

# **The Effect of Entrepreneurial Marketing on Marketing Performance in SMEs**

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## **Abstract**

The purpose of this research is to determine the level of entrepreneurial marketing carried out by SMEs and to contribute to literature and conceptual models on the effect of entrepreneurial marketing on marketing performance. The sample in this study were SMEs in the handicraft sector in Rembang, Central Java. The number of samples studied was 200 samples. The sampling technique used purposive sampling. The sample criteria are MSMEs that have been running a business for at least 3 (three) years. This is because in measuring the dimensions of marketing performance there are several indicators of the level of achievement of marketing performance each year, at least for a minimum of 3 years it can be seen the marketing performance of these SMEs. Data analysis using regression modeling. The results showed that entrepreneurial marketing has an effect and is significant on SMEs marketing performance handicraft sector in Rembang.

*Keywords: Entrepreneurial Marketing, Marketing Performance, SMEs.*

## **1. Introduction**

In 2015, ASEAN member countries agreed to the ASEAN Economic Community Blueprint 2025. The MEA Blueprint 2025 will be built on the AEC 2015 Blueprint which consists of five interrelated and mutually reinforcing characteristics, namely: (a) an integrated and integrated economy full; (b) a competitive, innovative and dynamic ASEAN; (c) Increasing connectivity and sectoral cooperation; (d) a resilient, inclusive, and people-oriented and people-centered ASEAN; and (e) global ASEAN. The AEC 2015 aims to improve the welfare of ASEAN which has the characteristics of a single market and production base, a more dynamic and competitive ASEAN region, has equal development, and accelerates economic integration in the ASEAN region and with regions outside ASEAN. (Source: ASEAN-Indonesia National Secretariat). The Pillar of the ASEAN Economic Community (AEC) is a form of cooperation to deepen and expand economic integration in the ASEAN region and with regions outside ASEAN. The four pillars of the AEC, namely: (1) a single market and production base; (2) economic zone with high competitiveness; (3) areas with equitable and just economic development; (4) an area integrated with the global economy. (Source: ASEAN Economic Ministers Meeting 2006).

To realize these four pillars, it is not only the government that must work, but other stakeholders including the business world are also very important. Especially in the context of realizing the third pillar, namely areas with equal economic development, the empowerment of MSMEs is very important, in addition to the problem of overcoming gaps and connectivity.

MSMEs contribute greatly to the economy of Indonesia and ASEAN. In 2016, around 96 percent of business forms in ASEAN were Micro, Small and Medium Enterprises (MSMEs) with a contribution to gross domestic product (GDP) of around 30% to 57%; and absorbs a workforce of about 50% to 95%. Meanwhile in Indonesia, MSMEs contributed 99.98% of business units with a contribution to national GDP of 57% of national GDP; and absorbs more than 97% of the domestic workforce. Within this framework, the role of MSMEs is very important as the main driver of job creation and economic growth, both at the national and regional levels. (Source: ASEAN Community Magazine 12 / June 2016 edition).

The Ministry of Finance RI has examined the readiness of Indonesian MSMEs to face AEC in 2015. The research methodology adopts the McKinsey-GE model with two dimensions (factors), namely internal strategic environmental factors and external strategic environmental factors. Internal environmental factors can also reflect the strength of the MSME business and external environmental factors as industrial attractiveness. The sample of UMKM is 255 units spread across six provinces, with the application of a "likert scale" from a score of 1-5 which is weighted into a "readiness performance index" or GPA where GPA <2.0 (Not Ready), GPA 2.0 - 3.00 (Less Ready), GPA 3.00 - 4.00 (Enough Ready), GPA 4.00 - 4.50 (Ready), and GPA ≥ 4.50 (Very Ready), revealed how far the level of readiness of MSMEs in facing MEA.

