

The Analysis of Marketing performance in Yogyakarta SMEs

Lusia Tria Hatmanti, HUTAMI,

Universitas Sarjanawiyata Tamansiswa, Yogyakarta, Indonesia
trialusia@ustjogja.ac.id,

Ignatius Soni, KURNIAWAN,

Universitas Sarjanawiyata Tamansiswa, Yogyakarta, Indonesia
soni_kurniawan@ustjogja.ac.id

Abstract

The general concept of this research is to elaborate on the specific aspect of the marketing performance point of view that has been used by exported SMEs business in a region in Indonesia called Yogyakarta. The aim of this research to analyze the relationship between innovation orientation, marketing communication orientation, international marketing, and marketing performance. The methodology of this research used path analysis, purposive sampling used in this research which only exported product of SMEs business met the criterion. The result showed that only the direct relationship between innovation orientation and marketing performance was not supported. It strengthens international marketing as a mediator between innovation orientation and marketing performance. Innovation orientation toward international marketing was accepted with path coefficient and international marketing toward marketing performance was accepted with path coefficient. Meanwhile, the strongest path coefficient showed by marketing communication orientation. It means that the successful marketing performance needs an excellent marketing communication strategy to ensure the delivery of adding value to the customers by each SMEs business.

Keywords: innovation orientation, marketing communication orientation, international marketing, marketing performance, Small and Medium Enterprises.

JEL Classification: M31

1. Introduction

Small and Medium Enterprises (SMEs) is one sector that builds the national economy in Indonesia, the stronger the SMEs also bring the stronger the national economy as a whole. SMEs are local businesses entity that performs common

business activities but only has limited facilities as well as the struggle against large scale companies (both those that have gone public and not yet). Therefore, SMEs must struggle to survive in a natural competition such as economics and politics, while SMEs must fight against needs such as financial and innovation issues (Kanibir, Saydan, & Nart, 2014).

Special Province of Yogyakarta is one of the provinces where the population is engaged in the field of SMEs. There are several SMEs in the Yogyakarta area that has survived the competition and moved into global markets, for example, Kasongan Pottery Craft and Batik Jumputan which the product already has been exported to American, European, Asia and Australian. In penetrating the global market it is not easy for SMEs to achieve their performance in international marketing. SMEs must use the resources they have to be able to innovate. Business innovation is a very important factor in achieving competitive and able to survive in a rapidly changing business environment. Through such innovation, SMEs can penetrate the global market faster, create new reforms ideas that are more innovative and improve marketing performance in global markets or local markets (O’Cass & Weerawardena, 2009). Marketing performance evaluation and international marketing are only carried out by large companies, but in this study, they are implemented in the performance of SMEs, with limited facilities but SMEs always make new ideas so they can provide marketing products in both the global and local markets.

2. Literature Review, Hipothesis Development, and Research Method

2.1.1 Innovation Orientation

The orientation of innovation has an important role in achieving business targets, reflecting the ability of an SME to offer new services/products and successes that have been obtained (Xiao, Wang, Li, & Ma, 2017) . The importance of an SME to innovate is to solve problems and improve specific strategies in increasing the number of new products/services on the market (Mahmoud & Hinson, 2012). In this case, the ability of an SME to present a new product is considered a measure to improve its market performance. Innovation orientation has a decisive role in providing successful offers in the global market as well as in the local market (Silva, Styles, & Lages, 2017). Reviews about innovation generally focus on products/services and technology, but it turns out that innovation also contains the thing that innovation is done to make a difference in the market as a distribution channel and e-marketing practice on a brand. Innovation is becoming

increasingly important as a tool for survival, not only growth but also in the increasingly competitive competition (Kanibir et al., 2014).

