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**ANALYSIS OF E-MARKETING IMPLEMENTATION IN MEDIATING  
THE EFFECT OF STRATEGIC MARKET ORIENTATION ON  
STRATEGIC MSEs PERFORMANCE**

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**Abstract**

Recently Micro and Small Enterprises (MSEs) are no longer "small". These businesses as a whole is proven have a massive effect, such as its effect on Indonesia GDP was 62.58 % and the absorption of national labor up to 97%. It has proven to be an option for people with less education, who have difficulty working in the formal sector. It means that MSEs are a good choice to reduce the unemployment rate of the country/region. The unfortunate thing is that MSEs still do not maximize sales and marketing using technology, which is here e-marketing. Therefore this study, analyzes the effect of e-marketing implementation in mediating the effect of strategic orientation on the MSEs strategic performance. The samples are 403 MSEs in Riau Islands selling snacks and specialty food which typical of the cities. Respondents is the owner or manager of MSEs which is operating at least for a year, with the number of employees less than 19 people. The results of this study prove that both directly and by the mediating of e-marketing implementation, strategic market orientation is proven to affect the strategic performance of MSEs.

**Keywords:** strategic market orientation, e-marketing implementation, small medium enterprises, strategic mses performance.

**1. Introduction**

Batam is a city with a dominant population in Riau Islands. The high unemployment rate in Batam is quite alarming, as the effect of the closed down of large manufacturers in short period of time. In the beginning 5-month period in 2017, 34 companies are closed (Disnaker Kota Batam, 2017). Over the past 3 years, the number of job seekers in Batam was more than the number of job vacancies. The Central Statistics Agency (Badan Pusat Statistik) of Riau Islands also shows data on increasing the number of the poor by 3.06 thousand people only during March 2017 to September 2017 (Badan Pusat Statistik Kepulauan Riau, 2018). About 128.43 thousand people are recorded as poor residents in the Riau Islands. Within the last 5 years, the trend seems continues to be increased in total of the poor.

One of the best solutions to overcome this problem is to move the dependence on work in the form of MSEs. MSEs are proven to be able to survive in difficult times or financial crises. The Governor of Bank Indonesia stressed that MSEs would become a new source of economic

growth in Indonesia, by creating more job opportunities, especially for women (Bamiatzi & Kirchmaier, 2014), increasing the potential of Indonesia culture and tourism, as well as helping to preserve regional cultural culture (Bank Indonesia, 2017). According to the Partner Enablement Manager, Google PSP Program Indonesia Karim I Sulistio, MSEs has contributed to national GDP (Gross Domestic Product) approximately of 60%, even contributing to national employment by 97%, and national investment by 49% went to MSEs (Google Indonesia, 2017). MSE is also believed to be a solution to dilute economic inequality or income inequality of the Indonesia, which is currently the gap is increasingly widespread (Wolf, Kaudela-Baum, & Meissner, 2012). The maximum MSE potential could also has a positive influence on the regional tourism sector to the country as a whole (Bamiatzi & Kirchmaier, 2014). The number of foreign or domestic tourists, and the level of consumption of tourists would increase. This would foster the economic level of each region where MSEs are located.

**Table 1:** Number and Contribution of MSEs to Indonesia's Gross Domestic Product in 2017 (Legal Era Indonesia, 2018)

Scale enterprises	Amount (in thousand units)	Contribution to GDP	Total National GDP from MSEs
Micro business	58,900	38.90%	Rp. 7,005.95 trillion
Small business	716.8	9.73%	
Medium Business	65.5	13.95%	
	59,682.3	62.58%	

On the product and marketing side, MSE products are often less competitive when dealing with large industries in the modern retail market (Kementrian Koperasi dan UKM, 2017). This means that there is a need for uniqueness that will be the power and selling value of the products offered, in order to be able to compete and survive in the competition. Business strategy orientation that pays attention to market movements, customers and competitors is called strategic market orientation.

Nowadays, businesses must focus on making smarter decisions, due to the fact that product life cycles are getting shorter due to technological advances. Companies are required to be more aware and compete in the market digitally, no longer in the traditional way. Businesses recognize the importance of e-marketing and its implementation in making smarter decisions to maintain business performance (Dodson, 2016). The internet has become a significant and very important tool for almost all types of businesses. Therefore, e-marketing is developing into one of the most powerful and important tools of a business. According to the research of Yousaf, Sahar, Majid, and Rafiq (2018), e-marketing has proven to be effective in influencing customers' thinking and purchasing decisions, which are the result of e-trust in a product, brand, or company. Therefore,

the implementation of e-marketing is a concern in the world of research throughout the world and is one effect of the technology development (Mutlu & Sürer, 2016).

