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## STRATEGIES OF SMALL AND MEDIUM INDUSTRIES IN GROWING THEIR BUSINESS EXISTENCE DURING THE COVID 19 PANDEMIC (SURVEY ON THE APPAREL INDUSTRY IN PEKANBARU CITY)

**Abstract:** This study seeks to investigate the influence of strategies executed by small and medium industries during the Covid-19 Pandemic in growing their business existence from a survey conducted to the apparel industries in Pekanbaru City. The population in this study were business actors in the apparel industry with 80 samples calculated using the Slovin formula. Multiple Regression using SPSS was used for data analysis. The results of this study highlight three important points. First, Product Innovation has a positive and significant influence on Business Existence. The respondent's answers show that there is a lack of innovation even though they have tried to modify the product. The innovation could not attract the attention of consumers. Second, the Online Marketing System has a significant influence on Business Existence. Almost all business actors could not properly market their products online. Business actors cannot disseminate information on social media, poorly explain the quality of products produced to consumers, and have problems using online media. Third, Partner Development has a positive and significant influence on Business Existence. Business actors, on the other hand, are still unable to reach deals with their partners. The weakness is that the existing partnership is not based on a legal issue.

**Key words:** Business Existence, Product Innovation, Online Marketing System, Partner Development.

**Language:** English

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### Introduction

#### Background of the Study

Indonesia is one of the developing countries. In general, developing countries will be oriented to the national development process and integrated into regional coverage. In this regard, the development process can be linked to a geographical approach in

the form of a complex regional approach to phenomena and interactions between physical and spatial environmental variables and human variables in it. The activity that is usually in the limelight in the development process is economic activity. Economic activity is not only oriented towards large industries but includes medium and small industries. When

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confronted with a pandemic, large, medium, and small industries endure shock and instability. This is especially true for small and medium-sized industries with lack of resilience and flexibility in dealing with a pandemic. Small and medium industries, hereinafter abbreviated as SMIs, are considered to lack resilience and flexibility in dealing with this pandemic due to several things such as the low level of digitalization, difficulties in accessing technology, and a lack of strategies to survive in business.

Based on these issues, it is critical to take actions in the form of policies to ensure the sustainability of SMIs in the midst of the Covid-19 pandemic. The operations of SMIs are strongly influenced by market conditions. Market conditions have become uncertain since the Covid-19 pandemic surging. The pandemic has had a negative impact on various sectors, especially the economic sector. The report from the Organization for Economic Cooperation and Development (OECD) stated that the Covid-19 pandemic could cause an economic crisis marked by the inhibition of economic activity in several countries. In addition, the pandemic has caused a low level of public consumption. SMI is one of the businesses impacted since has a strategic position in the economy of a country. In ASEAN, SMIs create

jobs with a percentage between 50% to 95%. SMIs have also contributed 30% to 50% of Gross Domestic Product. Hence, it is very unfortunate if SMIs experience a decline in profit that it does not only affect the worker's economy but also the economy of the community and the country.

One of the SMI with high contribution is the apparel industry. In Indonesia, the apparel industry is a priority and labor-intensive industry with the employment of 1.68 million people. It contributes to the National GDP of 1.21%. However, the current development of the apparel industry is not encouraging with stagnant exports, increased imports, declining employment, and poor utilization. Several government policies to increase the competitiveness of the apparel industry are Bonded Zone or Kawasan Berikat(KB), Ease of Import for Export Destinations or Kemudahan Impor Tujuan Ekspor (KITE), restructuring of machinery/equipment for the apparel industry in 2007 – 2015, and the imposition of Indonesian National Standard (SNI) for baby clothes. Yet, they do not necessarily encourage competitiveness.

Data on SMIs in Pekanbaru City for the last 4 years is presented in Table 1.

**Table 1. Number of SMIs in Pekanbaru City**

Description	Year			
	2017	2018	2019	2020
Total SMIs	8,084	10,908	10,853	12,167

*Source: Department of Cooperatives and MSMEs of Pekanbaru City*

From all SMIs, at the end of 2020, the number of apparel entrepreneurs in Pekanbaru City has reached approximately 426 businesses. Currently, there are many apparel entrepreneurs in Pekanbaru City. We can find this business in the central and on the outskirts of Pekanbaru City. This also received special attention from the Pekanbaru City government. The apparel industry is one part of the creative industry sub-sector in the form of a creative craft industry that can be integrated through Small and Medium Industries (SMIs). The creative industry in the form of the clothing industry describes and elevates a region's identity through local items created by its people's ingenuity. This is in line with Presidential Regulation Number 28 of 2008 concerning the National Industrial Policy regulating the creative industry for the development and determination of the guide map.