No.	Category	Index
1.	MSME Readiness Performance Index (IPKU)	2,2495
2.	Minimum UMKM GPA	1,2870
3.	Maximum GPA of UMKM	2,2925
4.	Lower limit	2,1192
5.	Upper limit	2,2999
6.	Margin of Error (MoE) (%)	2,24%

(Source: Ministry of KUKM RI 2015)

In Table 1, it can be seen that the IPK of UMKM (IPKU) is the result of the MSME readiness study to face the MEA. The IPKU is 2.25 where the minimum IPKU is only 1.29 and the maximum is 2.29. In general, MSMEs are in the "Less Ready" category to face the AEC. The position of MSMEs unprepared to face the MEA is rather risky because it tends to approach the "Not Ready" category.



**Figure 1. MSME Readiness Index Facing AEC by Province**

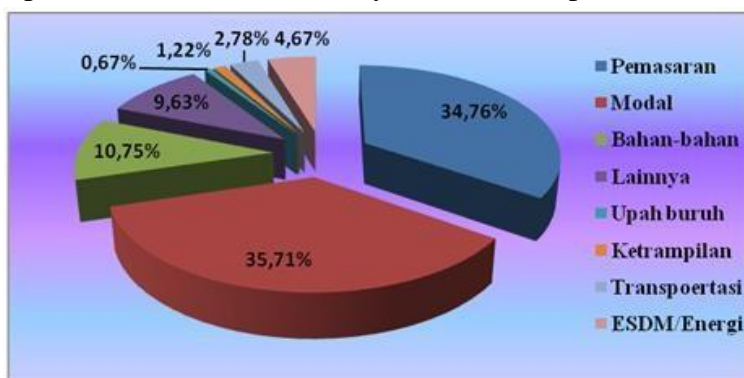
(Source: Ministry of KUKM RI 2015)

From the category of “Not Ready” to face MEA, it was revealed that NTT was the best performing compared to other provinces, followed by West Kalimantan, Riau Islands, North Sumatra, Central Sulawesi. MSMEs in Central Java Province have the worst readiness performance with a GPA of 2.22. With the infrastructure of Central Java and Java Island generally far more adequate than the other sample provinces accompanied by a higher level of interaction between the center and the regions, it turns out that Central Java MSMEs are not fully ready to face the AEC.

The current globalization has driven various changes in the trade sector which indicate the implementation of free trade. Starting the year 2010 ACFTA (ASEAN plus CHINA Free Trade Area). ACFTA originated from a meeting of the heads of government of the ASEAN countries and China on November 6, 2001 in Bandar Seri Begawan, Brunei Darussalam, who wanted broader, more intensive and unhindered economic relations. A year later, on 5 November 2002, the following meeting was held in the city of Pnompenh Cambodia to sign an agreement to build an ACFTA in 10 years, starting in 2010. (Source: kemendag.co.id).

The existence of a free market that makes it easier for importers to bring a wider variety of choices of imported goods from various countries to Indonesia, one of which is Chinese products with a concept that prioritizes quantity over quality, causing the position of local goods producers to be pushed back, especially small industries, MSMEs, and industries. household. The pressure of domestic producers is caused by shifting people's tastes which then reduces the quantity of production and ultimately affects the income earned. A further effect is the producers' pressure in terms of income, which in the end may be a risk to the continuity of the business. (Source: 2014 Central Java Disperindag E-Paper).

All MSMEs in Indonesia are currently faced with intense competition. Some of the characteristics inherent in most MSMEs and at the same time become a source of problems include: (1) The low quality of human resources working in the UMKM sector; (2) Low labor productivity which results in low wages; (3) The quality of the goods produced is relatively low; (4) Lack of innovation and adoption of new technologies in production; (5) Weak capital structure and lack of access to financing sources; (6) Lack of marketing access to potential markets. There are three main aspects that must be improved to develop MSMEs: (a) Development and improvement of product quality; (b) Increasing capital and access to financing sources; (c) Market development (market and marketing) for MSME products. (Source: BI Policy in the Development of MSMEs in 2011).



