

Efforts to Increase Marketing Performance of Small and Medium Enterprises in Central Java, Indonesia

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Abstract

Business competition in the current era of globalization requires companies to have a strategy to win the market. Strategic management has an important role for the survival of the company. The existence of such competition is also felt by small businesses such as Small and Medium Enterprises (SMEs). The increase in the number of SME units in Central Java was not followed by an increase in average sales of SMEs. This study aims to analyze the effect of distribution channel, ERP implementation and entrepreneurial orientation on marketing performance with competitive advantage as an intervening variable. The population in this study were small and medium enterprises owners in Central Java. Six hypothesis were formulated for this study. To test those hypothesis, this study used 104 respondent. Structural Equation Model (SEM) was applied to this study using AMOS 24 as a tool. The results of this study shows that competitive advantage is the most variable in influencing the marketing performance, while this competitive advantage has entrepreneurial orientation as highest variable in influencing it. This study suggests that if SMEs want to increase their marketing performance, they must increase their competitive advantage. This competitive advantage can be increase by increasing the entrepreneurial orientation.

Keywords : distribution channels, ERP implementation, entrepreneurial orientation, competitive advantage, marketing performance

Introduction

Small and Medium Enterprises (SMEs) have important roles for the national economy. According to Ministry of Cooperation and SMEs (2014), there are at least five roles of SMEs in Indonesian economy, namely: SMEs are main actors in Indonesia economic activities in various sectors, provides largest employment, are important in developing local economic activities and community empowerment., are creators of new market and sources of innovation, and are able to maintain the balance of payments through export activities

The growth of Small and Medium Enterprises is always positive. In Central Java. The number of Small and Medium Enterprises is always growing every year. However, the growth of the SMEs units was not followed by the growth of average turnover per SMEs. Table 1 shows the development of each SMEs sector whereas in 2016 until 2017 the average number of SMEs expanded by 15.5%. Labor absorption increased by 16% whereas in 2016 SMEs could absorb 791,767 workers, and increased by 126,688 workers so that there were 918,455 people absorbed into SMEs workforce. The number of assets in 2017 increased by

14.6% from the previous year. Meanwhile, the turnover increased by 13% from 2016. In table 1.3 it can be seen the decline in the average per SMEs whereas in 2016 the average turnover per SMEs is 0.376 billion per year, decreased to 0.368 billion per year.

Annual increasing number of SMEs causes higher competition and tighter market. The essence of success is competition, thus, enterprises must have a competitive strategy to win market competition. SMEs have to set strategies on improving competitive advantage and maintaining the market. So that, product sales from SMEs could be increased.

The level of competition from an enterprise could be observed through a enterprise development and the number of similar enterprises engaged in the same field, as well as offering similar products and services. These conditions push the company management to continue making efforts on improvements, maintain and advance the business among competitors. Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that enable it to out perform its competitors (Wang, Lin and Chu, 2011).

Competitive advantage thus refers to conditions in which products of enterprises or service is considered better than its competitors' products. The most common type of competitive advantage is because the product or service has a low price or is different from competitors (Dash, 2013).

Literature Review and Hypotesis

Critical Success Factors

Lečić and Kupusinac (2013). stated that marketing performance could be obtained from the application of ERP (Enterprise Resource Planning) through competitive advantage. Apart from implementing ERP in the enterprise, marketing performance and competitive advantage could also be obtained from the existence of an entrepreneurial orientation (Rezaei and Ortt, 2018). Another variable that can affect marketing performance and competitive advantage is the presence of effective distribution channel (Kuswantoro, et al 2012).

Effect of Distribution Channel on Competitive Advantage

According to Saremi, Masomeh and Zadeh (2014) distribution channels are a group of affiliated organizations and individuals who place products or services from producers to end consumers, while the distribution channel is a link between producers and consumers to be able to connect each other. A successful enterprise must have maintained a strong distribution channel system, because a strong distribution system could expand the market share of the enterprise. Distribution channel is an individual or group of companies that aims to assist and take over rights in the process of transferring products from producers to consumers. The presence of distribution channel make the process of distributing products to consumers is more optimal. Distribution channels are one of the sources of the enterprise competitive advantage in the field of marketing (Mwanza and Ingari, 2015).