Based on the background of the research and major conditions which occurred on MSEs in Indonesia, particularly in Riau Islands, the purpose of this study is to investigate the following issues. The research questions are:

1. Is there an influence between strategic market orientation on strategic MSEs performance?
2. Is there an influence between e-marketing implementation on the strategic performance of MSEs?
3. Does e-marketing implementation mediate the effect of strategic market orientation on the Strategic MSEs Performance?

## **2. Literature Review and Hypothesis**

### **Strategic MSEs Performance**

According to the definition in Indonesia regulation number 20 year 2008, MSEs are small companies that are owned and managed by a person or owned by a small group of people, with a certain amount of wealth and income (LPPI & Bank Indonesia, 2015). Performance is defined as the achievement of agreed goals, which means that if the goals have been achieved or even more, it means the company is performing positively (Slater, Olson, & Hult, 2006). According to Wilden, Gudergan, Nielsen, and Lings (2013), corporate performance is the company's ability to achieve sales targets and profitability, as well as non-financial perspectives regarding to competitors.

According to Hussain, Abbas, and Khan (2017), there are 2 approaches in measuring company performance, which are subjective and objective. Subjective measurement of performance is based on self-reporting, while objective measurement is based on financial data. Subjective measurements are preferred because in addition to being more consistent and accurate, most owners or managers of companies tend not to be willing to share financial data related to their businesses.

In general, performance measurements in previous studies are divided into 2 parts, which are financial and non-financial performance. Non-financial MSE performance such as, innovative performance, production performance and marketing performance (Ratnawati, Soetjipto, Murwani, & Wahyono, 2018). Good performance would affect the growth and competitive advantage of the MSE. Abiodun and Kida (2016) measure performance with several dimensions, which are based on satisfaction, strategy, and finance.

### **Strategic Market Orientation**

The basis of a strategic orientation is the Resource-Based View (RBV) of the company in which an organization that includes a set of resources, expertise, and competence (Barney, 1991). It is a fundamental attribute and element that includes tangible or intangible sources, which are owned, obtained, achieved, developed internally, and or controlled.

Narver and Slater (1990) who first discovered the concept of a strategic market orientation approach with a cultural perspective. Market orientation is defined as the most

effective organizational culture for shaping the behaviour needed in the formation of superior value for buyers, and sustainable superior performance for companies.

Strategic market orientation is a philosophy that prioritizes the formation of higher customer value by obtaining, collecting, checking, sharing, and responding to customer and competitor information (Kasim, Ekinci, Altinay, & Hussain, 2018). According to Gheysari, Rasli, Roghanian, and Norhalim (2012), strategic market orientation was known in academic literature in the 1990s which was an extension of the marketing concept. Strategic market orientation includes the use of company expertise to satisfy customers and respond to changing environments with superior performance goals (Shariff, Ahmad, & Hafeez, 2017). Baker and Sinkula (2009) state that strategic market orientation is not only about product preferences, looking at external market conditions, or sharing customer information. This orientation is a commitment to respond to customer desires with the aim of maximizing customer satisfaction.

Market-oriented companies tend to be efficient in gathering external information, understanding changes in customer preferences and purchasing abilities, and could quickly decide strategic decisions to satisfy those preferences (Beliaeva, Shirokova, Wales, & Gafforova, 2018). Strategic market orientation helps companies in finding the right approach to attract new customers and retain old customers (Kasim *et al.*, 2018). Market, customer, and marketing orientation are similar, referring to the formation of value through the company's ability to understand and use the knowledge they have about customers, competitors, and the market (Hakala, 2011).

The dimensions of the strategic market orientation are divided into 2 parts: customer orientation and competitor orientation (Chen & Myagmarsuren, 2013). The customer orientation emphasizes the importance of understanding the target customer, while the competitor orientation focuses on understanding the strengths and weaknesses of competitors and monitoring competitors' activities (Narver & Slater, 1990).