**Figure 2. Main problems faced by MSMEs**

(Source: BI Policy in the Development of MSMEs in 2011)

MSME players also experience intense competition, one of which is in the handicraft sector. The Ministry of Industry continues to spur the competitiveness of the national craft industry to make it more competitive in the global arena. The reason is, superior craft products from Indonesia are quite

in demand by foreign consumers, if it is seen from the data on the value of exports produced. 2017 amounted to USD 776 million, higher than the previous year's achievement of USD 747 million. For this reason, the creative industry players in the handicraft sector are increasingly required to be not only able to compete fairly in their own country market and be superior to imported goods, but are also expected to meet foreign markets. Moreover, the handicraft industry is an export-oriented labor-intensive sector. The strength of the national handicraft industry lies in the abundant source of local raw materials supported by a variety of styles and designs, especially those that are characteristic of the archipelago. In addition, our craftsmen are spread all over Indonesia with reliable skills in their respective fields. (Source: Kemenprin.co.id). One area that has the potential for its craft is Rembang Regency. Various types of handicraft products produced by MSMEs in Rembang Regency have very unique and interesting types to be developed so that they can be used as objects that can attract investors to enter Rembang Regency. It is hoped that the potential in the handicraft sector that can be developed can be used as a comparative advantage that other regions do not have. These handicraft industries include batik, embroidery, brass, wood, woven, bag making, wallets, belts and others. This potential is expected can boost the real economic sector in the current era of regional autonomy.



**Figure 3. Turnover / Year of Handicraft UMKM in Rembang Regency**

(Source: Disperindagkop Rembang Regency 2015 & 2016)

Based on Figure 3 above, it can be seen that the turnover / year of MSMEs in the handicraft sector in Rembang Regency in 2015 was Rp. 493,726,480,000, - and 2016 amounting to Rp. 452,961,420,000, - there was a decrease in turnover / year of MSMEs in the handicraft sector. This can be indicated that there is a decline in the marketing performance of SMEs in the handicraft sector in Rembang Regency.

Marketing performance is a measure used by management to assess and evaluate the effectiveness and returns of marketing activities. In order to improve the marketing performance, appropriate marketing methods and strategies are needed. One approach that can be used today in the application of product marketing by small and medium enterprises is the concept of entrepreneurial marketing. The concept of entrepreneurial marketing is basically a discipline that studies the values, abilities and behavior of an entrepreneur in dealing with various problems related to getting a business opportunity done (Stokes, 2000). The entrepreneurial marketing approach is an appropriate concept approach in terms of limited resources and problems that exist in MSMEs.

If every UMKM player in the handicraft sector, especially in Rembang Regency, applies the concept of entrepreneurial marketing, it is hoped that it can improve the marketing performance of these MSMEs.

**2. Literature Review**

**Entrepreneurial Marketing**

Entrepreneurial marketing is a concept that initially appeared in small-scale business actors or entrepreneurs who were just starting their business. Entrepreneurial marketing is a concept approach that is more appropriate in terms of limited resources and problems that exist in MSMEs. (Stokes, 2000). According to Morris et al. (2002) entrepreneurial marketing as a proactive attitude in identifying and exploiting various opportunities in order to get and retain profitable customers through various innovative approaches to managing risk, optimizing resources and creating value.

Various variations have emerged in entrepreneurial marketing research. This diversity occurs not only in the definition of entrepreneurial marketing, but also regarding the measurement method used (dimensions). According to Stokes (2000), there are four principles of entrepreneurial marketing which are divided into concepts, strategies, methods, and market intelligence.

Entrepreneurial marketing is an organizational function and a series of processes for creating, communicating and delivering value for customers and for managing relationships with customers in order to provide benefits to the organization and shareholders. Entrepreneurial marketing is characterized by innovation, risk taking, and a proactive attitude (Kraus et al., 2009). Entrepreneurial marketing represents something that is more complex than just providing concepts and tools to position and create a competitive advantage for new innovations. Entrepreneurial marketing is the spirit of an orientation accompanied by an aggressive opportunity-seeking process in business recognition and growth by creating value for customers through relationships using innovation, creativity, sales, market fusion, cooperation and flexibility. There is a difference between traditional marketing strategies and entrepreneurial marketing strategies including market concepts and intelligence. This can be seen in table of traditional marketing principles and entrepreneurial marketing.

