

MARKETING PERFORMANCE AND STRATEGY: CASE STUDY ON SMES OF SALTWATER FISH PROCESSING IN INDONESIA

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ABSTRACT

A low level of ability in managing internal and external factors of the business will result in the less optimal of marketing strategies implementation and achieved an outstanding marketing performance. Therefore, a partial study of marketing strategy and marketing performance is needed which aims to determine the marketing strategy and performance. As many as 120 SMEs were chosen as respondents for saltwater fish processing in East Java, Indonesia. The multistage sampling technique used in this study where the Likert scale employed as a measuring tool in the questionnaire was distributed, finally, the data was processed by SEM, the Lisrel program. This study found that the internal and external factors partially influence on marketing strategies; the internal and external business factors partially influence marketing performance; and marketing strategies have no effect on marketing performance. The dominant path that arises is the internal-strategy-performance pathway, which means that the company's ability to manage internal factors is more dominant in influencing marketing strategy and performance.

Keywords: Internal Factor, External Factor, Marketing Strategy, Marketing Performance

INTRODUCTION

The recognition of the vital role of Small and Medium Enterprises (SMEs) in developing countries has been proved through their growth objectives (Burns, 2016) and significant for generating employment opportunities (Sulemana, 2014; Porter & Kramer, 2011). The development of Small and Medium Enterprises (SMEs) in Indonesia is one of the priorities in National economic development (Tambunan, 2009). This is because the SME has become the backbone of the economic system which is not only aimed at reducing the problem of inequality between income groups and business actors, or alleviating poverty and unemployment. More than that, its development is able to expand the economic base and able to make a significant contribution in accelerating structural change, namely the increasing

regional economy and national economic resilience. Accordingly, entrepreneurship sector in Indonesia has proved its resilience and the ability to recover quickly during the 1998 world-wide monetary crisis. This was because the SMEs are domestic-based market (several have export demands) and provided jobs for about 91.8 million peoples or 97.3% of labor force in Indonesia and contributed to the Gross Domestic Product (GDP) as many as 53.6% of the total GDP (Azis & Haerani, 2009). It is reported that the growth ratio of SME was 14.92% from 2010 to 2017 or an increase approximately 10 million units of SMEs (Ministry of Cooperatives and SMEs, 2018; Ministry of Cooperatives and SMEs, 2016). The owners of those SMEs are mostly at the age of 27 years to mid30s reported by Directorate of Cooperatives and SMEs Development (2016).

Potentially, according to BPS (2020) Indonesian fisheries in the biggest in the world, both capture fisheries and aquaculture fisheries which based on the mode of operation. The potential for sustainable production is around 67 million tonnes yearly. Where which marine capture fisheries is 9.3 million tons per year and capture fisheries in land areas (lakes, rivers, reservoirs, and swamps) of about 0.9 million tons annually. Moreover, the total potential economic value of the eleven Indonesian marine sectors is estimated at 1.33 trillion US dollars annually or 1.3 times Indonesia's current GDP or 7 times the 2017 State Budget. More than that, the potential employment that can be generated from these eleven marine sectors is around 45 million people or 35% of the total Indonesian workforce (126 million people, aged 15 to 64 years). Meanwhile, the level of utilization (development) of Indonesia's marine economy is estimated to be only around 25% of its total potential. In other words, the opportunity to develop (room for expansion) the marine economy for the progress and welfare of the nation is actually still very large.

East Java Province is one of the provinces with the largest number of saltwater fish producers in Indonesia (BPS, 2018). Whereas according to the East Java Provincial Office of Cooperatives and SMEs Performance Reports (2016), the number of SMEs in 10 districts in East Java province are follows: Bangkalan Regency totaling 911 SMEs, Lamongan District 702 SMEs, Sampang Regency totaling 620 SMEs, Tulungagung District 605 SMEs, Kabupaten Trenggalek 540 SMEs, Pasuruan Regency 464 SMEs, Sidoarjo Regency 458 SMEs, Sumenep Regency 1028 SMEs, Tuban District totaling 1065 SMEs and Gresik Regency totaling 898 SMEs. There are a lot of shortages that makes fisherman's household still living under the poverty line, which approximately 61.79 percent. Over the eleven causes that make them still poor, one of the causes this study underlines is the lack of skill in term of marketing their products, (Tain, 2017).