Strategic market orientation indicates the company has sensitivity to the market and expertise in dealing with customers that could establish superior performance of the company (Kirca, Jayachandran, & Bearden, 2005). According to Chen and Myagmarsuren (2013), strategic market orientation is customer and competitor oriented to capture and implement strategies in shaping and providing superior value to target markets. Both of these orientations form a company's strategic initiatives, whether they are implementing strategies to satisfy customer needs or to respond the actions of competitors, or to pursue both orientation strategies. Smaller companies are able to respond faster to market changes compared to larger competitors (Lonial & Carter, 2015).

Research conducted by Länsiluoto, Joensuu-Salo, Varamäki, Viljamaa, and Sorama (2019) found that strategic market orientation could affect MSE performance, both financially and non-financially.

Market orientation is a key strategic element that could enhance a company's adaptability in a dynamic market environment (Choi, 2014). Market-oriented company, committed to

understanding customer needs, sharing all customer-related information to the whole company, and shaping coordination between all company functions to form superior value for customers (Fang, Chang, Ou, & Chou, 2014). According to Amin, Thurasamy, Aldakhil, and Kaswuri (2016), the characteristics of market orientation include the inter-functional orientation of departments within a company to meet market needs, and also the ability to understand the orientation of competitors in an atmosphere of commercial competition, which is the essence to improve the performance of MSEs. Market orientation makes companies understand their learning priorities Gnizy, Baker, and Grinstein (2014). Research conducted by Presutti and Odorici (2018), Eris and Ozmen (2012) prove that there is a positive influence of direct market orientation on the performance of MSEs .

Companies which have high market orientation able to achieve a positive influence on the performance-based growth, even though the entrepreneurial and learning orientation are low (Deutscher, Zapkau, Schwens, Baum, & Kabst, 2016). Market orientation provides an important influence on company performance, because companies tend to be close to customer needs and are able to change the information obtained into goods and services that provide specific benefits to customers.

According to Baker and Sinkula (2009), a strong market orientation could produce higher profit margins compared to companies with weaker market orientation. High profit margins are the result of better synergies between target market choices, product development, pricing, distribution and promotion strategies that affect product delivery, and services which are accustomed to the needs of the target market.

The opposite result was found by Bridson and Evans (2018) who examined 1,000 Australian retail companies, as well as Faisal, Hermawan, and Arafah (2018), who examined MSEs in Jakarta, stated that the strategic market orientation did not affect the company's strategic performance. The same results found by which states that studying customers and markets during an economic crisis is useless.

H1: There is a positive influence between strategic market orientation on strategic MSE performance.

### **E-Marketing Implementation**

Understanding e-marketing refers to the use of information and communication technology used by companies in marketing promotions which adding value to e-commerce and e-business strategies (Mazzarol, 2015). The use of social media and websites is also part of e-marketing. By linking social media with company websites, the flow of customers accessing the site could be increased. The difference between e-marketing and market orientation lies in the use of digital technology (Nwokah & Irimagha, 2017).

The theory begins with the use of technology and performance, such as the "Technology Acceptance Model" (Davis, 1989; Davis, Bagozzi, & Warshaw, 1989). In 1991, Berney concluded that maintaining competitive advantage could only be done by innovating within the company, and using company resources that are valuable, rare, difficult to replicate and irreplaceable (Sheikh, Rana, Inam, Shahzad, & Awan, 2018). It should also be consistent

with the theory of diffusion of innovation, known as the DOI theory, the link between this study and the theory of RBV, which amplifies the scope of this research, especially in developing countries, where the technology is still low and empirical contribution to sustainable business performance requested by organizations and regulators.

By using e-marketing, a business could control electronic channels. Channels that are physically intangible. This results in savings in physical media costs and leads to an increase in strategic financial performance (Ciunova-Shuleska, Osakwe, & Palamidovska-Sterjadovska, 2016). Another interesting aspect of e-marketing orientation is in terms of customers, ease of access and alternative choices (Filieri, 2015). Before the internet, marketing activities were not in the electronic media, a customer had only few choices of types of local product. In the era of digitization, everyone could buy products via online from sellers anywhere in the world, leading to the loss of barriers which is distance (Mutlu & Sürer, 2016).

According to Chong, Bian, and Zhang (2016), the online marketplace is one implementation of e-marketing, which allows a lot of sellers and buyers to share information quickly about the goods or services offered, conduct online transactions, and other benefits that add value of service marketing companies (such as customer relationship management, supply chain management and others). It could help in identifying, recognizing, and fulfilling the desires of sellers and buyers. A good e-marketing implementation would cause good business performance.

