



Improving SMEs Performance through Omni-channel Strategy

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Abstract. This study aims to analyze the performance of MSMEs that are influenced by the omni-channel strategy so that it is intended to gain benefits to develop and empower MSME actors under the auspices of cooperatives. The aspect of innovation is a dimension that needs more attention from SMEs to be able to improve performance. Meanwhile, channel integration is a key part of ability to compete during the current pandemic. On the other hand, it was found that the omni-channel strategy has a significant effect toward the performance of SMEs.

Keywords: SMEs Performance, Omni-channel Strategy, SMEs.

1 Introduction

The number of Small and Medium Enterprises (SMEs) in Asian countries, such as Indonesia, has increased dramatically over the last twenty years [1]. SMEs account for 95% of firms in the world and absorb 60% of the workforce according to data from the International Finance Corporation [2]. The World Bank states that contribution of formal SMEs is up to 60% of total employment and up to 40% of national income (GDP) in developing countries. A study from the World Bank Organization demonstrates that there are roughly 400 million SMEs in developing countries, most of which are informal [3]. Not only that, SMEs also support poverty alleviation and facilitate increased income from exports [1], [4]. In Indonesia, SMEs are considered one of the business sectors that make a substantial contribution to economic growth [4], [5], which has a significant contribution of 60.3% of Indonesia's total gross domestic product (GDP) [6]. This highlights the importance of SMEs in developing countries' economy landscapes. Considering the critical significance of Small and Medium Enterprises in the development, growth, and the developing countries' futurity, these countries' institutions are looking for methods to develop and becoming more profitable [3].

The number of SMEs that is cultivated year after year necessitates coaching to help micro-businesses grow into major entrepreneurs [4]. Because most SMEs in developing countries continue to face various challenges and problems [4], [7]. These problems include: a lack of financial structure and access to capital sources, the availability and continuity of raw materials, a restricted ability to understand technology, a lack of company organization and management, and a lack of quantity and quality of human resources [4], [8]. These challenges tend to hamper many business activities, including collaboration among company partners, which has an impact on performance of SMEs

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[7]. Here a network of business collaboration is required between Banks, Governments, Universities, Research institutes, and Research centers in order to collaboratively improve quality and the performance of SMEs [8].

In an effort to increase competitive advantage and combat existing challenges, SMEs can look for ways to reduce costs, improve efficiency and customer service by innovating through efficient omni-channel supply chain management strategies [9]. According to Calipinar in his research observed that SMEs can become independent and become stronger if they implement omni-channel supply chain management [10]. With the recent development of Information and Communication Technology (ICT), such as cloud-based services, the techniques of omni-channel distribution are gaining popularity as a up-to-date growth model for the MSME market and have a fairly optimal influence on aspects of consumer choice and behavior [11], [12]. This is because centralizing the omni-channel supply chain ensures an integrated process that provides consumers with a view of a product or service in terms of purchases, returns, and exchanges in each channel [13].

With its significant growth, this omni-channel system can improve consumers' shopping experience and to improve supply chain competitiveness [14]. Omni-channel is becoming a popular trend [15] many companies usually utilize technology and analytics to increase the speed and agility of their internal processes to better serve customers [16]. This can be an innovation for SMEs and done simply. Because omni-channel is quickly becoming the norm and has an increasingly significant impact on the entire supply chain [17]. Omni-channel requires a variety of receiving choices as well as adequate and efficient distribution networks [18], [19]. This distribution system includes the characteristics of procurement, production and distribution functions themselves [20].

Although the use of omni-channel has become increasingly popular in recent decades [21], [22] there are still many businesses that do not carry out this supply chain management for their business activities. Because setting up omni-channel requires significant investment [23]. It also necessitates an extensive organizational restructuring, including inventory information, unification and optimization, personnel training, and mobile distribution. It is able to be imagined that if a business is not supported by the use of omni-channel, certain that SMEs will find its difficulties to develop [11].

Based on the problems that arise, the title used in this study is Improving SMEs Performance through Omni-channel supply Chain Strategy. This study concentrates on the importance of omni-channel supply chain strategy for the performance of SMEs. It intends to examine how the deployment of an omni-channel supply chain strategy affects the performance of SMEs with a population of MSME participants. In general, the benefit of research is to find out whether Omni Channel Supply Chain can have an impact on improving the performance of SMEs. For MSME managers, it is able to be a new discourse to further innovation.

2 Method

This study used a quantitative approach to determining hypothesized relationships. Non-probability sampling methods, particularly the convenience approach, are used in this study. The research sample consists of SMEs in Karawang Regency. In addition, convenience sampling is faster and more efficient to collect data from a large number of samples. This convenient method allows the audience to contribute to the survey on their own time. The audiences of this study are the owners or actors of SMEs and are considered to be the most knowledgeable about their business performance and environment [24]. As mentioned earlier, this study selected respondents randomly; however, considering the common aspects and the structure of SMEs, most of the audiences found were male entrepreneurs.

