

## **Boosting SMEs Performance in Surabaya on Post Pandemic Era**

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### **ABSTRACT**

*Small and medium-sized enterprises (SMEs) are playing a major role in many countries including Indonesia, the definition of SMEs under Law No.20 of 2008 are corps owned by individual or groups of people, and it's defined by their assets and annual sales, cited from ilo.org Indonesia's SMEs are reaching 816.000 in total, employing 97 percent of local workforce in Indonesia and contributing 27 percent of GDP and we can say that SMEs are the backbone of the economy in Indonesia. Despite the fact, many SMEs failed to sustain in this era of globalization and pandemic, cited from bbc.com there are around 30 millions of SMEs were bankrupt and closed during pandemic, hence the researcher did some research to find what are the most important factors to make SMEs sustain in this era. This study is located in Surabaya considering Surabaya as the second largest and fastest trading city with a significant SMEs growth since 2008 and high economic maneuver. Multiple linear regression was used for this study with a total 53 samples using google form as the data collection platform. Findings that all factors such customer value, transformational leadership, innovation and online marketing are significantly related to business performance. This study will accelerate SMEs growth to support Indonesia economy*

*Keywords: SMEs, pandemic, business, performance, key factors*

### **ABSTRAK**

Usaha kecil dan menengah (UKM) memainkan peran utama di banyak negara termasuk Indonesia, definisi UKM menurut UU No.20 tahun 2008 adalah badan usaha yang dimiliki oleh orang perorangan atau kelompok orang, dan didefinisikan berdasarkan aset dan penjualan tahunan mereka, dikutip dari ilo.org Jumlah UKM di Indonesia mencapai 816.000, mempekerjakan 97% tenaga kerja lokal di Indonesia dan menyumbang 27% dari PDB, sehingga dapat dikatakan bahwa UKM merupakan tulang punggung perekonomian di Indonesia. Namun pada kenyataannya, banyak UKM yang gagal bertahan di era globalisasi dan pandemi ini, dikutip dari bbc.com terdapat sekitar 30 juta UKM yang bangkrut dan tutup selama pandemi, oleh karena itu peneliti melakukan penelitian untuk menemukan faktor-faktor apa saja yang paling penting agar UKM dapat bertahan di era pandemi. Penelitian ini berlokasi di Surabaya dengan pertimbangan bahwa Surabaya merupakan kota perdagangan terbesar dan tercepat kedua di Indonesia dengan pertumbuhan UKM yang signifikan sejak tahun 2008 dan manuver ekonomi yang tinggi. Regresi linier berganda digunakan untuk penelitian ini dengan total 53 sampel dengan menggunakan google form sebagai platform pengumpulan data. Temuan bahwa semua faktor seperti nilai pelanggan, kepemimpinan transformasional, inovasi dan pemasaran online secara signifikan terkait dengan kinerja bisnis. Studi ini akan mempercepat pertumbuhan UKM untuk mendukung perekonomian Indonesia

Kata Kunci : UKM, Pandemi, Bisnis, Kinerja, Faktor Kunci

### **INTRODUCTION**

Surabaya is the capital of the province of East Java which is also the second largest city after Jakarta. According to BPS Surabaya, Surabaya has a population of 2.9 million people per year. The economy of the city of Surabaya uses the gross regional domestic product (GRDP) at current prices (ADHB) which is IDR 554.1 trillion in 2020 and as much as 24.07% of the total GRDP from cities or regencies in East Java and is the one with the largest GRDP. In the last 10 years in East Java, the growth of SMESs has been growing very rapidly (Aminy, 2022) SMES growth rose to 5.58 million businesses from 4.4 million businesses in 2008 and 9.78 million businesses in 2019, which means that SMESs absorb a lot of labor and as a source of income for the people of East Java, and in the city of Surabaya itself has a fairly large number

of SMESs, namely as many as 60,000 SMESs (Editor, 2021) so that SMESs from Surabaya are considered suitable for research.

Micro, small and medium enterprises, also known as SMESs, Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises which has been regulated by the government, SMESs are productive businesses owned by individuals as well as individual business entities that meet the criteria for micro-enterprises regulated by the Law which include culinary businesses, fashion, and agribusiness. Based on data from kemenku.go.id in March 2021, the number of SMESs in Indonesia reached 64.2 million with a total contribution to GDP of Rp.8,573.89 trillion or 61.07 percent, this means that SMESs are very influential on economic development in Indonesia, and SMESs are able to absorb up to 97 percent of the total workforce, and in total SMESs are able to provide an investment of 60.42 percent in Indonesia.