According to Alonso-Almeida and Llach (2013), adoption and use of e-marketing have a significant effect on the performance of MSEs. The level of business competition tends to depend on the company's ability to provide adequate training regarding the digital system. They state that small companies which fail to adopt technology to implement e-marketing tend to place business positions in a critical point. MSEs which do not maximize the use of technology are risked being eliminated from competition. It could provide access to MSEs that are far broader in market opportunities, compared to use conventional offline path.

Research conducted by Parveen, Jaafar, and Ainin (2016) prove that by using e-marketing, company performance would increase, as a result of reduced costs, greater customer service and relationships, and increased access to information. Ainin, Parveen, Moghavvemi, Jaafar, and Shuib (2015) examined the influence of e-marketing, especially Facebook's social media, in influencing the performance of MSEs in Malaysia.

Researches conducted by Faisal et al. (2018), Qashou and Saleh (2018), Sheikh, Rana, Inam, Shahzad, and Awan (2018), Yousaf et al. (2018), Mazzarol (2015), Aziz and Omar (2013) state that e-marketing directly influences company performance. In contrast, studies by Eggers, Hatak, Kraus, and Niemand (2017), Sürer and Mutlu (2015) and Iddris and Ibrahim (2015) state that e-marketing has no significant effect on company performance.

H2: There is a positive influence between e-marketing implementation on strategic MSE performance.

Market-oriented companies tend to try to understand and satisfy market needs. In other words, companies which have a market orientation culture will be able to measure their current capabilities, anticipate future capabilities, and redesign their processes to adjust to the market (Chuang, 2018).

Customer-oriented companies (which are dimensions of strategic market orientation) have the ability to see changes in the market and industry (Voola, Casimir, Carlson, & Anushree Agnihotri, 2012). These companies tend to communicate with customers in understanding customer needs and provide maximum service to their customers.

Research by Huang and Chen (2019) proves that the high market orientation of companies in Taiwan influences the high e-marketing implementation being carried out. Chuang (2018), Sheikh, Shahzad, and Ishak (2017), and Voola et al. (2012) and Tsiotsou and Vlachopoulou, (2011) studies prove that e-marketing implementation mediates the influence of strategic market orientation on the strategic performance of MSEs.

H3: There is a positive influence between strategic market orientation towards strategic MSE performance mediated by e-marketing implementation.

Based on the studies earlier and earlier exposure of the variables used in this study, the conceptual framework of this study could be seen in Figure 1. The strategic market orientation and e-marketing implementation directly influence the strategic performance of MSEs, and mediated by the e-marketing implementation.

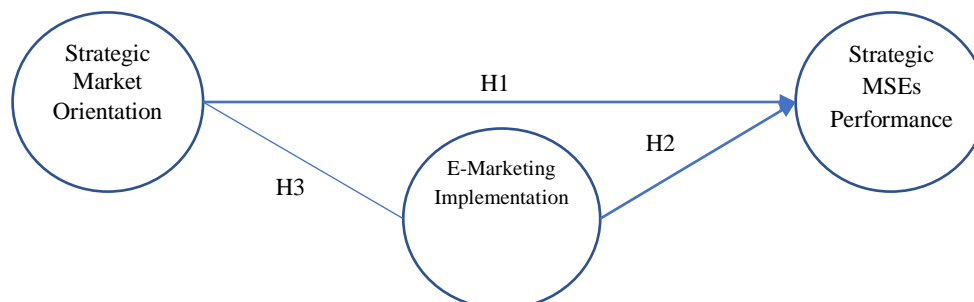


Figure 1: Conceptual Framework

### 3. Research Methodology

The population of this study is Micro and Small Enterprises in Riau Islands. Riau Islands has 6 districts, namely Batam, Tanjung Pinang, Karimun, Bintan, Lingga, Natuna and Anambas Islands. The respondents of this study are the owners or managers of MSEs snacks and specialty food in Riau Islands. The sampling method used in this study is purposive sampling method which the selection of sample has to be suited to some criteria.

$$n = \frac{N}{1 + Ne^2}$$

Where N is the population of 34,564 units of accommodation, food and drink MSEs in the Riau Islands, while e is the fault tolerance limit, which is usually 5%. Then the n is 395.42, it could be