Szopa and Pękała (2012) in their study explained that distribution channels are groups that depend on each other organizational unit, which takes part in the process of flowing products or services from producers to buyers. Distribution channels must be carried out effectively by the enterprise in order to get the results expected by the enterprise. If the distribution channel is used optimally, the enterprise should have the ability to seize the

market, have a wider market coverage and increase the number of potential customers. Enterprises that able to effectively implement distribution channels would likely be able to achieve competitive advantage.

H1: Distribution channels have a positive effect on competitive advantage.

Effect of Distribution Channel on Marketing Performance

The presence of distribution channel in marketing resulted in increasing sales, market range and profit. The enterprise should be able to market the product more effectively and increase the ability of enterprise to provide, expand and respond market changes faster (Amara, 2012).

Kuswanto, et al (2012) in his study explained that a good distribution channel could improve market range of products, so that there would increasing number of costumers. The existence of a good distribution channel could also provide effectiveness and efficiency in the process of product distribution. These points resulted in better increased marketing.

The accuracy of the distribution channel selection process to integrate the interests of distributors and outlets in the distribution channel and maintain a form of cooperation can increase market share, which is one of the marketing performance indicators. Therefore one of the determinants of success from marketing performance is the effectiveness of distribution channels (Nasution, 2014).

H2: Distribution channels have a positive effect on marketing performance.

Effect of ERP Implementation on Competitive Advantages

An ERP system is integrated software that covers all aspects of the company such as aspects of production, sales, finance, accounting, human resources and includes managing all relevant business resources (Lečić and Kupusinac, 2013). Mudiantono, et al (2018) in his study explained that thr competitive advantage variable could be increased if the successful implementation of ERP was increased. Research conducted by Contador and Ferreira (2012) stated that the use of information systems has an important role in achieving competitive advantage of the company.

The implementation of ERP in the company reflects the competitive advantage strategy of manufacturing companies in Indonesia Dantes and Hasibuan (2011). The competitive advantage strategy itself is the main factor to improve the performance of the company (Hidayat and Akhmad, 2016).

H3: ERP Implementation has a positive effect on Competitive Advantage

Effects of Entrepreneurial Orientation on Competitive Advantage

Competitive advantage is one essential point for an enterprise. To increase the competitive advantage, entrepreneurial orientation could be impleme. Entrepreneurial orientation, based In Zeebare and Siron (2017) have positive and significant impact on competitive advantage.

The internal environment factors include entrepreneurial management which consists of a level of emphasis placed on strategic orientation, resources orientation, management

structure entrepreneurial culture development, reward philosophy, and the entrepreneurial orientation is related with personal characteristics of the entrepreneurs (Islam, Khan and Obaidullah, 2011). A study by Sirivanh, Sukkabot and Sateeraroj (2014) also explained that Entrepreneurial orientation have positive and significant impact on competitive advantage.

H4: Entrepreneurial orientation has a positive effect on competitive advantage.

Effect of Entrepreneurship Orientation on Marketing Performance

The research conducted by Santra (2018) revealed that the entrepreneurial orientation hypothesis has a positive effect on rejected marketing performance. That way entrepreneurial orientation does not have a positive effect on marketing performance. But this is inversely proportional to the research conducted by Rezaei and Ortt (2018). The study revealed that entrepreneurial orientation had a positive and significant effect on marketing performance.

These results are also supported by research conducted by Bucktowar, Kocak and Padachi (2015) which revealed that entrepreneurial orientation has a positive and significant effect on marketing performance.

H5: Entrepreneurial orientation has a positive effect on Marketing Performance.

Effect of Competitive Advantages on Marketing Performance

The positive influence of competitive advantage on performance has been proven by various studies. The enterprise competitive advantage could be created by providing a means to outperform its competitors and also by paying attention to external factors (Pardi et al., 2014). Research conducted by Pardi et al. (2014) and Zaini, et al (2014) revealed that competitive advantage has a positive and significant effect on marketing performance.