2.1.2 International Marketing

Many researchers consider that designing a global marketing strategy to operate in international markets is very important to succeed abroad. International marketing has two dimensions, the first "scope" of geographical coverage and its market segments, the second "competitive" dimension, mainly consists of SME marketing mix strategies (Ruzo, Losada, Navarro, & Díez, 2011). International marketing in SMEs adopts innovative, risk-taking and proactive behavior in the international market. For high-level international marketing SMEs, they tend to look for innovative products and services that target international markets, see foreign markets as opportunities rather than risks, and look for business opportunities and partners abroad (Hallböck & Gabrielsson, 2013). International marketing activities have a wider scope than just export activities, own international marketing activities include 1) market analysis, 2) product or service development, 3) pricing, 4) distribution, and 5) promotion (Jin & Cho, 2016).

2.1.3 Marketing Communication Orientation

Marketing communication orientation is the strategic communication SMEs orientation on how they manage marketing tools synchronized each other to bring a competitive value to the customers (Jerman and Završnik, 2012; Hossain, Kabir and Rezvi, 2017). Marketing communications help to define an organization's relationship with its customers, therefore, emphasize the strategic importance of such communication and its long-term effect on consumers (Jemutai & Wambua, 2016). Based on Amoako *et al.*, (2012) stated that the role of marketing communications is to inform, persuade, remind, reassure the customers and differentiate the organization in the minds of the customers. Marketing communication tools widely used by SMEs business which in fact has a limitation in funding such as online (website, social media account: Facebook and Instagram, Indonesia market platform: Bukalapak, Tokopedia, etc.) and offline strategy (word of mouth, promotion, etc.).

2.1.4 Marketing Performance

Performance is always related to the activities carried out by an SME and the results (outcomes) obtained. Marketing performance is defined as an effort to measure performance levels including sales volume, number of customers, and profits (Gnizy & Shoham, 2014). Over the past decade, many SMEs have used various tools and mechanisms to improve marketing performance. As with other functions in SMEs, marketing performance is an important aspect that must be evaluated in an SME because of the different market challenges faced by SMEs today, therefore every interested UKM must know what indicators influence the success of their business in business competition so they can compete in marketing global and local marketing (Salehzadeh, Khazaei Pool, Tabaeian, Amani, & Mortazavi, 2017). Based on previous research, many marketing performance measurements have focused on output that uses accounting measures such as margin, profit, and sales but it turns out that this method has some disadvantages that it is often considered static, ignoring long-term marketing values (Hallbäck & Gabrielsson, 2013). Today's competitive market requires efficient and effective marketing. Therefore, there are broader indicators in determining marketing performance such as multidimensional input measures (eg. marketing audits), financial output measures (eg. SME earnings) and non-financial output measures (Jin & Cho, 2016).

2.2 Hypothesis Development

Innovation is a mechanism by SMEs to adapt to a more competitive environment so that SMEs are required to be able to create new ideas, ideas that are more innovative and provide added value to consumers. More effective development of new and strategic products often determines the success and survival of a business, but this is not an easy job. Development of new products requires effort, time and capability including the magnitude of the risks and costs of failure. Product innovation is currently not only applied in a company, in SMEs innovation is always done to increase competitive advantage in the market, so that products in SMEs can compete not only in the domestic market but can compete in the international market. As explained in the study (O'Cass & Weerawardena, 2009) in a previous study conducted a research study in SMEs abroad, where the role of organizational innovation in the internationalization of SMEs was limited and fragmented, but to overcome these obstacles, SMEs used marketing techniques innovative ways to achieve a superior international market that not

only develops new products but also introduces innovative production methods and seeks new sources of material procurement. Previous research (O’Cass and Weerawardena, 2009; Kanibir, Saydan and Nart, 2014; Silva, Styles and Lages, 2017) states that innovation orientation has a positive effect on international marketing.

H1: Innovation orientation influences international marketing.