In 2020 the world was affected by the Covid Pandemic which not only affected health, but also the economy, including in Indonesia, since the covid pandemic started many SMESs have "failed" because people put the brakes on their spending due to uncertainty when the pandemic will end, based from report of Covid-19 impact on MSMEs in Indonesia, there's more than 45% of MSMEs are severing for finding raw materials, nine out of ten were having a low demand of product interest and difficulty to distribute their product due to pandemic, and these all leads to bankruptcy and the impact is on people's purchasing power which has decreased so that many SMESs were forced to close or suffer losses, the impact of the pandemic was that many SMESs were unable to adapt and eventually lost the ability to compete with others, according to (Utami, 2021) quoted from the Ministry of Cooperatives, 63.9 percent of SMESs experienced a decline of more than 30 percent and whose SMESs experienced an increase were only at 1.6 percent, due to this (OJK, 2021) noted that from Rp. 779 trillion, 72 percent of which were SMES perpetrators, this data shows that SMESs need funds to run their businesses, Because of this, researchers are trying to analyze what factors influence the performance of SMESs in order to survive and adapt, especially during the post-pandemic period so that SMESs can recover and develop rapidly, the aspects needed are as follows.

SMESs are businesses owned by the community and of course every business requires "effort" and of course there will be obstacles for growth, there will be many influential aspects but we know that we cannot fulfill all of those aspects so researchers focus on 3 aspects that are considered the most influential in the success of a business, in this case SMESs, the first obstacle is from the marketing side, where as we know marketing is one of the aspects needed to introduce our products to consumers and now we are in the 4.0 era and there is a pandemic that requires people to go "online" so that, according to (Tolstoy et al., 2021) digital marketing is quite important because it can be a stepping stone for SMESs, because there has been a change in consumer behavior and by using digital marketing SMESs can compete with large companies.

The innovation side is also one of the influential aspects, because of course SMESs sell products that are the same or similar to competitors, so it will be quite difficult to compete so that a differentiator is needed that attracts the attention of consumers, as mentioned from (Navarro et al., 2021), one of the Aspects that must exist in order to survive are innovation and adaptation, the point of which is SMESs must provide "something" that can make consumers loyal and meet their expectations, innovation is not only in terms of products, but also innovations from internal and other external sides.

The third aspect is leadership, leadership is a process of mobilizing all one's abilities to

suggest, move, and direct other people by using available resources effectively and efficiently. In SMESs, the leader is a primary key to business success. This is because SMES owners play a crucial role in the application of business tactics that affect the overall performance of the organization. So, it is important for SMESs to know the right leadership style for their business characteristics. The type of leadership that is quite effective is transformational, where according to (Yıldız et al., 2014) leadership type affects the performance of subordinates and profits so that leaders must pay attention to the type of leadership that can help them achieve their goals. Transformational leadership is considered quite important because if the leader succeeds in implementing it, it can change the views and motivation of subordinates to work better.

On the basis of the problems that have been described, researchers are trying to find aspects that influence the success of SMESs so that in the future SMESs can see better what aspects need to be emphasized.

## LITERATURE REVIEW

### Business performance

Business performance or what can be called business management performance is a system created to measure the performance of a mechanism or performance that aims to see the development of the organization so that a strategy can be made to develop it (Otley, D., 1999) and also according to (Armstrong, 2009) performance management is a process used to build a view of something to be achieved and how to achieve it, performance management is also to manage and develop individuals, teams to organizations, supported by (Strebler, et al 2001) stating that performance management is a systematic used to improve employee and business performance to reach existing agreements.

### Customer value

Customers are the reason a business runs, if there are no customers there will be no income, so one aspect that is taken into account is customer value, according to Woodruff (1997, p. 142), customer value is what is felt by the customer in the form of product evaluation, performance to meeting expectations at the time of initial product purchase, this statement is supported by Kotler and Kelly (2006) which states that *Customer Perceived Value*(CPV) is the difference between the benefits that consumers get and the costs incurred by consumers compared to other alternatives and according to Mahajan, 2020 customer value is the customer's perception of the advantages of products or services that have been purchased with the same comparable product.