Policies related to the industry in the region of Pekanbaru City as the capital of Riau Province can be seen in Pekanbaru City Regional Regulation Number 31 of 2001 concerning Industrial Business Regulations in the City of Pekanbaru placing the apparel industry as one of the spinning, weaving, and final processing industries. It relates to the Vision of the Mayor of Pekanbaru in the Regional Medium-

Term Development Plan (RPJMD) of Pekanbaru City in 2012-2017 to realize Pekanbaru as a civilized metropolitan city and as one of the best investment destinations in Indonesia in 2030.

It is impossible to escape competition in the business. Not only in large industries with a broad scope, in the apparel industry competition can an indicator of threats as well as opportunities for business actors. When it comes to competitors, they all share the same interests. Every entrepreneur always tries their best to attract consumers or customers, for that we need the right strategy to provide added value to the products they produce. Not only in quantities but also in terms of value to beat the competitors. One strategy that can be applied is product innovation. Innovation is one of the important things in supporting business existence. Innovation is closely related to the process of outlining the value of a new idea. Innovation is defined as a discovery in the form of a new idea that can improve or develop an existing idea and be applied to a business decision. Product innovation can develop and maintain business existence. Assessment of business existence is not only seen in product innovation, but also from the online marketing system and partner development.

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In addition to product innovations, another strategy that can be designed to improve business existence in the apparel industry is the development of information technology and telecommunications that will create more dynamic market conditions. To keep and win new clients, business actors will continue to be active and innovative in their improvisation and innovation. The development of information technology and telecommunications will make it easier for business actors to run their businesses. One of the information and telecommunications technologies that support these needs is the internet. The internet is currently developing at a breakneck pace and has the potential to reach every corner of the globe. Every business owner wants the general public to be aware of their products.

Because of the current rapid advancement of technology, the number of internet users in Indonesia is rapidly increasing. In this digital era, the extensive use of the internet in Indonesia causes things to change very quickly. More than 3.8 billion people in Indonesia use the internet, an increase of 38 million people since January 2017. This increase indicates that the internet penetration rate has reached 51% worldwide, or you could say more people use the internet than people who do not use the internet. In 2017, the increase in the number of internet users was much slower than in 2016. Out of 3.8 billion people, 2.9 billion are actively using social media. Looking at internet development in Indonesia, it can be concluded that the online market in Indonesia is growing rapidly from year to year. This is a good opportunity for business actors who want to break into the online market, especially in the small apparel industry in Pekanbaru city.

Furthermore, developing business partners is an important aspect of improving business existence. Industries will experience many challenges in the future. They need to adapt to developments of all aspects. Companies need to make changes to develop the company. One of them is by expanding the business partnership to face challenges in the future. Companies that establish partnerships can jointly minimize the risk of loss.

Based on the descriptions, the authors conducted a study regarding the strategies executed by small and medium industries in growing their business existence during the Covid-19 pandemic in the form of a survey on the apparel industries in Pekanbaru City.

### Problem Statement

Based on the research background, the problem statement is formulated as follows:

1. Do Product Innovation, Online Marketing System, and Partner Development simultaneously have a significant influence on Business Existence?
2. Does Product Innovation partially have a significant influence on Business Existence?

3. Does the Online Marketing System partially have a significant influence on Business Existence?
4. Does Partner Development partially have a significant influence on Business Existence?

### Research Objectives

From the problem statement, the research objectives of this study are:

1. To find out the influence of Product Innovation, Online Marketing System, and Partner Development simultaneously on Business Existence.
2. To find out the influence of Product Innovation on Business Existence.
3. To find out the influence of the Online Marketing System on Business Existence.
4. To find out the influence of Partner Development on Business Existence.

### Research Outcomes/ Benefits

The benefits of this research are:

1. Provide input for the creative industry of apparel in Pekanbaru City concerning the steps to improve business existence.
2. Increase the author's knowledge and insight related to the strategy of growing business existence in the apparel industry in Pekanbaru City.

### Literature Review

#### Business Existence (Y)

There are four meanings of the word 'existence'. First, it explains what exists. Second, existence is something with actuality. Third, existence is something that is experienced and emphasizes that something exists. Fourth, existence means perfection. According to Sjafirah and Prasanti (2016), it is defined as existence. The existence in this study is an influence on our presence or absence. Other individuals must provide us with existence because, with the response from other people around us, it proves that our existence is recognized. The value of existence is very important as it is proof of work or performance in an environment. Existence has a broad meaning. In this study, the existence of which is seen from the success of business actors in the creative industry of apparel, specifically SMIs in Pekanbaru City.

Furthermore, existence can be defined as an industrial activity that is intended to be in a state of constant development. Existence is an endeavor to do something to survive or maintain and achieve to exceed the current conditions. The increasingly tough market competition with diverse consumer demands requires business actors to maintain their existence. This is a challenge for business actors, for that it is necessary to think of strategies.