**Table 2. Traditional Marketing Principles and Entrepreneurial Marketing**

<b>Principles of Marketing</b>	<b>Traditional Marketing</b>	<b>Entrepreneurial Marketing</b>
Concept	Consumer oriented, market driven, product development.	Innovation-oriented, idea driven, intuitive assessment of market needs
Strategy	Top-down segmentation,	The bottom-up target of consumers and other influence groups
Method	Targeting and positioning	Interactive marketing method, word of mouth (WOM) marketing.
Market Intelligence	Marketing mix, 4 P / 7 P.	Informal networking and information gathering

(Source: Stokes, 2000)

The study of the dimensions of entrepreneurial marketing was originally proposed by Morris et al. (2002) which includes seven dimensions including:

1. Proactiveness
2. Calculated risk taking
3. Innovativeness
4. Opportunity focus
5. Resources leveraging
6. Consumer intensity
7. Value creation

The dimensions of proactive, risk taking, level of innovation, and focus on opportunities are derived from the entrepreneurial orientation framework. The dimensions of consumer intensity and value creation are derived from the marketing orientation framework. The resource utilization dimension is a single element that emphasizes a marketing perspective in particular guerilla marketing or guerilla marketing. Guerrilla marketing was developed in 1993 by emphasizing the dimensions or characteristics: low cost, effective communication, partnerships, and utilization of resources (Morris et al., 2002).

Niehm et al. (2013) developed a scale and validated the constructs or dimensions of entrepreneurial marketing adopted from Morris et al (2002). The results of this research show that the dimensions of proactive orientation and opportunity driven are combined in one dimension called opportunity vigilance. Customer intensity (consumer intensity) and focus on innovation (innovation focused) are combined in one dimension, namely consumer-centric innovation. The dimensions of value creation (value creation) and risk management (risk management) as part of the dimensions of entrepreneurial marketing are similar to the framework of Morris et al. (2002).

### **Marketing Performance**

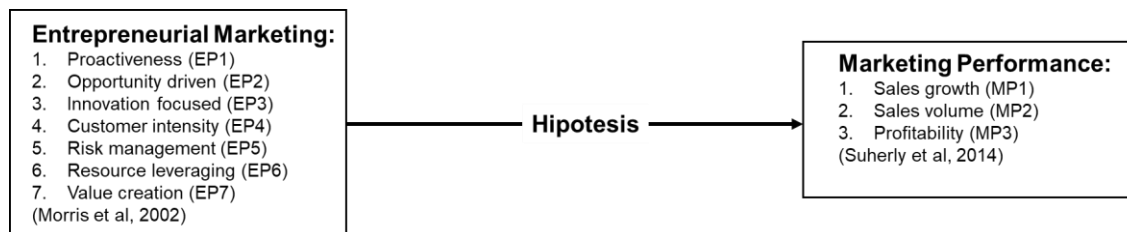
According to Walker (2004) marketing performance is a measure used by management to assess and evaluate the effectiveness and returns of marketing activities, especially sales and market share. According to Muangkhot and Ussahawanitchakit (2015) the dimensions of research marketing performance are measured using indicators of sales growth, revenue, market share, the ability to acquire new customers, increase sales to existing customers, and low costs.

While the concept of the dimensions of marketing performance in the research conducted by Ogbuji et al. (2014) measured using indicators of sales growth, sales volumes, and profitability. Kartawinata and Wardhana (2013) measure marketing performance variables with the dimensions of sales volumes, profit, market share.