### Transformational leadership

Transformational leadership is one type of leadership, according to (Khorshid & Pashazadeh, 2014, p. 7) transformational leadership is a leader who motivates his employees to do more and this type of leader focuses on improving employee competence. This statement is supported by the transformational leadership theory which was first issued by Burns (1978) where a leader with the transformational leadership type is the type of leader who has strong relationship with followers and employees and who focuses on transformational leadership relationship to create results. Transformational leadership focuses on making commitments that aim to achieve company goals by helping and motivating employees to increase individual and

team creativity and achievement (Arabiun et al., 2014, pp. 57-56).

## **Innovation**

Innovation according to (Afuah, 1998) is a new thing that is incorporated from products, processes and services, innovation is classified based on technology, market and organizational characteristics. Innovation is also a generation that provides new ideas that can be implemented into products, processes or services, where innovation makes the economy as well as employees increase which leads to profit for a company (Urabe, 1988). Innovation can also be expressed as a new idea or mindset, where the mindset in question is thinking for the future, and innovation is important for a company because if it can be done well it will get positive changes in processes, strategies, management and even profits (Kuczmarks, 2003).

## **Online marketing**

Online marketing or digital marketing is a direct marketing activity that connects sellers and buyers using electronic media such as email, websites, social media, or television. Kotler and Armstrong, (2009), while according to the AMA (American Marketing Association) digital marketing is the use of social media to promote brands to get customers, according to (Yasmin, et al., 2015) digital marketing is the use of electronic media to market products to the market, where the main object is to attract customers and interact with customers using digital media.

## **The effect of transformational leadership on customer value**

Previous research stated that transformational leadership is related to customer commitment which leads to customer trust (Jayakody and Sanjeevani, 2006). (Chuang et al., 2011) have also conducted research on 52 companies from various fields and the results are transformational leadership and employee performance improvement has a positive effect where employees will deal directly with customers so that they feel satisfied and customer value is fulfilled. The influence of transformational leadership and customer value is supported by research whose data is taken from several sources, namely customers and employees with a total of 212 respondents from 55 service companies in Taiwan,

## **The effect of innovation on customer value**

Innovation has a positive impact on customer value as evidenced by previous research where innovation has a direct positive effect on customer satisfaction, where the innovation in question is in terms of products, sales, after-sales, and the brand of a product. So that the more innovation, the more satisfied customers will be. The sample of this study came from 387 respondents from 10 cosmetic companies in Tehran province (Daragahi, 2017). Data taken from 7 applications with a total respondent of 138,276 application users stated that app core innovations had a positive impact on user evaluation, where innovation in the applications they used had a positive impact on users so that it would increase the customer value of the applications used (Tian et al. , 2020).

## **Effect of online marketing on customer value**

Online marketing is considered quite effective in increasing customer value, supported by research conducted by (Chatterjee, 2020) with a sample of 310 respondents from two cities in India. The result is that Social Media Marketing (SMM) has a positive effect on the

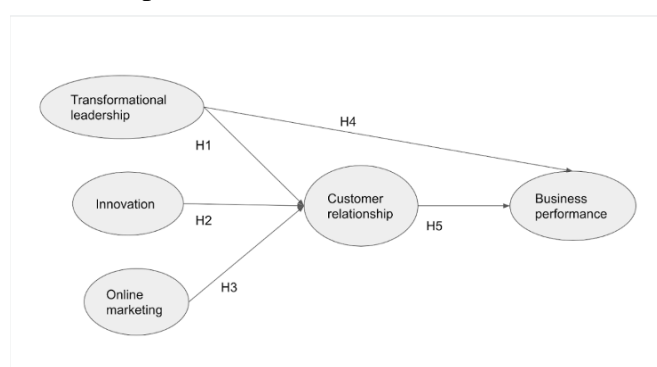
development of Small Medium Enterprise (SME) where SMM is useful for bringing SMEs closer to customers, customers become more respectful and responsive thanks to the SMM, SMM is also very influential on customer equity, customer equity is the relationship between brands and customers, with the existence of SMM, the relationship between brands and customers become closer because there are more interactions outside the offline store and it even increases customer purchase intention, this research was conducted by one of the luxury brands in Seoul with a total of 362 respondents (Kim et al., 2012).