International marketing can determine the process of finding and exploiting creative market opportunities in the international market competition such as increasing new markets, increasing markets, and increasing customer satisfaction. International marketing can support performance and success in SMEs that depend on the marketing strategy developed and how SMEs implement it on marketing performance. Research has been published (Gnizy & Shoham, 2014) showing that SMEs that will promote international markets will further improve things that improve marketing such as increasing customers, increasing loyalty and increasing higher markets, and increasing customer satisfaction, because by looking at these things SMEs will have high customer retention rates in the global market and will be easier to master the global market because they have loyal customers. Previous research (Aspelund, Madsen and Moen, 2007; Ruzo, Losada, Navarro and Díez, 2011; Hallbäck and Gabrielsson, 2013; Gnizy and Shoham, 2014; Jin and Cho, 2016) looking for international solutions.

H2. International marketing influences marketing performance.

The importance of an SME business to innovate is to solve problems and improve specific strategies in increasing the number of new products/services on the market (Mahmoud & Hinson, 2012). Innovation orientation enables a business to learn about and track customer needs; to develop new products or services accordingly, and to implement internal processes that enhance an understanding of customer needs and product development, so that a business can attain and sustain leadership in its target markets (Narver et al., 2004 in Ergün and Kuşcu, 2013). Damanpour (1991) in Ndubisi and Iftikhar (2012) defines organizational innovation as the adoption of an idea or behaviour new to the adopting organization, which involves all dimensions of organizational activities, such as a new product or service, a new production process technology, a new structure or administrative system and a new plan or program with in the organization. According to Singh (2012) in Işoraité, (2016) marketing is a complex range of marketing mix solution variables used in the company seeking to sell their goods and services, marketing mix grouped under four elements product, price, place, and promotion. Therefore, the innovation aspect should be included in all of the marketing mix elements. The more innovation value that has been transferred to

the customer will make the more adding value and make marketing performance higher.

H3. Innovation orientation influences marketing performance.

Marketing communication orientation is the strategic communication SMEs orientation on how they manage marketing tools synchronized each other to bring a competitive value to the customers (Jerman and Završnik, 2012; Hossain, Kabir and Rezvi, 2017). Based on Amoako *et al.*, (2012) stated that the role of marketing communications is to inform, persuade, remind, reassure the customers and differentiate the organization in the minds of the customers. It has been cleared the tools that management applied to promote, how they communicate with customers or potential buyer will contribute to the significance of marketing performance. Therefore, how the SMEs business used their communication tools in order to market their product will contribute directly to marketing performance.

H4. Marketing communication orientation influences marketing performance.

2.3 Research Method

This research used path analysis to analyze the relationship between the multiple variables by SmartPLS 2 software to calculate the data. Path analysis is a variation of multiple-regression analysis and useful for analyzing a number of issues involved in causal (Stage, Carter, & Nora, 2004). Based on (Stage et al., 2004) path analysis as a methodology holds strength because it allows researchers to study direct and indirect effects simultaneously with multiple independent and dependent variables. However, before the path analysis has been done, the researcher used validity and reliability testing by SPSS 24 to ensure the questionnaire has been robust. The population of the research is SMEs business around Yogyakarta Province in Indonesia, the result gained 100 SMEs business sample that has been already passed the criteria (purposive sampling) which is the SMEs business should export their product. All of the questionnaire item used 5 likert scale.

Innovation Orientation means that SMEs develop new products that focus on finding new ways to increase customer trust and provide a more satisfying experience to customers through product, managerial and marketing improvements (O' Cass & Weerawardena, 2009). International marketing becomes a challenge or threat in an SME to penetrate international business. For this reason, international marketing will be carried out by a country which if the SME