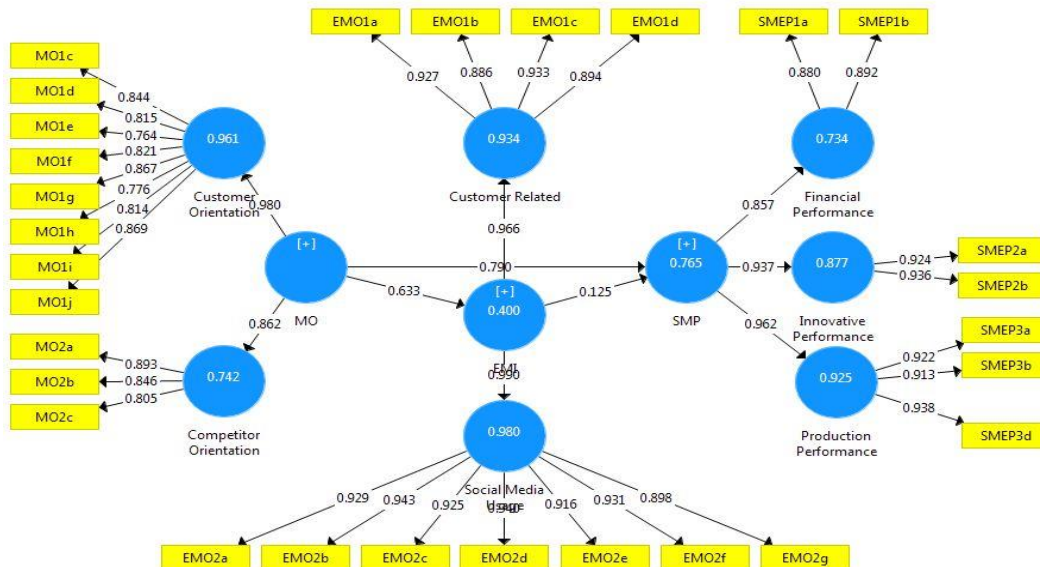
rounded to 396. This figure is the minimum number of samples used in this study. Each variable examined here is measured by several dimensions formed into questions in the form of questionnaires. The answer to the question using the 5-level Likert scale, which consists of 1 is very disagree to 5, that is, strongly disagree.

**Table 2: Dimensions of the Strategic MSEs Performance**

Variable	Dimension	Questionnaire Numbers	Source
Strategic MSEs Performance	1. Financial Performance	2	Ciunova-Shuleska et al. (2016)
	2. Innovative Performance	3	Ratnawati et al., (2018)
	3. Production Performance	4	
Strategic Market Orientation	1. Customer Orientation	10	Chen and Myagmarsuren (2013) Beliaeva et al. (2018)
	2. Competitor Orientation	3	Beliaeva et al. (2018)
E-Marketing Implementation	1. Customer-Related	4	Chuang (2018)
	2. Social Media Usage	7	Odoom, Anning-Dorson and Acheampong (2017) Ainin et al. (2015)

**4. Results and Discussion**

Total number of respondents obtained are 403 owners or managers of the snack and specialty food MSEs in Riau Island. There are 3 questionnaires which have outer loading below 0.7, so it must be excluded from this study, which are MO1a, MO1b, and SMEP3c. Figure 2 shown the outer loading test after 3 of the questionnaires are removed.



**Figure 2: Outer Loading Test**



Strategic market orientation consists of customer and competitor dimensions. MSEs in Riau Islands are quite high in paying attention to customers and competitors. H1 result indicate that the Riau Islands MSEs owners are very concerned about customers and competitors in the market. This is consistent with the statement (Lonial & Carter, 2015) where small companies are able to respond to market changes faster than large companies. Small businesses are clearly more flexible in terms of decision making and implementation in the field, there is no bureaucracy and long procedures that must be passed like a large business, for example in terms of procurement of new products/services. Presutti and Odorici (2018) stated that MSEs should invest even further in a strategic market orientation to be able to increase MSE performance growth.

This result is consistent with the results of research conducted by Baker and Sinkula (2009) which states that small businesses are most directly affected by the strategic market orientation. Similar research results were also found by Länsiluoto et al. (2019), Eggers et al. (2017), Amin et al. (2016), Deutscher et al. (2016), Lonial and Carter (2015), Choi (2014), Fang et al. (2014), Gnizy et al. (2014), Chen and Myagmarsuren (2013), Eris and Ozmen (2012), Tsiotsou and Vlachopoulou (2011), Hakala (2011), and Kirca et al. (2005).