## The effect of transformational leads on business performance

The type of transformational leadership has a positive impact on business performance, where transformational behavior in leaders has a positive impact on business performance, where this leadership provides an effort to motivate subordinates, so that employees will be more enthusiastic which ultimately increases business performance (Strukan et al., 2017). This statement is supported by research conducted in Malaysia with 86 respondents from managers in technology companies in Malaysia where the transformational leadership type has a positive impact on their business performance, where leaders encourage, motivate and become role models of employees so that they become employees. more committed and motivated to develop (Arshad Azlin et al., 2016), The positive influence of transformational leadership on business performance is also supported by this research, where by using this type of leadership, the leader always supports his subordinates to change in a more positive direction and achieve more and more efficient achievements, resulting in better business performance. This data was taken from 127 respondents who came from managers from several companies (Strukan Edin et al., 2017).

## The influence of customer value on business performance

Customers are very important, because without customers a business cannot generate profits so customer value is very important for business performance, research from (Williams Paul et al, 2011) states that fulfilling customer satisfaction has a very positive impact on the company because by meeting the expectations of customers, they will return to the company on their own because there have been good experiences obtained, this data was taken from 3000 samples who were customers. from a company, where those who are satisfied always buy products again to this company which makes the company's performance increase. (Aghazadeh, 2015) also states that customer value has a significant effect on business performance, where companies must provide tangible and intangible benefits so that customers give loyalty to the brand, by providing these benefits, the company's performance will directly increase in terms of sales and others. (Tolstoy et al., 2021) where by always putting the customer first and evaluating product shortages to meet customer expectations, this research has a significant effect on the company's overall performance, this research has a total of 278 respondents from various companies in Sweden



## METHOD

The research method used is quantitative using multiple linear regression data analysis techniques because by using multiple linear regression analysis, the relationship between variables can be detected significantly as stated by (Netter, 1997) where multiple linear regression analysis is one method which is used to find out the functional relationship of the independent and dependent variables, and by using this analysis method, it can be seen how much influence the existing variables have.

The object of this research is SMESs from various fields in Surabaya. The criteria for this research are SMES owners with a turnover below 500 million per year and have used online marketing to market their products. Respondents in this study were owners or managers of SMEs in Surabaya with a total sample of 125 respondents. The data used in this study is primary data where data will be collected directly from online questionnaires, the scale used is from number 1 to 5, with 1 stating strongly disagree and 5 stating strongly agree, with a description of the respondent's data namely name, company name /business, monthly turnover, and company fields. The platform used is a google form with the contents of statements related to transformational leadership, online marketing, data analysis will be carried out using the SPSS application, this study also uses validity and reliability tests to measure the variables that have been determined, so that the data obtained is more accurate, for normality testing using the Kolmogorov Smirnov method, heteroscedasticity testing using the glacier method and in the last stage, namely F and T test is also a test of the coefficient of determination. From these data, a regression equation is made.

## RESULT AND DISCUSSION

Respondents from this study are all SMES owners in Surabaya with a monthly turnover of < Rp 50,000,000 to > Rp 200,000,000, respondents have SMESs in several fields such as culinary, fashion, beauty, internet technology, creative products, tour and travel, agribusiness, education, automotive, and others, and from a total of 53 samples, the most dominating were SMEs in the culinary field by taking 46.3% of the total.

This study uses multiple regression techniques from several variables, using SPSS to find answers to what factors influence the failure or success of SMESs in the post-covid-19 pandemic.

### Validity test

Validity Test									
Indicator	FL	Indicator	FL	Indicator	FL	Indicator	FL	Indicator	FL
X1		X2		X3		Y1		Y2	
X1.1	.514	X2.1	.637	X3.1	.745	Y1.1	.547	Y2.1	.612
X1.2	.526	X2.2	.402	X3.2	.666	Y1.2	.340	Y2.2	.576
X1.3	.454	X2.3	.527	X3.3	.720	Y1.3	.520	Y2.3	.657

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X1.4	.470	X2.4	.412	X3.4	.622	Y1.4	.533	Y2.4	.515
X1.5	.476	X2	.962	X3	1,000	Y1	.998	Y2.5	.554
X1	1,000							Y2.6	.571
								Y2.7	.634
								Y2.8	.507
								Y2	.998
Source: own calculation									

The criteria is if the value of the factor loading is higher than 0.266, then the statement is considered valid. Based on the test of the data validity, all indicators used to estimate each variable are valid, because the factor loading for every indicators are more than 0.266.