The online survey was designed with Google Forms and survey to gather information from an extensive range of SMEs around the country, including those in services, retailer, food and beverage sector, culinary and restaurants, hospitality and tourism, and other industries. Based on the Global Industry Classification Standard (GICS), financial, information technology, consumers' discretionary, communication services, and consumer staples were the categories SMEs. For data collection in this study, a closed-ended questionnaire was used. Online survey is regarded as an important and authentic instrument for current research, as well as a quick, simple, and less expensive method of data collection [24]. With ethical concerns in mind, respondents were assured that their participation would remain voluntary, confidential, and anonymous. The population of active SMEs in Karawang Regency assisted by the Karawang Regency Office of Cooperatives and Small and Medium Enterprises as the source of 2020 data is 44,035 SMEs [25]. In this study, 175 distributed questionnaires were sent via Google Form, resulting in 155 valid responses, which resulted in a response rate of 88.5%.

The main questions in the distributed questionnaire include, respondent identification with the features of SMEs Performance such as financial, customer, and innovation aspect [3]. Next the dimension of Omni-channel strategy such as omni-channel perceived value, omni-channel integration and customer experience [11].

Data was gathered using a questionnaire that has been well-verified for reliability and validity. The purpose of the test is to verify the consistency and accuracy of data acquired through the use of instruments. Furthermore, the results of the data obtained from distributing the questionnaires were processed by analyzing the confirmatory factor analysis and measuring the mean for every indicator.

3 Result and Discussion

This research examines elements of good MSME performance through omni-channel systems that converge from a variety of earlier theories. This research reveals factors that are becoming increasingly important in today's supply chain systems, such as customers and flexibility. Other aspects that can better explain the relationship between supply chain systems and omni-channel MSME performance, on the other hand, can be

integrated into the framework. Future research can investigate other factors in the context of the business environment and tasks to improve MSME performance. This framework can serve as a guideline for other researchers examining other predictors in omnichannel systems. In conclusion, this study developed a supply chain strategy framework that can help SMEs implement an excellent omnichannel system. The result of this research shown in the Table 1. Result below:

Table 1. Result

Variable	Dimension	Indicator	Mean	Loading Factor
SMES Performance	Financial Aspect	Understandable	0.452	0.805
		Relevant	0.312	0.877
		Reliability	0.422	0.864
		Comparable	0.413	0.847
	Customer Aspect	Customer satisfaction	0.377	0.862
		New customers Addition	0.452	0.841
		Reduce customer complaints	0.382	0.819
		Response to customer request	0.332	0.825
		Quality of customer relationship	0.438	0.815
		Innovation Aspect	Knowledge management	0.336
Information Technology	0.322		0.737	
Product Variations	0.318		0.765	
Business owner	0.348		0.818	
Government Role	0.386		0.775	
Omni- Channel	Omnichannel Perceived Value	Functional Value	0.488	0.723
		Emotional Value	0.386	0.746
	Omnichannel Integration Customer Experience	Social Value	0.466	0.801
		Multiple channel options	0.388	0.814
		System simplicity	0.328	0.809
		Content consistency	0.418	0.815

Transparency of Service Configuration	0.356	0.793
Product information	0.416	0.792
Online Interaction	0.424	0.754
Cognitive	0.433	0.755
Affective	0.464	0.793

As mentioned earlier, the main purpose of this research is to analyze the performance of SMEs affected by the implementation of omni-channel strategy. Unfortunately, current supply chain studies have not kept up with the latest omni-channel trends, making it unable to provide expertise and handle complicated and diversified difficulties. This analysis offers an understanding of the mechanism of omni-channel strategy, these factors have the potential to improve the performance of SMEs to achieve sustainability. The supply chain system is built with internal and external elements that affect the performance of SMEs based on omni-channel. This is similar to other studies that analyze the role of logistics systems in improving business performance [27]. This comprehension offers a complete perspective, particularly on the shift to an omni-channel corporate environment.

Moreover, a strong framework composed of all essential theories and frameworks can be developed to provide a multidimensional picture of omni-channel that improves comprehension of the specific phenomenon of supply chain strategy in an MSME. Therefore, this study provides empirical evidence that firm and task environment factors are critical in supporting omni-channel businesses to sustain themselves in the market. This is an important contribution to our knowledge to strive for the improvement of MSME performance. From the aspect of practical contribution, business actors and related practitioners can create a supply chain system to improve the performance of SMEs. In practice, omni-channel firms, such as SMEs, retailers, manufacturers, and logistics service providers, can create systematic programs to assist their organizations perform better.

Given the complementary strength of numerous channels, SMEs should establish omni-channel skills in which they leverage relevant channels based on product and service qualities and customer needs. the omni-channel portfolio can enable SMEs to increase their cost position while improving the set of customer needs served. The key success is the company's capability to be agile enough to adjust the strength of the channels used to fulfill each customer demand to the characteristics of the products purchased and the needs of the customers served. Most businesses will need to make significant adjustments to their supply chain and logistics networks to build a suitable omni-channel portfolio. Evolutions in client tastes, as well as experience, production, and transportation technologies, will most likely influence the right portfolio.

4 Conclusion

Based on the findings, significant factors, including omni-channel perceived value, integration and experience can affect the performance capabilities of SMEs. At the same time, substantial indirect factors such as top management support, information systems, formalization, and rivals play a role in encouraging flows that can boost MSME performance. These indirect enabling factors will become obstacles for omni-channel companies to continue success if these enabling factors are not present.

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