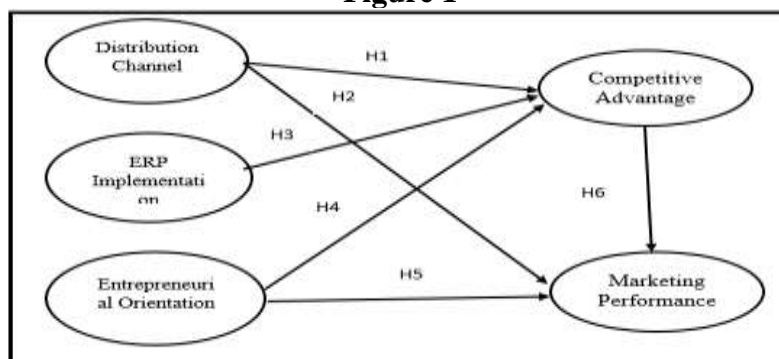
This statement is supported by research conducted by Raharjo, et al (2015) and May, et al (2013) which revealed that competitive advantage has a positive and significant effect on marketing performance. The concept of competing strategies is always directed at improving marketing performance such as increasing sales, profits of customers and companies in the future (Mudiantono et al., 2018).

H6: Competitive advantage has a positive effect on Marketing Performance.

Theoretical Framework

Based on the hipothesis formulation above, the model can be constructed.

Figure 1



Source : Santra (2018), Dantes dan Hasibuan (2011), Mudiantono *et al* (2018), Zeebaree and Siron (2017), Zaini *et al.*(2014), Nurseto (2016), Hazizah (2013).

Research Method

The type of data used in this study were primary and secondary data. Primary data were obtained from respondents, namely the owners of SMEs in Central Java, while secondary data were obtained from journals, the internet and the Cooperative and SMEs Department in Central Java.

This study was focused on SMEs in Central Java with a total sample of 104 SMEs in Central Java that had implemented ERP with non-probability sampling and purposive sampling methods.

Data collection methods used in this study were interview and questionnaire methods. The analysis technique in this study used the Structural Equation Model (SEM) with AMOS software which was used in testing H1 to H6.

Result and Discussion

Data Analysis

Based on Table 2, the largest number of respondents are those engaged in food and beverages (culinary), as much as 50% of the total respondents, then convection 15%, and the least is in the field of batik which is only 2% of the total respondents.

Table 2
Respondents' Type of Enterprises

No	Enterprise Type	Amount	Percentage
1.	Culinary (foods and beverages)	50	50%
2.	Furniture	10	10%
3.	Convection	15	15%
4.	Weaving	10	10%
5.	Retail	5	5%
6.	Ceramics	7	8%
7.	Services	5	5%
8.	Batik	2	2%
	Total	104	100%

Source: Processed primary data 2018

Based on Table 3, the Enterprise Resource Planning (ERP) module that is widely used by enterprises is a sales module that reaches 32% of the total modules used by respondents. Next is a purchase module of 22%, an accounting module of 16%, a warehouse module of 13%, an administrative module of 10%, an HR module of 7.5% and no one uses a cooperative and savings and loan management module.

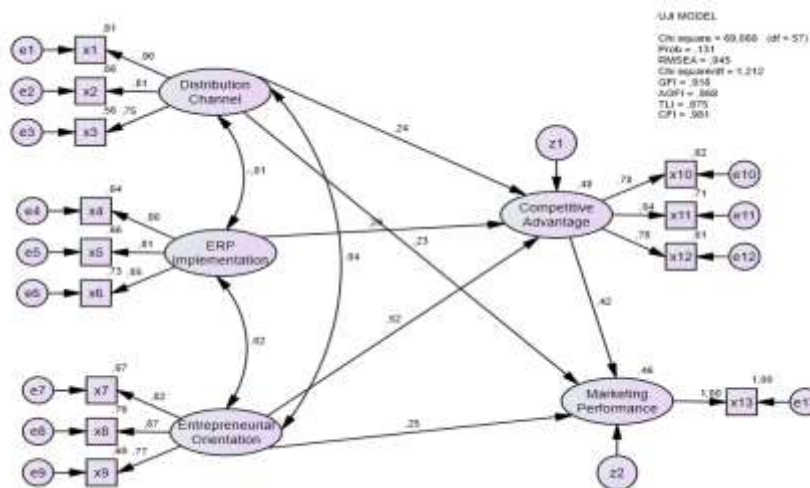
Table 3
ERP Table Type Used by Respondents