This is an interesting issue because high-performance SMEs should be able to face competition, theoretically. However, some programs have been carried out include training and mentoring programs, assistant to capital and market accesses for their businesses. In fact, many programs are not running as expected, accordingly this impacted on the declining of SMEs performance in East Java (Performance Report of the East Java Provincial Cooperatives and SMEs Office, 2016). Therefore, this study attempts to emphasize which construct in the marketing dimension dominantly affect the marketing performance on the SMEs of saltwater

fish process in Indonesia particularly in East Java areas. The purposes of this study are to identify either external and internal factors partially on marketing strategy, marketing performance, and the effect of marketing strategy towards marketing performance. Therefore, this research will contribute practically to the improvement of SMEs marketing performance in East Jawa thus will elevate their level of welfare. The remaining organization of sections in this study followed by literature review for section two, methodology that explains how the data derived and analyzed on the section three, findings and discussion followed by conclusion on the section four and five respectively.

LITERATURE REVIEW

The study attempts to enrich the determinant of strategy and marketing performance in the form of internal and external factors of business. Other objects or variables observed are marketing strategies and marketing performance. Cherrington (1994) defines organizational performance as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its objectives successfully. Laitinen (2006) defines performance as the ability of the measurement object to generate outputs which can be measured by predetermined characteristics relative to predetermined goals. Performance therefore can be defined as the ability of the measurement object to achieve results in relation to goals. Performance can refer to actual results/outputs of certain activities, how an activity is carried out, or an ability to achieve results¹.

The study divides the marketing performance into two construct variables. There are various performance measurement frameworks that are divided into perspectives that organisational performance can be measured in (Neely et al., 2002). The strength of a framework lies in the way how it takes into account different areas of performance: financial and non-financial performances, as well as internal and external performances (Neely et al., 2000). Internal factors include aspects of human resources (planning, recruitment, coordination and employee development), financial aspects, technical aspects of production, and marketing aspects (Musran, 2010). While external factors consist of business competition, natural conditions and technological development (East Java Cooperative & SME Service Performance Reports, 2006; Haris Maupa, 2004; Laceiva, 2004). Important external factors that influence the growth of the company are industry and markets, competing companies, and the economic climate. According to Wilkinson (2002) statement that small and micro businesses will grow if the regulatory environment/policy supports, the macroeconomic environment are well managed, stable, and predictable; reliable and accessible information, and the social environment encourages and appreciates the success of the business.

The success of a company is largely determined by the success of marketing strategies about the products it produces. According to Kotler & Keller (2009), the financial success of a business often depends on its marketing capabilities. Operational, financial, accounting, and other business functions are not meaningful when there is no demand for products and services, so the company does not make a profit. Conceptually it is known that the four elements that influence the marketing

success of a business, namely: product, price, place and time, and promotion. According to Manap (2016), products are all tangible and intangible things that can be offered in the market, to satisfy consumers' needs and desires. Products consist of goods, services, experiences, events, people, places, ownership, organization, information, and ideas. Some basic pricing of products, namely costs, consumers, and competition (Gitosudarmo Indriyo, 2008). According to Lovelock & Wright (2007), place and time are management decisions about when, where, and how to deliver goods and services to customers. While promotion is all activities and tools that arouse communication designed to build customer preferences for goods and services, as well as providers of certain goods and services.

Meanwhile, the company's strategy is always directed to produce good marketing performance (sales volume, sales growth rate, and market share, as well as customer satisfaction). According to David & Nigel (2009) that marketing performance is a factor that often used to measure the impact of the strategy implemented by the company.

Several conducted studies related to this research can be used as guidelines and references to develop this study include: (1) McCommick, et al., (1997) conducted research in Nairobi by examining the variables of initial capital, demand, age, education level, ethnicity, credit availability, and product mix. The results of his research show that initial capital, availability of credit, product mix and demand as well as age, level of education, ethnicity of entrepreneurship are related to company's growth (in labor factor); (2) Crijns & Ooghi (2000) reveal that every stage of the company's growth is the result of the influence of two environments in which the company does its business, namely the internal and external environments; (3) Wisardja (2000) shows that industrial environmental factors whose elements are customers, suppliers, competitors and technology have a significant influence on the success of the wood carving industry in Gianyar Regency, Bali Province; and customer element has the most dominant influence on the success of timber business; (4) Zhang (2001) concluded that two main preconditions for the growth of small businesses, namely the ability of companies to maintain long-term survival, and the ability of managers to overcome management barriers; (5) Maupa (2004) shows that (a) Individual characteristics of managers/owners, company characteristics, external business environment, and the impacts of economic and social policies have a direct, positive and significant influences on business strategy and business growth; (b) The characteristics of the company and the impact of social and economic policies have a direct negative influence on business strategy; and (c) Business strategy has a direct, positive and significant influences on the company's growth.