Strategic thinking to maintain the existence of SMIs is reflected in several aspects such as

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production, accessibility, supply and demand, marketing, and government policy. The existence of a business can be seen through products such as consistency in production, production processes, quality of production, and effectiveness of production. Next, accessibility or attainment is the degree of ease that a person can achieve or obtain the desired. Thus, products produced by SMIs should be easy to get because they are sold at accessible places. The third aspect is demand and supply. Demand is the number of goods purchased or requested at a certain price and time, while supply is several goods sold or offered at a certain price and time. From this understanding, If SMIs want to stay in business, they must devise an effective strategy. Effectiveness can be achieved if business actors pay attention to the demand and supply. SMI is said to have done something right if several products produced at that time were sold out according to the set price. This is due to the demand for several goods at the same time at the agreed price. Another aspect is marketing, this is an important factor for business success. Five important aspects of marketing in running a business are 1) making product specifications, 2) knowing market segmentation, 3) analyzing the market and forecasting demand, 4) analyzing competitors, and 5) conducting promotions. These five aspects must be understood by business actors.

Finally, the existence of business can also be related to government policies. The government considers the micro, small, and medium business sector important for the Indonesian economy. The importance of the Micro, Small & Medium Enterprises (MSMEs) for the Indonesian economy can be seen in five portraits of MSMEs including 1) a large number of, 2) MSMEs absorbing a large number of workers, 3) a large contribution to GDP, 4) greater amount of loans disbursed by banks to MSMEs, and 5) MSMEs surviving in rapid changes of market conditions. The seriousness of the Indonesian government is paying attention to MSMEs can be seen from the policies of the assistance program, legal products related to MSMEs, as well as the establishment of institutions to handle MSMEs. The government's attention to MSMEs and SMIs in Indonesia should encourage them to exist in its business. However, some factors need to be considered in growing business existence such as Product Innovation (X1), Online Marketing System (X2), and Partner Development (X3).

### Product Innovation (X1)

According to Myers and Marquis in Kotler (2014: 36), product innovation is a combination of various processes that influence each other. Thus, innovation is not a concept of a new idea, a new invention, or a development of a new market, rather, innovation is a description of all these processes. Kotler and Keller (2016; 476) say that product

innovation is “an innovation is any good, service, or idea that someone perceives as new, no matter how long its history, the spread of a new idea from its source of invention or creation to its ultimate users or adopters”. While Charles et al. (2012:30) state that innovation is part of a framework that connects aspects of corporate culture with the ability to innovate and improve company performance through the buyer decision process. Product innovation is expected to drive buying decisions.

Kotabe in Tamamudin (2012: 289) asserts that the more the product innovation made by the company, the higher the company's performance through increasing purchase decisions. In global competition, companies must be able to modify their products to add value to meet the needs and tastes of consumers. The added value of the product can be in the form of a design/model and the service. Thus, SMIs desiring to exist in their business need to pay attention to innovation in the products they produce. Product innovations that can take the product one step further compared to its competitors' s are characterized by 1) new products to the world, 2) new product lines, 3) additions to existing product lines, 4) improvements and revisions to existing products, 5) redefinition, and 6) cost reductions.

### Online Marketing System (X2)

According to Myers and Marquis in Kotler (2014: 36), product innovation is a combination of various processes that influence each other. Thus, innovation is not a concept of a new idea, a new invention, or a development of a new market, rather, innovation is a description of all these processes. Kotler and Keller (2016; 476) say that product innovation is “an innovation is any good, service, or idea that someone perceives as new, no matter how long its

In addition to product innovation in realizing business existence, business actors also need to understand the online marketing system. Online marketing is a company performance management system that focuses on selling goods, services, or promotions using the internet as support system (Kotler, 2011). Marketing through social media is a form of direct or indirect marketing to build awareness, and action for a brand, business, person, or other entity and is carried out using tools from the social web, such as blogging, microblogging, social networking, social bookmarking, and content (Gunelius, 2011:10).

Supranto (2006) mentions the indicators used in measuring the application of online marketing as 1) Information, 2) Service availability, 3) Service responsiveness, 4) Purchasing process, and 5) Usability.

### Partner Development (X3)

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The third factor indicating business existence among SMIs is partner development. The partnership is a cooperation between small and medium-sized businesses or with large businesses with continuous guidance and development by medium or large businesses by taking into account the principles of mutual needs, mutual strengthening, and mutual benefit. A business partnership is mutually beneficial business cooperation between small entrepreneurs and medium or large entrepreneurs (partner companies) with guidance and development by large entrepreneurs by taking into account the principle of mutual benefit (Sutawi in Yuliani, 2004:11).