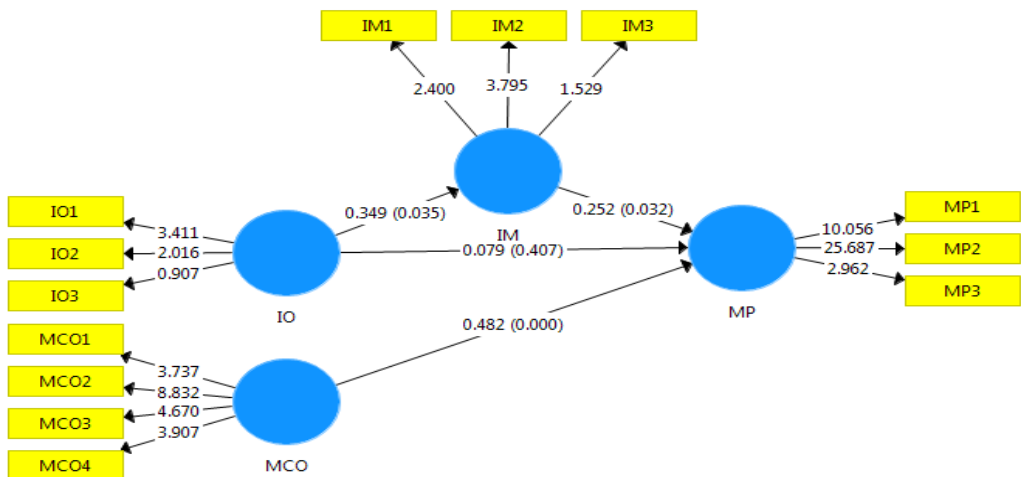
has a high effective and efficient performance by increasing competitive advantage, opportunity and exploration and increasing market share and customer satisfaction (O’Cass & Weerawardena, 2009). Communication orientation marketing / promotion is an effort carried out by SMEs in informing, persuading, and reminding consumers both directly and indirectly about products sold through information messages, collaborative messages, message clarity, message uniformity (Chen, Shen, & Chiu, 2007). Marketing performance, SMEs usually conduct marketing performance by looking at sales growth, customer growth and profitability (Fahy, Hooley, Cox, Beracs, & Fonfara, 2000).

Table 1. Result

	Path Coefficient	Sample Mean	Standard Deviation	T statistics	P Value
IO - IM	0.349	0.376	0.163	2.141	0.035
IM - MP	0.252	0.247	0.116	2.170	0.032
IO - MP	0.079	0.087	0.094	0.833	0.407
MCO - MP	0.482	0.501	0.081	5.984	0.000

Source: Hutami & Kurniawan, 2019

Figure 1. Research Model



Source: Hutami & Kurniawan, 2019

3. Results

Before the inner test, need to be done outer loading test that showed by loadings value. Measurement loadings are the standardized path weights connecting the factors to the indicator variables. In general, the larger the loadings, the stronger and more reliable the measurement model (Garson, 2016). The result showed that all of the indicators showed loading of above 0.7. The level

(0.7) which about half the variance and is also the level at which explained variance must be greater than error variance (Garson, 2016). From the construct, reliability test used Cronbach's alpha value whether the indicators for latent variables display convergent validity and hence display reliability (Garson, 2016). Validity test through Average Variance Extra (AVE), AVE reflects the average communality for each latent factor in a reflective model (Garson, 2016). The result showed all of the constructs showed Cronbach's alpha value between 0.7 until 0.9, means that all of the variables were reliable. The AVE value showed all of the variables were valid (AVE value above 0.5).

Based on table 1. Path analysis table showed that the hypotheses that stated innovation orientation influence international marketing was supported (p -Value < 0.05) amounted 0.035. Path coefficient amounted 0.349 means innovation orientation has an impact on international marketing amounted 34.9%. Innovation orientation indicators are the mechanism by SMEs to adapt to a more competitive environment so that SMEs are required to be able to create new ideas, ideas that are more innovative and provide added value to consumers. The positive influence of innovation orientation on international marketing shows that SMEs have successfully entered international marketing by using innovative marketing techniques to achieve superior international markets that not only develop new products but also introduce innovative production methods that are worthy of entering international marketing. The positive influence of innovation orientation on international marketing is consistent with the research (O'Cass and Weerawardena, 2009; Kanibir, Saydan and Nart, 2014; Silva, Styles and Lages, 2017).