Based on the literature review, this study generates a framework which explain 5 hypotheses to be tested with T test (Figure 1):

H1: Internal factors have an influence on marketing strategies

H2: External factors have an influence on marketing strategies.

H3: Internal factors have an effect on marketing performance

H4: External factors have an influence on marketing performance.

H5: Marketing strategies have an influence on marketing performance.

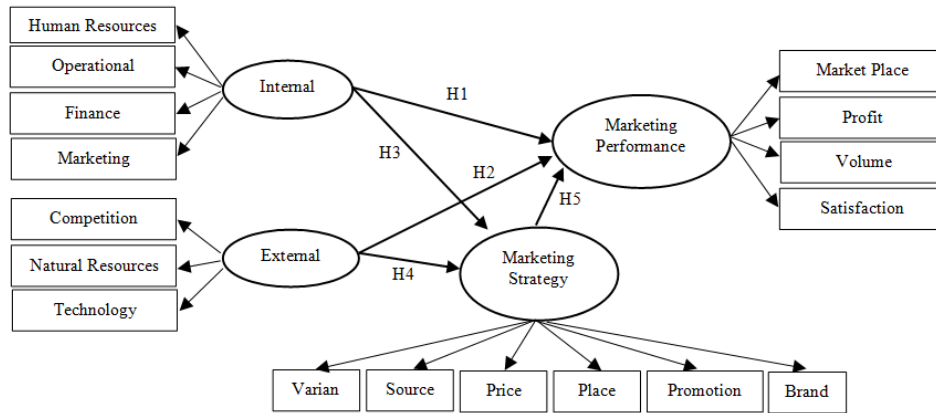


FIGURE 1
RESEARCH FRAMEWORK MODE

RESEARCH METHOD

The variables observed in this study consist of exogenous variables (internal and external factors), and endogenous variables (marketing strategies and performance). The measurement of research variables is based on the perception's respondents to all variable indicators that have been constructed on the model (Sofyan, 2014; Sugiyono, 2003). Instruments measured in the form of a closed-ended questionnaire with Likert Scale (1-3), where score of 1 for the lowest value, 2 for moderate value, and 3 for the highest value.

The population in this study is the SMEs of saltwater fish processing in East Java. East Java Province represent Indonesia considering that this province is the largest province who produce saltwater fish in Indonesia BPS (2018). A total of 120 respondents randomly taken from Sumenep Regency, Tuban, and Gresik. In regards that mostly SMEs are located in coastal areas, the sampling technique in each region is multistage, stage 1 is determined by 4 coastal districts or areas with many SMEs who process saltwater fish, stage II from the smaller administrative district (kelurahan) by selected 10 random sample units of SMEs.

Validity testing is done using pearson correlation, where an indicator/item is declared valid if the critical r value > 0.3 (Hair et al., 1998). Based on the validity test obtained from the results that 28 indicators of internal factors are valid, 8 indicators of external factors are valid, 11 indicators of marketing strategies are valid, and 4 indicators of marketing performance are valid. While reliability testing uses alpha cronbach technique, where a construct variable is declared reliable if it has a cronbach alpha value > 0.6 (Zeithaml et al., 1996). Based on the reliability test results obtained that all the internal factors of business variables, external business factors, marketing strategies, and marketing performance are reliable. Then to test the research hypothesis is used the T test (Hair et al., 1998). T value $< t$ table = 1.96 is rejected H_0 and accept H_1 , or vice versa. Techniques processing data uses SPSS software application to obtain statistical data analysis (Wiratna, 2015; Santoso, 2012) and Structural Equation Modeling (SEM), Lisrel programs in purpose to derive a model of variable dependent (Jogiyanto, 2011).

FINDINGS AND DISCUSSION

Most respondents (69.17%) are women and young (70.83%). Most respondents (52.5%) have sufficient education, minimum level of education is junior high school and above. Most respondents (95.83%) have not been legally incorporated. Most SMEs produce crackers, shrimp paste, scouring and smoking, and drying of salted fish.