The following characteristics or indicators of partnership are (1) action that is flexible and needs-based, (2) the nature of the partnership of mutual benefit and synergy in the program; (3) business partnership that is sustainable and professional in terms of rights and obligations, (4) partnership status regarding the legalization with MoU, (5) partnership system of goal-oriented and emphasize on program success, (6) program targets by the characteristics of the program, and (7) success indicators of satisfaction between partner institutions and transparency (Rizka & Suharyani, 2015)

### Method

#### Research Sites

This research was conducted in the apparel industry across Pekanbaru city.

#### Data Types and Sources

According to Umar (2009:42), there are two types of data used in this study:

- Primary data is obtained directly from the first-hand source from individuals such as filling out questionnaires and interviews with related parties, as well as other data related to research.
- Secondary Data has been processed, presented, and documented. It is in the form of other relevant data (Robbins, 2012).

#### Population and Sample

The population in this study was 426 apparel industry entrepreneurs in Pekanbaru city.

The sample size was determined by the Slovin formula in Umar (2011: 78):

$$n = \frac{N}{1 + Ne^2}$$

Description:

n = Number of Samples

N = Population Size

e = Percentage of Allowance for Inaccuracy due to Sampling Errors that are tolerable or Desirable

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{426}{1 + 426(0,1)^2}$$
$$n = \frac{426}{1 + 4,26}$$
$$n = \frac{426}{5,26}$$
$$n = 80$$

### Data Testing

#### Research instrument testing

- Validity is evidence that the instrument, technique, or process used to measure a concept actually measures the intended concept. Validity test aims to measure the validity of a statement system.
  - If r count > r table, the items are valid
  - If r count < r table, the items are not valid
- Reliability Test is an index that shows the extent to which an instrument can be trusted or relied on. If a measuring device is used twice or more to measure the same symptom with consistent results, it can be said reliable. The reliability test aims to measure the consistency of a person's answers to the statement items in the questionnaire (Sekaran, 2006: 248). According to Arikunto (2014), an instrument can be said to be reliable if it has a reliability coefficient of 0.6 or more.

#### Multiple Linear Regression Analysis

Multiple linear regression analysis is a statistical method used to determine the effect between independent variables (Product Innovation, Online Marketing System, Partner Development) and the dependent variable (Business Existence). Sugiyono (2017) states that the relationship between the two can be formulated into an equation.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Where:

Y = Business Existence

$\beta_0$  = Constant

X1 = Product Innovation

X2 = Online Marketing System

X3 = Partner Development

$\beta_1 \beta_2 \beta_3$  = Regression coefficient

e = Standard error

#### Classical assumption test

Prior to the analysis on multiple linear regression, the requirements for the analysis in the form of the classical assumption tests were carried out.

Data tested for the classical assumptions in linear regression must be interval or ratio scale data. The data obtained was in the form of a Likert scale. There is still debate on the type of Likert scale measurement. For Hair Bush and Ortinau (2003), the data obtained from the Likert scale has an ordinal-interval scale. It is in line with Zikmund that the Likert scale produces ordinal data. Cooper and Schlinder

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also say that the Likert scale produces interval data (Simamora, 2005: 24).

To answer this debate, the author considered the data to be ordinal. Thus, it was necessary to change from the ordinal scale to the interval scale by using the Method of Successive Interval (MSI), which is an additional menu in Microsoft Excel. The transformation steps with MSI are as follows (Riduwan, 2006):

1. Calculating the frequency distribution of each respondent's choices.

$$\text{Scale Value} = \frac{\text{Density at lower limit} - \text{Density at upper limit}}{\text{Area below upper limit} - \text{Area below lower limit}}$$

7. Calculating the score (the transformation result) for each choice through the following equation:

$$\text{Score} = \text{Scale Value} + \text{Scale Value minimum} + 1$$

Before hypothesis testing, a classical assumption test should be carried out. The classical linear model assumes that there is no multicollinearity, autocorrelation, and heteroscedasticity. The testing of classical assumption deviation is as follows:

### Multicollinearity Test

Multicollinearity test aims to determine whether the relationship between independent variables has multicollinearity symptoms. Multicollinearity is a very high or very low correlation that occurs in the relationship between independent variables. Multicollinearity test should be done if there are more than one independent variables. According to Wijaya in Sarjono Haryadi et al. (2011: 70), there are several ways to detect the presence or absence of multicollinearity:

- a. The R<sup>2</sup> value generated by an empirical regression model estimation is very high, but individually many independent variables do not significantly influence the dependent variable.
- b. Analyzing correlations among independent variables. If there is a fairly high correlation between independent variables (greater than 0.90), this is an indication of multicollinearity.
- c. Multicollinearity can also be seen from the value of VIF (variance – inflating factor). If VIF < 10, the collinearity can be tolerated.
- d. The eigenvalues of one or more independent variables that are close to zero give an indication of multicollinearity.