Suherly et al. (2014) in measuring marketing performance using a concept with indicators of sales growth, sales volumes, and profitability. Describe it as follows: 1) Sales growth: where the number of product sales units increases. Product units sold in one year compared to previous years. From this explanation it can be concluded about the dimensions of variable sales growth consisting of the percentage of sales before, now and in the future. 2) Sales volumes: sales volume which describes the number of units of product sold in one time period, usually one year. From this it can be concluded in the explanation for the variable sales volume dimension which consists of the large number of products offered, the large number of product units sold and the duration of sales. 3) Profitability: this section explains where the percentage of total benefit costs measures revenue minus total costs. This explanation can be concluded from the dimensions of the profitability variable consisting of total expenses, total income and total profit.

## Research Model

Based on the theoretical study above, this study develops a model of the relationship between entrepreneurial marketing and marketing performance in the SME handicraft industry. The model in this study is used to see the direct effect of the research variables. The models in this study are as follows.



**Figure 4. Research Framework**

## 3. Methods

The data were obtained by distributing questionnaires with closed questions. The sample in this study amounted to 200 respondents and the selection of respondents was carried out using purposive sampling method. The respondent's criterion is that at least UMKM has been running a business for 3 (three) years. This is because in measuring the dimensions of marketing performance there are a number of indicators of marketing performance achievement levels each year, so that at least for at least 3 years the marketing performance of these MSMEs can be known. The data analysis method in this study used a linear regression test consisting of partial test (t test) and f test and classical assumption test consisting of multicollinearity test, autocorrelation test, residual normality test, heteroscedasticity test. The variables in this study include entrepreneurial marketing and marketing performance. These variables will be measured using a Likert scale on a scale of 1 to 5 answers and direct questions about their sales performance. Data analysis in this study is to use primary data and secondary data.

## 4. Results and Discussion

Respondents in this study were classified based on the characteristics: gender, educational history, type of business ownership, duration of running the business, number of employees owned. These aspects are important things that can be related to the research variables. The characteristics of these respondents were analyzed using descriptive statistics through the SPSS program. The following is a description of the respondent's data.

From gender, it can be seen that male respondents are 118 people with a percentage of 59% and female respondents are 82 people with a percentage of 41%. The majority of educational history is S1 as many as 101 people with a percentage of 50.5%. The majority of types of business ownership are self-owned as many as 163 people with a percentage of 82%. The majority of the length of time running a business is 16-20 years with a percentage of 31.5%. And the majority of employees are 6-10 people with a percentage of 41.5%.



**Table 3. Validity and Reliability**

Variable	Indicators	Sig. (2 tailed)	Cronbach Alpha
Entrepreneurial Marketing	EM1	0,000	0,633
	EM2	0,000	
	EM3	0,000	
	EM4	0,000	
	EM5	0,000	
	EM6	0,000	
	EM7	0,000	
Marketing Performace	MP1	0,000	0,802
	MP2	0,000	
	MP3	0,000	

From the results of the validity and reliability tests, it shows that the indicators used as measuring instruments in this study have met the criteria. So that further tests can be carried out.

**Table 4, Regression**

Independent Variable	Coefficient	t value	Significant
Constanta	0,918	0,783	0,435
EM	0,379	9,307	0,000
R <sup>2</sup>	0,304		
F count	86,626		
Sig. (p value)	0,000		

The regression test results in this study show a constant value of 0.918, the t test shows a value of 9.307 with a significance of 0.000. Thus the hypothesis developed in this study is accepted. In addition, the value of R2 is 0.304 or 30.4%, which means that there are other influences outside Entrepreneurial Marketing of 69.6% to influence Marketing Performance.

## 5. Conclusion

Based on data analysis carried out by entrepreneurial marketing, SMEs in the handicraft sector in Rembang Regency are already in the good category and there is a significant influence between entrepreneurial marketing on marketing performance. When entrepreneurial is done well and improve, it will also increase the marketing performance of the business. In this study, there are limitations to the research conducted by researchers. Suggestions that can be given to further research are expected to be able to conduct broader research, especially for the object of research. Further researchers can conduct research on research objects in other fields, such as MSME actors in the culinary field and other fields.



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