## Reliability Test

Item-Total Statistics	
	Cronbach's Alpha if Item Deleted
X1.1	.750
X1.2	.757
X1.3	.780
X1.4	.762
X1.5	.760
X1	.670

Item-Total Statistics	
	Cronbach's Alpha if Item Deleted
X2.1	.697
X2.2	.774
X2.3	.783
X2.4	.770
X2	.612

Item-Total Statistics	
	Cronbach's Alpha if Item Deleted
X3.1	.868
X3.2	.885
X3.3	.875
X3.4	.894
X3	.821

Item-Total Statistics	
	Cronbach's Alpha if Item Deleted
Y1.1	.712
Y1.2	.837
Y1.3	.713
Y1.4	.708
Y1	.595

Item-Total Statistics	
	Cronbach's Alpha if Item Deleted
Y2.1	.852
Y2.2	.855
Y2.3	.848
Y2.4	.868
Y2.5	.857
Y2.6	.856
Y2.8	.861
Y2.7	.850
Y2	.829

The reliability test was carried out by comparing the Cronbach alpha value and if the



result was above 0.6 then the variables tested were considered reliable, and from the test results all variables (X1-Y2) got results above 0.6 so that all the variables tested were reliable.

**Results of Multiple Regression**

**1. Transformational leadership, Innovation and online marketing interaction with customer relationship**

The results of multiple regression are as follows:

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.553a	.306	.264	.31261

a. Predictors: (Constant), X3, X1, X2

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,367	.556		4.261	.000
	X1	.482	.111	.541	4.343	.000
	X2	.021	.082	.033	.251	.803
	X3	.008	.065	.017	-.124	.901

a. Dependent Variable: Y1

From the table above, the regression equation can be written as follows:

$$Y1 = a1+b1xX1+B2xX2 + (B3xX3)$$

From the table above, of the 3 variables tested, namely transformational leadership (X1), Innovation (X2), online marketing (X3), the significant effect is the transformational leadership variable with a result of 0.000 while the other two variables have no significant effect because the results are above 0.05.

**2. Transformational leadership and customer relationship interaction to business performance**

Model Summary				
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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638a	.407	.383	.38287

a. Predictors: (Constant), Y1, X1

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.542	.742		.730	.469
	X1	.669	156	.561	4.299	.000
	Y1	.165	.175	.123	.943	.350

a. Dependent Variable: Y2

From the table above, the regression equation can be written as follows:

$$Y2 = a_2 + B_4.X1 + B_5.Y1$$

From the table above, of the 2 variables tested, namely transformational leadership (X1) and customer relationship (Y1) on business performance, only X1 gave a significant result with a result of 0.000 while Y1 was refused because it was above the significant limit.

## F-test

Based on the calculation of SPSS, the significance of F test value in the model 1 and model 2 are 0.000, so it can be concluded that the two model's independent variables together influencing dependent variable significantly.

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.113	3	.704	7.209	.000b
	Residual	4.789	49	.098		
	Total	6,902	52			

a. Dependent Variable: Y1

b. Predictors: (Constant), X3, X1, X2

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.026	2	2,513	17.144	.000b
	Residual	7329	50	.147		
	Total	12,355	52			

a. Dependent Variable: Y2
b. Predictors: (Constant), Y1, X1

## T-test

### 1. Transformational leadership, Innovation and online marketing interaction with customer relationship

The t-test is used to determine whether the independent variables of transformational leadership, innovation and online marketing (independently) have significant influence on customer relationship. But the interaction between innovation and online marketing does not have a positive effect on customer relationship because the t-test results are above 0.05, while the transformational leadership variable has a significant effect because it produces 0.000 results.

### 2. Transformational leadership and customer relationship interaction to business performance

The t-test is used to determine whether the independent variables of transformational leadership and customer relationship interaction have significant influence on business performance. But the interaction between customer relationship on business performance does not have a significant effect because the t-test results are above 0.05 and the one that has a significant effect is transformational leadership on business performance.

## DISCUSSION

The result of this study shows that the variables which only transformational leadership significantly affected business performance and customer relationship, on the other hand innovation and customer relationship didn't have significant effect on business performance and customer relationship. The conclusion is, from 5 proposed hypotheses, only 2 were supported and 3 were rejected.

The first hypothesis states that transformational leadership has a positive and significant effect on customer relationship. The first hypothesis states that transformational leadership on customer relationship can be called significantly positive because the t-test results are below the existing limit (0.05) which is 0.000. This shows similarities with previous researchers, namely Jayakody and Sanjeewani (2006) where they stated that leadership is related to customer commitment which leads to customer trust.