No	Module	Amount	Percentage
1.	Management of Loan-Saving and Cooperation	0	-
2.	Selling Module	87	32%
3.	Purchasing Module	58	22%
4.	Warehouse Module	35	13%
5.	Account Module	43	16%
6.	Human Resources Module	20	7,5%
7.	Administration Module	26	10%
	Total	269	100%

Source: Processed primary data 2018

The result of data analysis can be seen in Figure 2.

Figure 2



The results of the full SEM model analysis meet all the criteria of the model fit according to the standards used. These results can be seen in Table 4 below:

Table 4

Goodness of Fit Indeks	Cut-off Value	Result	Model Evaluation
Chi – Square	Kecil (< 75,624)	69.088	Fit
Probability	≥ 0.05	0.131	Fit
RMSEA	≤ 0.08	0.045	Fit
Chi square / df	≤ 2.00	1.212	Fit
GFI	≥ 0.90	0.918	Fit
AGFI	≥ 0.90	0.868	Marginal
TLI	≥ 0.90	0.975	Fit
CFI	≥ 0.90	0.981	Fit

Source : Processed Primary Data 2018

Table 5 shows that the model meets the value of the cut-of-value so that it can be concluded that the model used is fit. Based on Figure 2, the Regression weight structural equational value is as follows:

Table 5

			Estimate	S.E.	C.R.	P
Competitive Advantage	<---	Distribution Channel	0.291	0.122	2.387	0.017
Competitive Advantage	<---	ERPImplementation	0.295	0.114	2.603	0.009
Competitive Advantage	<---	Entrepreneurial Orientation	0.597	0.130	4.611	***
Marketing Performance	<---	Competitive Advantage	0.508	0.136	3.736	***
Marketing Performance	<---	Distribution Channel	0.338	0.130	2.607	0.009
Marketing Performance	<---	Entrepreneurial Orientation	0.352	0.145	2.422	0.015

Hypothesis Testing

The proposed hypothesis can be tested by observing the value of the critical ratio and the level of significance contained in regression weight, where the value of $C.R \geq 1.96$ and $P \leq 0.05$ is required as a condition for receiving the hypothesis. Based on Table 5, the results of hypothesis testing using AMOS analysis all hypothesis are accepted.

Conclusion and Management Implication Conclusion

The purpose of this study was to analyze the influence of distribution channels, ERP implementation and entrepreneurial orientation on marketing performance with competitive advantage as an intervening variable in the study of SMEs in Central Java. Based on respondents' answers in this study, the most widely used ERP module is the sales module, and the respondents' business fields in this study are mostly in the culinary field. All hypotheses in this study show a positive and significant influence, and the variable that most influences marketing performance is the variable of competitive advantage.

Management Implication

The results of the study show that the variables that greatly influence marketing performance are the competitive advantages with the most influential indicators are the ability to capture the market. The results also show that the variables that greatly influence marketing performance are the competitive advantages with the most influential indicators are the ability to capture the market. Therefore, SMEs must increase competitive advantage. The most important indicator in influencing the high competitive advantage possessed by SMEs is the ability to capture the market, SMEs are expected to have the ability to seize the market by offering products at competitive prices from competitors and able to create

products that are not easily copied by competitors and provide more value to customers on the products or services offered.

With the existence of competitive advantages possessed by SMEs, it is expected that SMEs have a broad market share and increased sales and products that are widely known to consumers

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