Based on table 1. Path analysis table showed that the hypotheses that stated international marketing influences marketing performance was supported (p -Value < 0.05) amounted 0.032. Path coefficient amounted 0.252 means international marketing has an impact on marketing performance amounted 25.2%. The results of the study show that International Marketing in SMEs has an effect on achieving marketing performance. The positive influence of international marketing on marketing performance shows that SMEs that will enter the international market has increased factors that influence marketing performance such as having high customers, showing higher loyalty and market share, and increasing customer satisfaction so SMEs have customer retention rates are high in the global market and easier to master the global market because it has mastered consumers. The findings of the positive influence of international marketing on marketing performance are consistent with the research (Aspelund,

Madsen and Moen, 2007; Ruzo *et al.*, 2011; Hallbäck and Gabrielsson, 2013; Gnizy and Shoham, 2014; Jin and Cho, 2016).

Based on table 1. Path analysis table showed that the hypotheses that stated innovation orientation influences marketing performance was not supported ($p\text{-Value} > 0.05$). Since the third hypotheses were rejected, it means innovation orientation does not have a significant direct relationship toward marketing performance. However, the first and second hypotheses were supported, means innovation orientation still has relationship toward marketing performance. Therefore, it strengthens international marketing as a mediator variable that still needed to be tested between innovation orientation and marketing performance.

Based on table 1. Path analysis table showed that the hypotheses that stated marketing communication orientation influences marketing performance was supported ($p\text{-Value} < 0.05$) amounted 0.000. Path coefficient amounted 0.482 means marketing communication orientation has an impact on marketing performance amounted 48.2%. Since marketing communication orientation contribute to the highest impact on marketing performance, manager or owner of the SMEs business should take the communication tools seriously and carefully. Marketing communication orientation should be effective yet efficient to attract the customer or potential buyer.

4. Discussion, and Conclusions

The results of the study prove that first, second and fourth hypotheses are accepted, innovation orientation variables have a positive effect on international marketing, international marketing and marketing communication orientation have a positive effect on marketing performance. This finding implies that SMEs leaders or owners to improve the implementation of innovation orientation to achieve the greater international marketing and finally improve the marketing performance. Implementation of marketing communication orientation also needed to ensure the quality of the communication tools to deliver adding value and finally increase the marketing performance of the SMEs business. Suggestion for future research is analyzed the mediation variables that stand between innovation orientation and marketing performance, international marketing for example.

References

- [1] Amoako, G. K., Dartey-Baah, K., Dzogbenuku, R. K., & Junior, S. K. (2012). The effect of sponsorship on marketing communication performance: A case study of Airtel Ghana. *African Journal of Marketing Management*, 4(2), 65–79. <https://doi.org/10.5897/AJMMX11.006>
- [2] Aspelund, A., Madsen, T. K., & Moen, Ø. (2007). A review of the foundation, international marketing strategies, and performance of international new ventures. In *European Journal of Marketing* (Vol. 41). <https://doi.org/10.1108/03090560710821242>
- [3] Chen, C. W., Shen, C. C., & Chiu, W. Y. (2007). Marketing communication strategies in support of product launch: An empirical study of Taiwanese high-tech firms. *Industrial Marketing Management*, 36(8), 1046–1056. <https://doi.org/10.1016/j.indmarman.2006.08.002>
- [4] Ergün, H. S., & Kuşcu, Z. K. (2013). Innovation Orientation, Market Orientation and e-Loyalty: Evidence from Turkish e-Commerce Customers. *Procedia - Social and Behavioral Sciences*, 99, 509–516. <https://doi.org/10.1016/j.sbspro.2013.10.520>
- [5] Fahy, J., Hooley, G., Cox, T., Beracs, J., & Fonfara, K. (2000). The Development and Impact of Marketing Capabilities in Central Europe. *Journal of International Business Studies*, 31(1), 63–81.
- [6] Garson, G. D. (2016). *Partial Least Squares: Regression & Structural Equation Models*. Retrieved from www.statisticalassociates.com
- [7] Gnizy, I., & Shoham, A. (2014). Uncovering the Influence of the International Marketing Function in International Firms. *International Marketing Review*, 31(1), 51–78.
- [8] Hallböck, J., & Gabrielsson, P. (2013). Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies. *International Business Review*, 22(6), 1008–1020. <https://doi.org/10.1016/j.ibusrev.2013.02.006>
- [9] Hossain, M. M., Kabir, S., & Rezvi, R. I. (2017). Influence of the Integrated Marketing Communication on Brand Orientation and Market Orientation: A Literature Review. *Australian Journal of Business Science Desgin & Literture*, 10(1).
- [10] Işoraitè, M. (2016). Marketing Mix Theoretical Aspect. *International Journal of Research-Granthaalayah*, 4(6), 25–37. <https://doi.org/10.5281/zenodo.56533>
- [11] Jemutai, C. R., & Wambua, P. P. (2016). Integrated Marketing Communication and Performance of Kenya Post and Savings Bank. *Social Sciences*, 5(3), 37–49. <https://doi.org/10.11648/j.ss.20160503.11>
- [12] Jerman, D., & Završnik, B. (2012). The Model of Marketing Communications Effectiveness: Empirical Evidence From Slovenian Business-To-Business Practice. *Journal of Business Economics and Management*, 13(4), 705–723. <https://doi.org/10.3846/16111699.2011.620163>
- [13] Jin, B., & Cho, H. J. (2016). Examining the role of international entrepreneurial orientation, domestic market competition, and technological and marketing capabilities on SME's export performance Byoungho. *Journal of Business & Industrial Marketing*, 14.

