



THE IMPACT OF MARKET ORIENTATION AND MARKETING STRATEGIES ON PERFORMANCE OF SMES IN BATIK INDUSTRY

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ABSTRACT

Purpose of the study was to examine effect of market orientation and marketing strategy on marketing performance. Respondents of the study were 140 Small and Medium Enterprises of batik industry located in Sragen regency. Sample was taken by using purposive sampling. Results of first hypothesis testing proved that market orientation had a positive effect on marketing performance. The second hypothesis testing also found that marketing strategy contributed a positive effect on marketing performance.

Key words: market orientation, marketing strategy and marketing performance.

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1. INTRODUCTION

1.1. Background of the Study

In an increasingly competitive competition era, marketing plays a very important role. A company should be able to apply a good marketing so that it can significantly compete with other companies. A definition of marketing explaining most widely and clearly meaning of marketing was proposed by Stanton (2003), namely an overall system of business activities aimed at planning, pricing, promoting and distributing goods and services to satisfy the needs of both buyers and potential buyers. One of efforts closely related to application of marketing is concept of marketing mix. Marketing mix is a combination of four variables forming the core of marketing system namely: product, price structure, promotion activity and distribution system (Kotler, 2005). This concept of marketing mix is short-term policy to win competitive advantage by improving company performance.

The changing pattern of global competition makes business more competitive. Victor Danciu (2006) explained that, at the same time, consumers make more demand to companies,

expect more values and benefits from services they buy. The consumers become stronger in their relationships with service providers. This is a powerful indication for service providers to recognize the most important part of their relationship with consumers. However, consumers want new relationships such as demand certain qualities and features. This type of relationship requires a new marketing known as concept of relationship marketing. Typical and clear features of the relationship marketing are a strengthening of mutually beneficial long-term relationships with a particular consumer group.

If a company has applied the marketing concept, the next step is to make policy of the marketing strategy related to a market. Implementation of appropriate marketing strategy will provide advantages for the company compared to its competitors and it will also directly guarantee the existence of the company. This is where the marketing strategy is important for a company, when available opportunities and chances can be used. According to Craven (2003) the competitive advantages are: 1) a company can build a competitive advantage by simply creating a scarce value that is difficult for competitors to imitate by recruiting resources with specified criteria, 2) productive and innovative human resource is a competitive advantage for a company, 3) culture and personality of the human resources will form strong performance and satisfaction, 4) a strong organizational culture is a decisive factor for an organization to achieve competitive advantage successfully. A healthy competition will encourage development of an industry. In facing the changing environment as described above, companies will inevitably have to keep on globalization flow by monitoring any change occurring, including changes of consumer behavior patterns or, in other words, they must be able to meet market and consumer needs. A company must be able to establish competitive advantage or to identify new opportunities for excellence. It requires analysis of customers and competition. Analysis of competitive advantage requires that the company be consumer-oriented in order to improve business performance. The present study has purpose to examine effect of market orientation and marketing strategy on marketing performance.

2. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

2.1. Relationship between Market Orientation and Marketing Performance

Marketing is a very important factor to achieve goals of company or to know new way and philosophy called concept of marketing. The concept of marketing management states that organizational goals achievement depends on determination of the needs and wants of target market and to deliver desired satisfaction more effectively and efficiently. Concept of marketing by Stanton (2003) is a business philosophy stating that to market consumer needs is economic and social requirements for a company survival.

Kotler (2005) argued that a market-oriented strategic planning is a managerial process to develop and maintain organizational goals, expertise and resources are in line with changing market opportunities. Purpose of a strategic planning is to shape and improve business and products of a company so as to meet the target profit and growth. Further, Kotler (2005) stated that the strategic planning requires three key activities. First, a company should manage its business units as an investment portfolio. Second, it should evaluate strength of each business unit appropriately by considering market growth rate and position and suitability of each activity of the company. The third is strategy.

Marketing is one of company activities playing an important role for the company to be able to maintain and develop themselves. Marketing is a major activity, no company can survive if it is not able to market goods and services it produces well. The concept of

marketing is inseparable from needs, wants, demand, product, service, value, satisfaction, quality, exchange, transaction, relationship, and market.

Attempts of measuring performance proposed by (Shaw, 1999) used indicators of marketing supposedly to lead to complexity of organizational activities, and the fact, an increased number of industry types have been found. Another issue has been paid attention in measuring performance that cross-national equals to performance measurement. An improved financial measurement has been received attention from such point of view including nonfinancial measurements in assessing organizational performance (Nuryakin and Retnawati, 2016).