The level of ability of respondents in managing internal factors, external business, the level of achievement of the implementation of strategies and marketing performance are moderate with the average value of the four variables between 1.68-2.33. Meanwhile, there are 3 dominant indicators on internal business factors, such an effort to improve employee quality and sanctions if employees commit violations, as well as the use of computer technology For business activities, there are 3 dominant indicators on the external factors of business, namely utilizing the support of the regional government, Government-based Organization, and support from other parties. There are 3 dominant indicators in marketing strategies such as taste, price and registered brands. And there are 3 dominant indicators on marketing performance are market share, profit, and sales volume.

Based on the analysis of Structural Equation Modelling (SEM), obtained two equation models as follow: (see Table 1)

Table 1		
EQUATION MODEL		
No	Equation	R²
1	Strategy=0,55 Internal+0,38 External	0,51
2	Performance=0,17 Strategy+0,40 Internal+0,39 External	0,53
Source: Data Processed		

From equation 1, it can be said that the variables of internal business factors and external factors of business contribute about 0.51 to the marketing strategy. Other variables that do not explained in this study contribute as much 0.49 to the marketing strategy. Whereas from equation 2 it can be said that the variables of internal and external factors of business and marketing strategies contribute 0.53 to marketing performance. Other variables that do not explained in this study contribute 0.47 to marketing performance.

Table 2.			
GOODNESS OF FIT STATISTICS (GOF)			
No.	Measurement	Standard	Remark
1.	Minimum Fit Function Chi-Square – 2044,01 (P=0,0)	1690,41 (P=0,0)	Not good
2.	Estimated Non-centrality Parameter (NCP)=472,41	(368,21;584,63)	Acceptable
3.	Population Discrepancy Function Value (FO)=2,97	(2,32;3,68)	Acceptable
4.	Root Mean Square Error of Approximation (RMSEA)=0,049	(0,044;0,055)	Acceptable
5.	Expected Cross-Validation Index	Independence=202,00	Good

	(ECVI)=11,99	Saturated=16,69	
6.	Model AIC=1906,41	Independence=32118,63 Saturated=2652,00	Good
7.	Model CAIC=2346,52	Independence=32326,47 Saturated=8055,68	Good
8.	Parsimony Normed Fit Index (PNFI)=0,89	NFI=0,94	Good
9.	Comparative Fit Index (CFI)=0,97	NNFI=0,97	Acceptable
10.	Incremental Fit Index (IFI)=0,97	NNFI=0,97	Acceptable
11.	Relative Fit Index (RFI)=0,93	NNFI=0,97	Good
12.	Root Mean Square Residual (RMR)=0,041	0,054	Good
13.	Adjusted Goodness of Fit Index (AGFI)=0,68	GFI=0,71	Good
14.	Parsimony Goodness of Fit Index (PGFI)=0,67	GFI=0,71	Good
Source: Result of data analysis			

Based on the GoF test (table 2), it is obtained that ECVI=11.99 (good), AIC=1906.41 (good), PNFI=0.89 (good), RFI=0.93 (good), RMR=0.041 (good), AGFI=0.68 (good), and PGFI=0.67 (good), therefore it can be explained that there is a match with the research model.

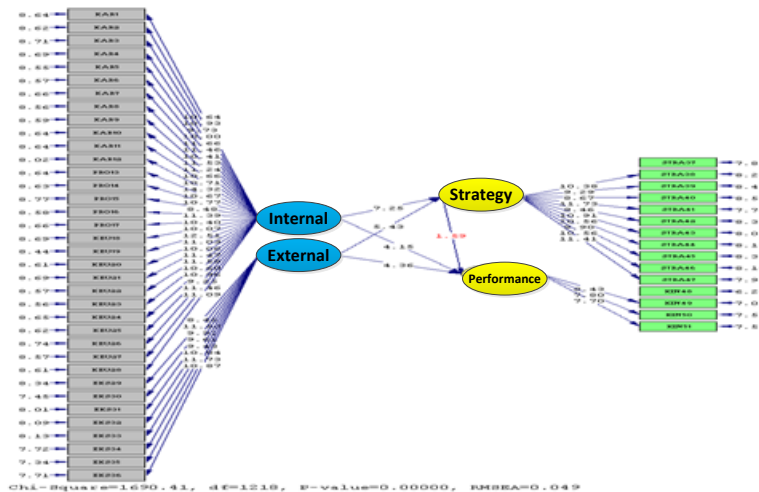
See the picture 1, it shows that hypothesis test result using the t-test, H1 is accepted because the t-test value equal to 7.25 (>1.96). Means that there are influences of internal factors to the marketing strategy. The variety of values of internal factors and marketing strategies can explain the relationship between these two variables.