- [14] Kanibir, H., Saydan, R., & Nart, S. (2014). Determining the Antecedents of Marketing Competencies of SMEs for International Market Performance. *Procedia - Social and Behavioral Sciences*, 150, 12–23. <https://doi.org/10.1016/j.sbspro.2014.09.003>
- [15] Mahmoud, M. A., & Hinson, R. E. (2012). Market orientation, innovation and corporate social responsibility practices in Ghana's telecommunication sector. *Social Responsibility Journal*, 8(3), 327–346. <https://doi.org/10.1108/17471111211247910>
- [16] Ndubisi, N. O., & Iftikhar, K. (2012). Relationship between entrepreneurship, innovation and performance: Comparing small and medium-size enterprises. *Journal of Research in Marketing and Entrepreneurship*, 14(2), 214–236. <https://doi.org/10.1108/14715201211271429>
- [17] O' Cass, A., & Weerawardena, J. (2009). Examining the role of international entrepreneurship, innovation and international market performance in SME internationalisation. *European Journal of Marketing*, 43(11), 1325–1348. <https://doi.org/10.1108/03090560910989911>
- [18] Ruzo, E., Losada, F., Navarro, A., & Díez, J. A. A. (2011). Resources and international marketing strategy in export firms: Implications for export performance. *Management Research Review*, 34(5), 496–518. <https://doi.org/10.1108/01409171111128698>
- [19] Salehzadeh, R., Khazaei Pool, J., Tabaeian, R. A., Amani, M., & Mortazavi, M. (2017). The impact of internal marketing and market orientation on performance: an empirical study in restaurant industry. *Measuring Business Excellence*, 21(4), 273–290. <https://doi.org/10.1108/MBE-02-2016-0009>
- [20] Silva, G. M., Styles, C., & Lages, L. F. (2017). Breakthrough innovation in international business: The impact of tech-innovation and market-innovation on performance. *International Business Review*, 26(2), 391–404. <https://doi.org/10.1016/j.ibusrev.2016.10.001>
- [21] Stage, F. K., Carter, H. C., & Nora, A. (2004). Path Analysis: An Introduction and Analysis of a Decade of Research. *Journal of Educational Research*, 98(1), 5–13. <https://doi.org/10.3200/JOER.98.1.5-13>
- Xiao, H., Wang, Y., Li, W., & Ma, Z. (2017). Intellectual structure of research in business ethics: A citation and co-citation analysis on *Business Ethics Quarterly*. *Nankai Business Review International*, 8(1), 100–120.