Another study was conducted by Ambler et al., (2001) measuring performance of organizations. Ambler and colleagues conducted a study in the UK for three phases where marketing was sampled and financial management of various industry sectors including retail, consumer goods, customer service, suppliers and services businesses. Their key measurements were identified including financial measurements (e.g. sales revenue, gross margins and market shares).

Olson, et al (2005) examined an appropriate model, and they postulated that all companies performances were affected by how well the structural characteristics of their marketing organizations (e.g. formalization, centralization, and specialization) and emphasized strategic behaviors (i.e. customers, competitors, innovation, and cost control) complementing alternative business strategies (i.e. prospector, analyst, low cost and marketing element differences). Result of the study found that implementation of business strategy was successful for the company with flagship performance. Marketing played a very important role in implementing the strategy, and the role of marketing in implementation is integral in the use of a specific strategy.

Based on the description above, a hypothesis can be developed:

2.2. H1: Market orientation has effect on marketing performance

Relationship between Marketing Strategy and Marketing Performance

A marketing mix is a set of marketing tools used by a company to achieve its marketing goals in a target market (Kotler, 2005). While, the marketing mix is combination of four variables or wants which is the core of a marketing system product, price structure, promotional activities and distribution system (Stanton, 2003). The marketing mix is a controllable variable a company can use to influence consumer responses from a specific market segment targeted by the company. Although marketing can be fully controlled by a company, the market is still affected by external factors.

Difference behaviors of consumers in each market segment requires every company to formulate a combination of product, price, promotion and distribution of different marketing mix, both to adjust a marketing program with consumer behavior and to influence consumer behavior. A marketing policy is essentially combining factors of marketing mix with one affecting consumers in buying goods or services. Four elements of the marketing mix are the goods offered, pricing structure, promotional activities and distribution system. Not all factors of the marketing mix can be adjusted in a short time.

The marketing mix is a collection of specific marketing variables of P (Product, Price, Promotion and Place) elements as the core of a marketing system. All such variables are equally important but, in practice, one may be more dominant than others due to market and economic conditions. The concept of marketing mix (Kotler, 2005) implies that in order to

reach a target market, every company should make policy on marketing mix variables, because they are controlled variables.

2.2.1. Product Strategy

Product is goods or service offered to a market to get attention, bought, used or consumed that can meet the needs of consumers. Meanwhile, product is a complex object, both its tangible and intangible characteristics such as exclusive wrapping, color, price, company prestige retailers and company services that are acceptable to buyers in satisfying their wants or needs (Stanton, 2003). Thus, decisions about a product may include determination of physical form, brand, wrapper and warranty and after-sales service. All these elements are seen as a means of satisfying the needs of buyers.

Development of a product requires a company to apply what benefits will be given to its product called product attributes such as quality, features, design, brand, packaging, size, service and warranty. Product quality indicates ability of a product to perform its function. Product characteristics are a competitive means for differentiating a company's product from a competitor's. Brand can be an add value to a product, making it important in product strategy. Every company wants its product to stay for long periods of time in market and generates good sales. Therefore, management of the company should conduct strategy of product life cycle.

2.2.2. Pricing Strategy

Price can provide satisfactory financial performance (Kotler 2005). Facing such situation, an entrepreneur must immediately determine the most appropriate consideration basis in setting the price. Manufacturers must calculate in such a way that the prices benefit them but also attracts consumers. "Price is an exchange rate of a good or service with a unit of money mutually agreed between seller and buyer" (Kotler 2005).

Meanwhile, according to Stanton (2003) the price is a sum of money (plus some products if possible) needed to obtain some combination of products and services. Thus, it can also be interpreted that the price is amount of money needed to obtain some goods and services or a combination of both

2.2.3. Promotion

Promotion relates to methods of communicating to a target market about the right product to be sold at the right place and at the right price (Kotler, 2005). Companies need to develop communication strategies in order to communicate their products. It is called a promotional mix strategy consisting of four main components:

- *Advertising* is all forms of presentations and promotions of ideas about goods or services offered.
- *Sales promotion* is a short-term incentive to increase sales of a product or service at this very moment.
- *Public relations* aiming to build good relationships with people to cultivate image of company using means such as press releases, product publicity, corporate communications and enlightenment.
- *Individual sales* through management of seller teams (salespeople).

2.2.4. Distribution

A company will conduct distribution activities after its product has been produced completely and ready to deliver to market. Distribution is an activity that must be performed by entrepreneurs to channel, deploy, transport and deliver their marketed goods to consumers (Kotler, 2005).