The second hypothesis states that innovation on customer relationship has a positive and significant effect and is rejected in this study. The second hypothesis states that innovation on

customer relationship can be called not giving positive significance because the results of the t-test are above the existing limit (0.05) which is 0.803. This research result is contradictory with the statement stated by Daragahi (2017) which states that innovation has a positive impact on customer relationship. Upon this discussion, it can be concluded that innovation does not significantly influence customer relationship which means that the third hypothesis is rejected.

The third hypothesis states that online marketing has a positive and significant effect on customer relationship, which is rejected in this study. The second hypothesis states that innovation on customer relationship can be called not giving positive significance because the results of the t-test are above the existing limit (0.05) which is 0.901. This research result is contradictory with the statement stated by Chatterjee (2020) which states that online marketing is considered quite effective in improving customer relationship. Upon this discussion, it can be concluded that interaction with customers does not significantly influence customer relationship which means that the third hypothesis is rejected.

The fourth hypothesis states that transformational leadership has a positive and significant effect on business performance. The fourth hypothesis states that transformational leadership on customer relationship can be called significant positive because the t-test results are below the existing limit (0.05) which is 0.000. This shows similarities with the previous researcher, namely Strukeni (2016) where by using this type of leadership, where the leader always supports his subordinates to change in a more positive direction and achieve more and more efficient achievements, so that business performance is getting better.

The fifth hypothesis states that customer relationship have a positive and significant effect on business performance and are rejected in this study. The fifth hypothesis states that innovation on customer relationship can be called not giving a positive significant because the results of the t-test are above the existing limit (0.05) which is 0.350. This research result is contradictory with the statement stated by Tolstoy (2021) which states that by always putting the customer first and evaluating product deficiencies to meet customer expectations, it has a significant effect on the company's overall performance. Upon this discussion, it can be concluded that interaction with customers does not significantly influence customer relationship which means that the third hypothesis is rejected.

## CONCLUSION AND RECOMMENDATION

This model was developed in order to research the factors that make SMESs successful in the Surabaya post pandemic era. The result of this study shows that the variables which only transformational leadership significantly affected business performance and customer relationship, on the other hand innovation and customer relationship didn't have significant effect on business performance and customer relationship. The conclusion is, from 5 proposed hypotheses, only 2 were supported and 3 were rejected.

As derived from the research outcomes, only transformational leadership variables are the important factors to boost business performance in Surabaya. Therefore, the managerial implications must be concentrated upon this variable.

The managerial implications of these findings can't all be based on the theories that have been developed as follows.

*First*, transformational leadership has a positive effect on customer relationship and business performance because according to (Khorshid & Pashazadeh, 2014, p. 7)

transformational leadership is a leader who motivates his employees to do more and this type of leader focuses on increasing employee competence and according to (Strukan et al. al., 2017) transformational leadership has a positive impact on business performance, where transformational behavior in leaders has a positive impact on business performance, where this leadership provides an effort to motivate subordinates, so employees will be more enthusiastic which ultimately increases business performance.

*Second*, namely innovation, does not have a significant effect on customer relationship and business performance at SMES Surabaya, this is because the characteristics of Surabaya SMES consumers are not concerned with innovation in the products they buy, but they are concerned with the consistency of product quality, price and availability of products sold. The second reason is that SMESs in Surabaya make mainstream innovations where the innovation is also carried out in the majority of competitors so that there is no difference between stores and makes no profit, third, that SMESs in Surabaya do not do market testing first before releasing new products so they do not there is awareness that arises from shop customers and causes the target market to not be as desired.

*Third*, which is online marketing has no significant effect on customer relationship and business performance, because the majority of respondents more often seek profit from the bazaar because they sell directly in large quantities and for online marketing on social media it is less effective, more towards e-commerce because if the product is uploaded, people can buy directly without switching applications and customers trust more than marketing with social media.

*Fourth*, customer relationships have no significant effect on business performance. This is because from the observations that have been made by researchers, Surabaya city customers do not appreciate proximity to the owner for reasons to buy products because consumer characteristics are more concerned with product consistency, price and quality of the product provided.

For further researchers who will conduct similar research, it is recommended to look for more respondents, choose relevant questionnaires and increase the time period used so that the final results are more accurate and maximal.

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