. This is because the digital role in the MSME business is very much needed during this pandemic. The digitization of MSMEs is an opportunity in marketing MSME products. Marketing of MSME products will be more effective and efficient through the use of current technological developments. MSME products should go hand in hand with technological developments. MSMEs that cannot adapt to globalization will slowly lose their competitiveness.

The action in the final stage of the OODA Loops model is the application of the e-Kolab application. IWAPI Bali warmly welcomes the collaboration with the Bali Ideathon Team which offers the e-Kolab application (Electronic Consignment, Franchising, and Organizational Networks). By applying the principle of "PangPadePayu" the e-Kolab application based on the website and android, it is hoped that it can support the strategy for SMEs Scale Up and can become a Model Business Continuity Plan (BCP). This is expected to move many elements to collaborate and compete together. The e-Kolab application brings together Pentahelix/Multi Stakeholders consisting of Investors, Franchisors, Consignors, Suppliers, Distributors, other organizations/institutions, with MSMEs. This strategy is appropriate because during the Covid19 pandemic all businesses must rotate their business models in times of turbulent change, simultaneously reducing risk and capturing new opportunities (Manolova, 2020). Business digitization will increase the importance of digital marketing and sales channels. This encourages digital communication and consumption of technology products through hybrid interactions that can be accessed anytime and anywhere (Almeida, 2020).

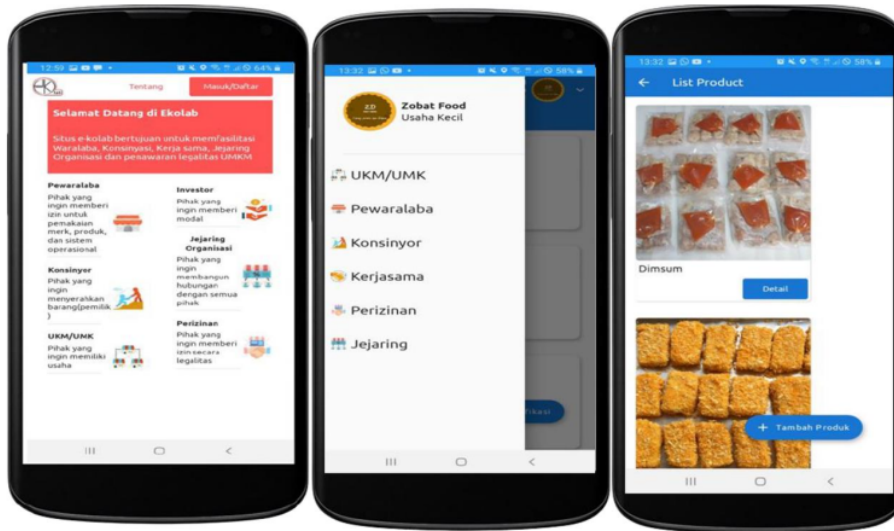


Figure 3. E-Kolab Application Interface

Of course, in the application of e-Kolab, it is necessary to take collaborative steps that can be taken between MSMEs under IWAPI and the Bali Ideathon Team to be successful in using e-Kolab. What can be done is to provide assistance and training in terms of digital/online

marketing. MSMEs need to change their mindset in running a business by using technology transformation. This is believed to be able to continue the sustainability of SMEs. However, some MSMEs lack knowledge of digital skills relevant to their business (Winarsih, 2020).