Most manufacturers use intermediaries to market their products by building a distribution channel, namely a group of organizations with interdependent involvement in a process of enabling a product or service to be available to consumers. Distribution channel forms a level to determine a channel length from manufacturer to consumer. Objectives of the channel should be consumer-oriented in the most effective and efficient way, while keeping in mind the effects of product characteristics, company policies, intermediary traders, competitors and corporate environment.

A research by Edo Rajh (2005) found that the marketing mix elements affect creation of brand equity with different levels of intensities, and some elements of the marketing mix may affect the creation of brand equity. Other results of the study also found that managers involved in strategic brand managements could use price level as an instrument to improve brand image. Further, a research conducted by Leo Y.M Sin, Alan C.B. Tse, Haksin Chan (2006) examined relationship between marketing orientation and business performance in hospitality industry. They found that the marketing relationship is a factor of organizational success.

Jelena Siraliova, and Jantus J. Angelis, (2006) conducted a study showing result that relationship of the marketing mix elements was crucial, but possible interdependency of those elements were not tested. The results also found a successful optimal combination of standardized and adaptable elements. Thus, it is important to assess this dependency and to define the most successful combination.

A study conducted by Aric Rindfleisch and Christine Moorman (2006) discussed a cooperative internal corporate relationship (between members of its channel) and horizontal relationship (between its competitors) as a means of achieving access to new knowledge and reducing costs and risks associated with product development and new processes. Furthermore, examined environmental conditions and marketing strategies causing an impact on organizational performance. Working within this strategy framework is important to examine impact of environmental variables and marketing strategy variables on organizational performance.

Another study conducted by Francis Blanch and Christele (2006) showed that marketing was a very important aspect of supporting other management functions (finance, human resources and production) in creating competitive advantage. Marketing function in the form of marketing mix (product, price, promotion, and place) was the key to win competition. A study conducted by Ferrera et al. (2007) examined effect of entrepreneurial orientation and organizational resources on small enterprise growth performance. This study proved that entrepreneurial orientation had a positive and significant impact on organizational resources for sustainable competitive advantage of small enterprises growth.

Based on description above, a hypothesis can be developed.

2.2. H2: Strategy of Marketing has effect on marketing performance

Based on explanation above, an empirical research model is prepared.

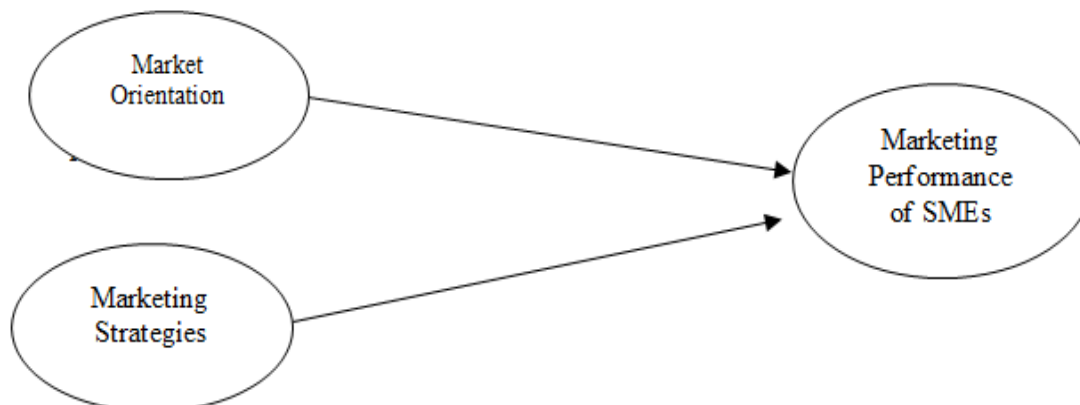


Figure 1 Model of Empirical Research

3. METHOD OF THE RESEARCH

3.1. Sampling

Respondents of the present research were 200 entrepreneurs of Batik SMEs industry in Sragen region. Sample was taken by using purposive sampling. Basic consideration of the study is to see experience of the SMEs entrepreneurs in managing their business.

3.2. Scale and Measurement

Instruments of three constructs examined in the study were measured using Likert scale with score values between 1 and 5. Score 1 indicates strongly disagree, and score 5 represents answer of strongly agree.

3.3. Data Collection

Data of the study was primary data collected by using direct observation, questionnaire, and guided interview. Thus, research design is made as efficient as possible to adjust with tools, techniques and characteristics of the respondents.