The basis of decision-making are:

- a. If the value of VIF < 10, there is no symptom of multicollinearity among the independent variables.
- b. If the VIF value is > 10, there is a symptom of multicollinearity among the independent variables.

2. Calculating the proportion of each answer based on the frequency distribution.
3. Calculating the cumulative proportion by summing the proportion sequentially per column of scores.
4. Calculating the Z-value for each cumulative proportion using the normal distribution table.
5. Determining the density for each Z-value using the density table.
6. Calculating the scale value (average value of interval scores) for each choice through the following equation:

### Normality Test

The normality test aims to determine the normality of data distribution. Normality test aims to compare the data held and data with the normal distribution that has the same mean and standard deviation as the data held (Haryadi et al., 2011: 53). Normality test is important because one of the requirements for parametric testing is that the data must have a normal distribution. The test criteria are as follows:

- a. Sig. Value of the Kolmogorov-Smirnov test > 0.05 indicates the data is normally distributed.
- b. Sig. Value of the Kolmogorov-Smirnov test < 0,05 indicates the data is not normally distributed.

### Hypothesis Testing

#### 1. Coefficient of Determination (R<sup>2</sup>)

If R<sup>2</sup> is close to 1, the influence of the independent variable is simultaneously strong and if R<sup>2</sup> is close to 0, the influence of the independent variable on the dependent variable simultaneously is weak.

#### 2. F-Test

To test the significance of the simultaneous influence of Product Innovation, Online Marketing System, and Partner Development on the Business Existence of creative industry players in Pekanbaru City, the F test was used.

The test criteria are:

- a. If the calculated F is greater than the F table (F<sub>count</sub> > F<sub>table</sub>), the independent variables simultaneously have a significant influence on the dependent variable.
- b. If the calculated F is smaller than the F table (F<sub>count</sub> < F<sub>table</sub>), the independent variables simultaneously have no significant effect on the dependent variable.

#### 3. T-Test

To test the significance the influence of Product Innovation, Online Marketing System, and Partner Development on Business Existence of creative

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industry players in Pekanbaru City, the t-test was used.

- If calculated t is greater than t table ( $t_{count} > t_{table}$ ), the independent variable has a significant influence on the dependent variable.
- If calculated t is smaller than t table ( $t_{count} < t_{table}$ ), the independent variable has no significant influence on the dependent variable.

In processing the data from the questionnaire, the authors used the Statistical Product and Service Solution (SPSS VERSION 17.00). Because all the answers given by the respondents are qualitative, the qualitative answers are given a scale to make it onto

quantitative data. The categories were based on the Likert scale.

### Instrument Testing

#### Validity Test

The validity test carried out on the research variables consisting of Product Innovation, Online Marketing Systems, Partner Development, and Business Existence were declared valid because  $r_{count} > r_{table}$ . The  $r_{count}$  can be seen in the corrected item-total correlation.

**Table 2. The Validity of the Variable of Product Innovation (X1)**

Variable	Statement	r count	r table	Description
Product Innovation (X1)	OE 1	0.331	0.2199	Valid
	OE 2	0.449	0.2199	Valid
	OE 3	0.548	0.2199	Valid
	OE 4	0.740	0.2199	Valid
	OE 5	0.481	0.2199	Valid
	OE 6	0.740	0.2199	Valid

**Table 3. The Validity of the Variable of Online Marketing System (X2)**

Variable	Statement	r count	r table	Description
Online Marketing System (X2)	KPS 1	0.416	0.2199	Valid
	KPS 2	0.799	0.2199	Valid
	KPS 3	0.343	0.2199	Valid
	KPS 4	0.332	0.2199	Valid
	KPS 5	0.784	0.2199	Valid

**Table 4. The Validity of the Variable of Partner Development (X3)**

Variable	Statement	r count	r table	Description
Partner Development (X3)	BEO 1	0.503	0.2199	Valid
	BEO 2	0.363	0.2199	Valid
	BEO 3	0.596	0.2199	Valid
	BEO 4	0.546	0.2199	Valid
	BEO 5	0.566	0.2199	Valid

**Table 5. The Validity of the Variable of Business Existence (Y)**

Variable	Statement	r count	r table	Description
Business Existence (Y)	KPD 1	0.482	0.2199	Valid
	KPD 2	0.426	0.2199	Valid
	KPD 3	0.760	0.2199	Valid
	KPD 4	0.585	0.2199	Valid
	KPD 5	0.743	0.2199	Valid

If  $r_{count} \geq r_{table}$ , the statement items are declared valid. The value of  $r_{table}$  for  $df\ n-2 = 80-2 = 78 = 0.2199$  (see  $r_{table}$  with  $df=78$ ). From the table above, the values of r of all statements were  $> 0.2199$ . Thus, the measuring instrument used is said valid.