H2 is accepted because t-test is 5.43 (>1.96). This means that there are influences of external factors on marketing strategies. The diversity of external factors and marketing strategies can explain the relationship between these two variables.

H3 is accepted because t-test is 4.15 (>1.96). This means that there are influences of internal factors on marketing performance. The diversity of internal factors and marketing performance can explain the relationship between these two variables. The results of this study are similar with the results of Bayu et al (2013), Musran (2010), that there is an influence of internal business factors on marketing performance.

H4 is accepted because t-test is 4.36 (>1.96). This means that there are influences of external factors on marketing performance. The diversity of external factors and marketing performance can explain the relationship between these two variables. The results of this study are similar with the results of Bayu, et al., (2013), Musran (2010), that there is an influence of external business factors on marketing performance.

H5 is not accepted because t-test is 1.59 (<1.96). This means that there is no influences of marketing strategy on marketing performance. The diversity of marketing strategy factors and marketing performance cannot explain the relationship between these two variables. The results of this study are not in accordance with Karneli (2015), which there is an influence of marketing strategy towards marketing performance.



**FIGURE 2
RESEARCH MODEL WITH THE T-TEST**

On the table 3, it can be seen that there are 2 pathways in this research model, namely Internal - Strategy - Performance and External - Strategy - Performance. The dominant path is the INTERNAL - STRATEGY - PERFORMANCE which means that the ability of internal business factors to influence the improvement of marketing strategy and performance is more dominant. Improved marketing performance can be triggered directly by the increasing of ability to manage internal business factors through employee development, sanctions against violations, and use of computers in business activities.

Table 3. DIRECT AND INDIRECT PATHWAYS				
No.	Path	Direct	Indirect	Total
1.	Internal -> Performance			-
	Internal -> Strategy -> Performance	0,40	0,55 X 0,17	0,49
2.	External -> Kinerja			-
	External -> Strategi -> Kinerja	0,39	0,38 X 0,17	0,45
Source: Data processed				

The management implication of the results in this study is that marketing performance needs to be improved. Therefore, entrepreneurs should pay more attention to the support of formal education background and the level of knowledge and skills possessed by employees. These are important for the application of managerial training/skills courses that have been followed, and business experience as critical factors to improve its performance. In addition, the improvement of marketing performance can be triggered also by an increase in the ability to manage external business factors by means that the SMEs utilize the development programs

from local governments, Government Organizations, and other parties that have interest in SMEs development.

CONCLUSION AND RECOMMENDATION

Internal as well as external factors on the SMEs of saltwater fish process in Indonesia show a modest level of ability on marketing strategy and performance as the defining factors according to the result of data analysis. Also found that the implementation level of marketing strategy and the level of marketing performance achievement is modest.

Internal and external business factor variables have a partial effect on marketing strategies and marketing performance. But the marketing strategy does not affect marketing performance.

The increasing in the achievement of marketing performance is prioritized through enhancing abilities to manage internal factors, the development of human resources, the existence of sanctions if there is violation, and the use of computers/internet for business activities. Because the dominant pathway in this research model is Internal – Strategy – Performance.

The growth of SMEs can be increased through the ability of entrepreneurs to translate government policies to encourage the development of small businesses, socio-cultural and economic impacts, and the importance of using related technologies in the development of their businesses, as well as their ability to adjust to changes in government policies.

END NOTES

¹Measurement of Intangible Success Factors: Case Studies on the Design, Implementation and Use of Measures - Tampere University of Technology. (n.d.). Retrieved September 23, 2019, from [https://tutcris.tut.fi/portal/en/publications/measurement-of-intangible-success-factors-case-studies-on-the-design-implementation-and-use-of-measures\(f36eb07e-2726-4f4f-a1bd-f20c20e00862\)/export.html](https://tutcris.tut.fi/portal/en/publications/measurement-of-intangible-success-factors-case-studies-on-the-design-implementation-and-use-of-measures(f36eb07e-2726-4f4f-a1bd-f20c20e00862)/export.html)

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