4. RESULT OF THE STUDY

4.1. Multiple Regression Model

Statistical test results of regression analysis to test hypothesis of the study can be seen in table below:

Table 1 Analysis of Linear Regression

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.029	.584		.049	.961
	Market Orientation	.532	.042	.530	12.695	.000
	Marketing Strategies	.467	.041	.472	11.301	.000

a. Dependent Variable: Marketing Performance

Based on results of the regression above, an equation derived from the linear regression is obtained:

$$\text{Marketing performance} = 0.029 + 0.532 \text{ MO} + 0.467 \text{ MS} + e$$

Multiple linear regression equation in the table above indicates that:

- Constant value of 0.029 with a positive mark signifies a unidirectional relationship. This shows that if market orientation and marketing strategy variables are not available, then marketing performance will increase.
- Value of regression coefficient of market orientation variable of 0.532 with a positive mark indicates unidirectional relationship between market orientation and marketing performance meaning that an increased market orientation will enhance marketing performance.
- Regression coefficient value of marketing strategy of 0.467 with positive mark represents a unidirectional relationship between marketing strategy and marketing performance. Thus, an increase in marketing strategy will improve marketing performance.

4.2. Statistical Results of F-test

Statistical F-test is intended to examine the significance degree of independent variables effect collectively on dependent variable. For analysis process with the F test, data and statistical process used are similar to that of multiple linear regression analysis. The F-test is also intended to see significance of values. Results of the F-test can be seen in table below.

Table 2 Results of F-test

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	957.757	2	478.879	2979.346	.000 ^a
	Residual	21.056	131	.161		
	Total	978.813	133			
a. Predictors: (Constant), Marketing Strategies, Market Orientation						
b. Dependent Variable: Marketing Performance						

Results of the F-test obtained $F_{\text{calculation}}$ value of 2979.346 and F_{table} (2; 130) of 3.00 and a significance value of 0.000, then H_0 is rejected. It can be concluded that a significant effect of market orientation (MO) and marketing strategy (MS) simultaneously on marketing performance (MP).

4.3. Statistical Results of t-test

T-test analysis is intended to examine effect of each independent variable on dependent variable partially. Based on results of the data analysis, t values were obtained as follows:

Table 3 Results of t-test

Variable	$T_{\text{calculation}}$	Significance	t_{table}	Conclusion
Market orientation	12.695	0.000	1.960	Accepted
Marketing strategies	11.301	0.000	1.960	Accepted

Statistical calculation of t value for market orientation (MO) and marketing strategy (MS) is greater than table value of t, hence Ho is accepted. It can be concluded that market orientation (MO) has significant effect on marketing performance. Similarly, marketing strategy (MS) has also significant effect on marketing performance individually.

4.4. Determination Coefficient Test

Determination coefficient test is conducted to know magnitude of independent variable effect on dependent variable. Based on regression test, the results can be seen in the following table.

Table 4 Results of Determination Coefficient Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989 ^a	.978	.978	.40091
a. Predictors: (Constant), Marketing Strategies, Market Orientation				
b. Dependent Variable: Marketing Performance				

Statistical results of determination coefficient test shows that the adjusted R Square value is 0.978, so it can be interpreted that market orientation (MO) and marketing strategy (MS) affect 97.8% of the marketing performance. While, the rest of 2.2% are affected by other variables that are not examined in this model such as product innovation, marketing ability, selling capability, and others.

5. DISCUSSION

Results of statistical test for the first hypothesis of the present study prove that market orientation has a positive effect on marketing performance. It is consistent with finding of research by Olson. et al (2005) indicating that companies with higher performance implemented successful business strategies and marketing plays a very important role in implementation of the strategy. Role of marketing is integral in implementing a specific strategy to enhancing performance (Nuryakin., et al, 2017).

Statistical test of the second hypothesis of the present study also found that marketing strategy provides a positive effect on marketing performance. The present results are in line with research finding of Francis Blanch and Christele (2006) showing that marketing is a strong supporting aspect for other management functions (financial, human resources and production) in creating competitive advantage. Marketing function with the form of a marketing mix (product, price, promotion and place) is the main key of a company to win competition. Finding of the present study are also in line with research conducted by Ferrera et al. (2007) who found that entrepreneurial orientation has a positive and significant effect on organizational resources for sustainable competitive advantage of small enterprise growth.

6. CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study provides evidence that market orientation and marketing strategy affect marketing performance significantly and positively. It means that market orientation and marketing strategy are important parts for a company in improving marketing performance. This study had been conducted only on small and medium enterprises (SMEs) of batik industry with a

limited number of samples. Future research should cover more representative sample, so that findings are able to be more generalized.

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