### Reliability Test

The results of the reliability test on Product Innovation, Online Marketing Systems, Partner Development, and Business Existence show that all indicators are reliable with Cronbach's alpha of  $\geq 0.6$ .

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	<b>GIF (Australia) = 0.564</b>	<b>ESJI (KZ) = 9.035</b>	<b>IBI (India) = 4.260</b>
	<b>JIF = 1.500</b>	<b>SJIF (Morocco) = 7.184</b>	<b>OAJI (USA) = 0.350</b>

**Table 6. Reliability Test**

Variable	Cronbach's Alpha	Critical Value	Decision
Product Innovation (X1)	0.794	0.6	Reliable
Online Marketing System (X2)	0.748	0.6	Reliable
Partner Development (X3)	0.738	0.6	Reliable
Business Existence (Y)	0.809	0.6	Reliable

If the reliability value is less than 0.6, the measuring instrument used is not reliable. From the table above, the value of Cronbach's Alpha for all variables is > 0.6. This means that the measuring instrument used is reliable.

**Classical Assumption Test**  
Normality Test

**Table 7. Normality Test**  
**One-Sample Kolmogorov-Smirnov Test**

	Product Innovation	Online Marketing System	Partner Development	Business Existence	
N	80	80	80	80	
Mean	20.1202	13.5377	16.0635	15.5101	
Std. Deviation	3.57979	3.16686	3.23215	3.40864	
Most Extreme Differences	Absolute	.123	.120	.105	.079
	Positive	.064	.095	.105	.074
	Negative	-.123	-.120	-.061	-.079
Kolmogorov-Smirnov Z	1.104	1.071	.938	.702	
Asymp. Sig. (2-tailed)	.175	.201	.343	.707	

- a. Test distribution is Normal.
- b. Calculated from data.

Based on Table 7, it can be concluded that all data have a normal distribution. This is indicated by the results of the Kolmogorov-Smirnov test which shows the Asymp Sig (2-tailed) value of > 0.05 of the product innovation variable (0.175), online marketing system variable (0.201), partner development variable (0.343), and business existence (0.707). Thus, the model has met the assumptions to be used as a multiple linear regression equation.

**Heteroscedasticity Test**

The heteroscedasticity test is used to determine whether there is a deviation from the classical assumption of Heteroscedasticity in terms of variance and residual inequality for all observations in the regression model. Heteroscedasticity can result in inefficient parameter estimation so that it does not have minimum variance. Because parameter estimation is considered efficient for having a

minimum variance, the residual variance is constant or the homoscedasticity assumption is met.

The impact of heteroscedasticity is that it is difficult to measure the actual standard deviation. It can result in a standard deviation that is too wide or too narrow. If the error rate of the variance increases, the confidence level will be narrower. A scatterplot is used to detect whether there is heteroscedasticity. The basis for decision-making are (Ghozali, 2005: 107):

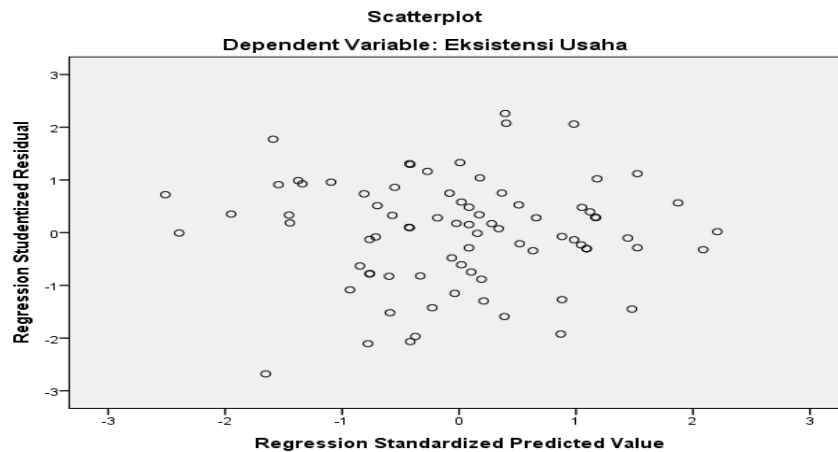
1. If there is a regular pattern on the plot such as dots that form regular patterns (wavy, widen, and narrowed), heteroscedasticity has occurred.
2. If there is no clear pattern and the points are spread above and below 0 on the Y axis, there is no heteroscedasticity.

The following is a scatterplot of the structural model to determine whether heteroscedasticity occurs in this study:



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**Figure 1 - Scatterplot**

From the scatterplot above, it can be seen that the dots do not form a certain pattern and spread randomly above and below 0 on the Y-axis. Thus, it

can be interpreted that there is no heteroscedasticity in the regression model of this study.