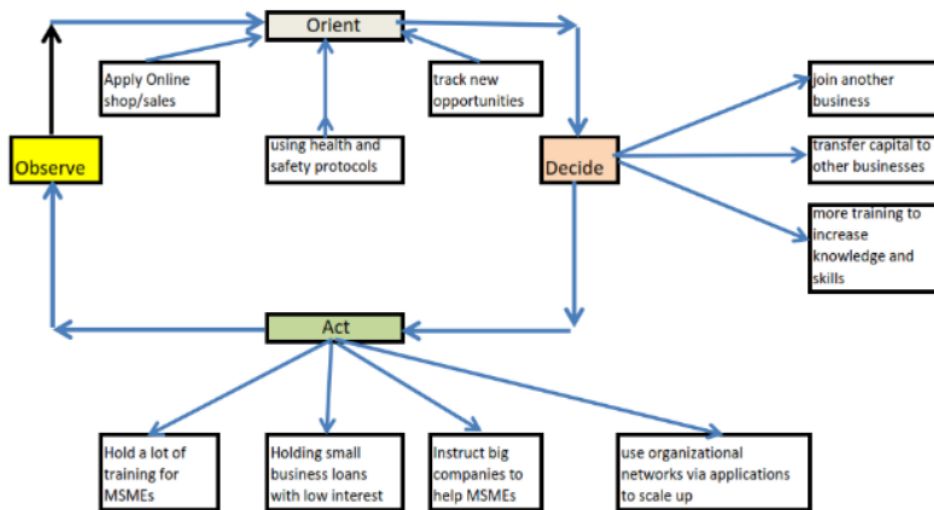


Figure 4. OODA results and policies recommendations

Product branding training to a wider market to MSMEs can lead MSMEs to onboarding in e-commerce. Product branding and a good marketing strategy are needed in an effort to increase partner cooperation. Many partners are interested in cooperating with the sales of MSME products in Bali. This condition is one of the reasons to help empower MSME actors. Local governments can provide assistance in the form of assistance in the utilization and optimization of the use of digital media to conduct massive promotions. The goal is to have a significant impact on awareness of target consumers and partners/investors (Suardhika, 2016; Tahu, 2020).

This research produces the following policy recommendations:

1. Increase business opportunities for MSME products by way of supply chain partnerships, providing incentives and facilities in order to form synergies between medium and large businesses with micro and small businesses,
2. Providing convenience in accessing business financing credit, facilitating the licensing process and the registration process for Intellectual Property Rights, facilitating the process of importing raw materials and industrial auxiliary materials as well as providing export facilities for MSMEs.
3. Supporting the empowerment, development and marketing of MSE products such as giving MSME products a greater opportunity to be marketed in public places such as in toll road rest areas and other public infrastructure such as terminals, airports, ports and train stations and other public places.
4. Provide assistance and training in digital/online marketing and how to brand partners' products to a wider market until they can onboard in e-commerce.
5. Provide assistance in the form of assistance in the utilization and optimization of the use of digital media to conduct massive promotions in order to have a significant impact on awareness of target consumers and partners/investors in the hope of increasing sales of MSME partner products.
6. Empower and instruct companies to be able to help MSMEs and collaborate so that

MSMEs can bounce back by cooperating with soft schemes so that products, infrastructure and capital can be recovered for MSMEs.

7. Encouraging MSMEs and companies to use the e-Kolab application (ekolab.id/prelogin) to be able to find, communicate and collaborate with organizations so as to build strong organizational collaboration and networks so that MSMEs can recover and scale up.

Conclusion

The role of the state through related agencies is to facilitate licensing policies, assistance and development of MSMEs. This can be done against obstacles and solutions as an effort to realize and strengthen the role of MSMEs to be more competitive and improve the welfare of the perpetrators. IWAPI Bali warmly welcomes the collaboration with the Bali Ideathon Team which offers the e-Kolab application (Electronic Consignment, Franchising, and Organizational Networks). The e-Kolab application can support strategies for SMEs Scale Up and can become a Model Business Continuity Plan (BCP). This BCP drives many elements to collaborate and co-opt. The short-term strategy is to provide digital service encouragement to MSME actors. The long-term strategy is to build digital technology as a platform in MSME business processes; and the development of modern MSME business models.

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Competing interests

The author(s) declare that they have no financial or personal relationship(s) that may have inappropriately influenced them in writing this article.

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