**Multicollinearity Test**

**Table 8. Multicollinearity Test**

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Product Innovation	.476	2.099
	Online Marketing System	.369	2.706
	Partner Development	.298	3.352

a. Dependent Variable: Business Existence

Multicollinearity testing aims to determine whether there is a correlation among the independent variables in the regression model. The results show that there is no correlation among the independent

variables. This can be seen from the VIF < 10. This means that the regression model is free from correlation among variables.

**Table 9. Multiple Linear Regression Equations**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.524	1.215		-.431	.668
	Product Innovation	.329	.084	.345	3.920	.000
	Online Marketing System	.341	.108	.317	3.172	.002
	Partner Development	.299	.117	.284	2.551	.013

a. Dependent Variable: Business Existence

Based on Table 9, the regression equation can be formulated as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

$$Y = -0.524 + 0.329X_1 + 0.341X_2 + 0.299X_3 + e$$

The interpretation of the regression equation is as follows:

- a. The constant (a) is -0.524. This means that if the variables of product innovation, online

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- marketing system, and partner development are assumed to be 0, the business existence decreases by 0.524.
- b. The regression coefficient of the variable of product innovation is 0.329. If product innovation is increased by 1 unit, it will increase business existence by 0.329 assuming other variables remain constant.
  - c. The regression coefficient of the variable of online marketing system is 0.341. This means that if the online marketing system is increased by 1 unit, it will increase business existence by 0.341 assuming other variables remain constant.
  - d. The regression coefficient value of the variable of partner development is 0.299. This means that if partner development is increased by 1 unit, it will increase business existence by 0.299 assuming other variables remain constant.

**Table 10. Coefficient of Determination Test (R<sup>2</sup>)**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848 <sup>a</sup>	.720	.709	1.84033

a. Predictors: (Constant), Partner Development, Product Innovation, Online Marketing System

b. Dependent Variable: Business Existence

The results of the coefficient of determination test show 0.709 or 70.9% with a value of  $e1=0,291$  ( $\sqrt{1-0,709}$ ) meaning that product innovation, online marketing systems, and partner development

simultaneously influence the business existence variable of 70.9% and the remaining 29.1% influenced by other factors not examined in this study.

**Table 11. F-Test**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	660.488	3	220.163	65.006	.000 <sup>b</sup>
	Residual	257.399	76	3.387		
	Total	917.887	79			

a. Dependent Variable: Business Existence

b. Predictors: (Constant), Partner Development, Product Innovation, Online Marketing System

The  $F_{count}$  is 65.006 with a significance of 0.000.  $F_{table}$  at a significant level of 5% can be obtained by the equation  $n - k - 1$ ;  $k = 80 - 3 - 1$ ;  $5 = 76$ ;  $5 = 2.725$  where  $n$  is the number of samples,  $k$  is the number of independent variables and 1 is a constant.

Thus, it is known that  $F_{count} (65.006) > F_{table} (2.725)$  with Sig. (0.000) < 0.05. Thus, product innovation, online marketing system, and partner development simultaneously have a significant influence on business existence.

**Table 12. Partial Regression Coefficient Test (T-Test)**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.524	1.215		-.431	.668
	Product Innovation	.329	.084	.345	3.920	.000
	Online Marketing System	.341	.108	.317	3.172	.002
	Partner Development	.299	.117	.284	2.551	.013

a. Dependent Variable: Business Existence

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It is known that the  $t_{table}$  value is at a significance level of 5% (2-tailed) with the following equation:

$$\begin{aligned}t_{table} &= n - k - 1: \alpha / 2 \\ &= 80 - 3 - 1: 0.05 / 2 \\ &= 76 : 0.025 \\ &= 1.992\end{aligned}$$

Where:

n : number of samples  
k : number of independent variables  
1 : Constant

## Results and Discussion

**Hypothesis 1:** Product Innovation partially has a significant influence on Business Existence. The results of statistical tests show that  $t_{count}$  (3.920) >  $t_{table}$  (1.992) or Sig. (0.000) < 0.05. This means that product innovation has a positive and significant influence on business existence. Business actors who are oriented to business existence should think of something new and unique for their products. Business actors should make innovation because the main goal of innovation is to do and create something different from competitors in the same field. Innovation is a key factor for business success. Research conducted by Curatman et al. (2018) proves that product innovation has a positive effect on competitive advantage by 13.1%, meaning that if the company wants to excel in business competition, it should innovate the products. Thus the existence of the business will be sustained and even improved.

Many factors must be addressed in order to make innovation, such as product concepts, working methods, product marketing, or thoughts that must be colored with creative thinking to emerging inventive products. There are many forms of innovation in business, it can be product innovation, internal systems, work processes, or business models. The goal of innovation is for business players to be able to adapt to changing circumstances, especially in the contemporary period, where understanding information technology is critical. The reason why innovation needs to be considered by business actors is that innovation encourages business growth, keeps business relevant, and gives different colors to the products compared to competitors.

The results of this study are in line with research conducted by Putri and Masyhuri (2013) that innovation, raw material production systems, business system development, and marketing systems have a significant influence on indicators of business existence. In the apparel industry, the statistical test results showed that there was an influence of innovation on business existence by 32.9%. This means that innovation among apparel business actors is very much needed. business actors must learn to innovate by thinking creatively, imitating and modifying existing ideas, taking into account

feedback from consumers, following current developments, and daring to change things for the better future. The weakness of the apparel business, which can be seen from the results of this study, is the lack of observance of business actors in seeing opportunities, such as the kind of clothes consumers are interested in during the covid 19 pandemic. Although some have shifted the direction from clothing of formal events, school and work uniform to produce daily clothes, especially for women and children, there are still many who hesitate to make the same decision.

**Hypothesis 2:** Partial Influence of Online Marketing System on Business Existence.

The results of the statistical test show  $t_{count}$  (3.172) >  $t_{table}$  (1.992) or Sig. (0.002) < 0.05. This means that the online marketing system has a positive and significant influence on business existence. Therefore, business actors should be aware of the importance of understanding digital marketing. Digital branding goals include increasing market share, increasing the number of comments on a blog or website, increasing sales revenue, reducing distribution or promotion costs, achieving brand goals, increasing brand awareness, increasing the size of the database, and achieving customer relationship management, increasing purchase frequency or customer reference rate, and improving supply chain management through better member coordination, adding partners, or optimizing inventories.

If the apparel business actors as the samples in this study have decided to do online marketing, they maintain their business and grow their business existence in the Covid-19 pandemic. There are many benefits of digital marketing, such as connecting with consumers on the internet, generating high sales, making businesses more efficient, activating real-time customer service, connecting businesses with consumers using mobile devices, helping generate high income, maintaining a position against competitors, and helping compete with big companies.

The results of this study are supported by research conducted by Mario et al. that partially, online marketing has a positive and significant effect on purchase decisions. If consumers are easy to make purchases online, it is expected that there will be an increase in sales. Increasing sales will make business actors flooded with orders and profits. Business existence will be realized as expected. The weakness of many apparel business actors in this study is that they do not utilize information technology in marketing their products. Consequently, many clothes that have been produced are not sold.

**Hypothesis 3:** Partner Development partially has a significant influence on Business Existence.

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An analysis of Partner development shows tcount (2,551) > ttable (1,992) or Sig. (0.013) < 0.05. This means that partner development has a positive and significant influence on business existence. Partners are co-workers or work partners, often also called business partners. The results of this test emphasize the importance of building business partners and developing them. Business partners are interwoven in a cooperative effort to achieve a goal based on an agreement and their respective roles. Looking at the responses in this study, most of the apparel business actors in Pekanbaru City have established partnerships with other business actors, be it in the same or different fields. However, business actors still need to develop their partnerships, because this is one of the efforts to advance the business they run. Thus, they can maintain and improve business existence. The results of the research by Halik et al. (2019) strengthen that partnerships have a significant positive effect on operating income. If business income can be increased, business existence will be realized.

Establishing a business partnership can be done with small entrepreneurs or large entrepreneurs who have a wider network and become a part of it. It can increase our role as equal business partners by contributing positively to one another. Benefits are mutually beneficial to the business interests of the two parties who are collaborating on a project. It can be in the form of management, financing, marketing cooperation, or business merger that provides mutual reinforcement from various business sectors.

### Conclusion and Suggestion

#### Conclusion:

1. Innovation has a positive and significant influence on business existence. Respondent's answers show that there is a lack of innovation even though they have tried to modify the product. Yet, it could not to attract the attention of consumers.

2. The online marketing system has a significant influence on business existence. Almost all business actors could not market their products online properly. Business actors could not disseminate information on social media or explain the quality of the products produced. They often experience problems when using online media.
3. Partner development has a positive and significant influence on business existence. However, business actors could not make agreements with their partners. The weakness of the current partnership is not based on something legal.

#### Suggestions:

1. To innovate and keep up with the competition, the apparel business is advised to think outside the box by seeking new ideas and doing market analysis. Business players must be aware of their surroundings to build something distinctive relating to the business they are doing. They should take into account feedback from consumers and follow fashion trends. Business actors must be courageous to change from obsolete practices and toward those that are more appealing.
2. Business actors are advised to focus more on online product marketing. Many benefits can be obtained if a business can select the most relevant and well-understood internet media.
3. Business actors must understand how to form and develop a partnership. For the partnership to work well, business actors and partners must prioritize business values for the partnership's success and profitability, communicate regularly to avoid misunderstandings, and agree on mutual partnership goals for the partnership to succeed. It is necessary to outline the strengths and weaknesses of each business as well as commitment.

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