**Table 3:** Hypothesis Test

Hypothesis	Original Sample	Sample Mean	P-Values	Results
H1: There is a positive influence between strategic market orientation on strategic MSE performance	0.790	0.788	0.000	Supported
H2: There is a positive influence between e-marketing implementation on strategic MSE performance	0.125	0.127	0.007	Supported
H3: There is a positive influence between strategic market orientation towards strategic MSE performance mediated by e-marketing implementation	0.079	0.081	0.011	Supported

H2 result could be seen from the type of e-marketing implementation used by MSEs in Riau Islands. Most of them are already using online applications such as social media, chat and transportation as a promotional medium. E-marketing provides access to MSEs that are very broad in terms of market opportunities Kim, Lee, and Lee (2013). Costs would decrease, customer relations and service would increase, and access to market information would increase (Parveen et al., 2016). The result of this study are consistent with the results of research conducted by Faisal et al. (2018), Qashou and Saleh (2018), Sheikh et al. (2018), Yousaf et al. (2018), Chong et al. (2016), Parveen et al. (2016), Ainin et al. (2015), Mazzarol (2015), Alonso-Almeida and Llach (2013), Aziz and Omar (2013), and Kim et al. (2013).

H3 shown that strategic market orientation is proven to affect the strategic performance of MSEs, both directly and by mediating e-marketing implementation. Customer-oriented companies would see changes in the market and industry, including recent trend in changing from offline to online shopping (Voola et al., 2012). E-marketing is not only a marketing tool, but also to support services for customers nowadays (Huang & Chen, 2019). H3 result is consistent with the results of study conducted by Huang and Chen (2019), Chuang (2018), Sheikh et al. (2017), Voola et al. (2012), and Tsiotsou and Vlachopoulou (2011).

**Table 4:** R Square and Adjusted R Square Test

<b>Variables</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>R</b>
E-Marketing Implementation	0.400	0.399	
Strategic Performance MSE	0.765	0.764	

Table 4 shows that the e-marketing implementation is weak because the adjusted R square is only 0.399 (less than 0.5). This number shows that the ability of the strategic market orientation explains e-marketing implementation by only 39.9%. Adjusted R-square for the strategic MSE performance is at 0.764. Strategic MSE performance could be explained by strategic market orientation and e-marketing implementation by 76.4%

**5. Conclusions, Implications, Limitations, and Future Recommendations**

It is proven that strategic orientation can not only be used in large or international companies, but also could be applied in micro and small businesses. Strategic market orientation is proven to affect performance both directly and indirectly. Because sales are about how it is in the field, it is very important for MSEs to learn about customers and competitors, as well as trends occurred in the market. E-marketing is no longer an option, but a necessity to be implemented in order to achieve good performance. Most strategic orientation has been proven to be successfully mediated by e-marketing implementation. Performance cannot be measured with only 1 dimension. Each dimension shows its part. The financial part shows the sales and profitability of the business. The innovative part shows the novelty and process. The production part shows the quality and efficiency of production.

This study proven that owners or managers of MSEs must invest more in terms of time, money, and commitment in e-marketing to be able to improve business performance. The digital age nowadays make investing in e-commerce and e-marketing is no longer an option, but has become a necessity to survive and grow. Back to the fact that e-marketing is not only a promotional tool, but also as a market and competitor information search tool, maintaining customer relationships, and direct transaction processing. The availability of most applications could also facilitate the selling process and almost without cost. Owners of digital companies

whose main business is in e-marketing, can do much more seminars and workshops that are informed deeper and further education for the MSEs in many cities, especially small cities or rural areas. Besides aiming to spread the digital knowledge to whole of Indonesia, especially Riau Islands, it also could increase revenue of the digital company in terms of advertising.

MSEs that have contributed to the country's economy by more than 60% are no longer "small". The government must continue to support and provide programs in terms of training, equity of internet networks, easy capital loans, or regulations and taxation. Bank Indonesia regulations which is reducing the percentage of taxes set by the president, actually have made it easier for MSEs. It's just that if it is still considered difficult by MSEs owners, it means that they still lack knowledge and information about these new mitigating rules. The government, especially the Ministry of Micro and Small Enterprises, really needs to multiply more activities that are delivering information through various media.

This research has some limitations, which are limited to MSEs in one province Riau Islands. The financial performance of MSEs used in this study is subjective, with contexts based on perceived by respondents. The types of e-marketing implementation categories used in this study are still very broad.

These are suggestions for future research. Future studies could gather respondents in more detailed demographics in order to obtain more specific results. Apart from the aspect of the business industry and the location where the MSE is established, for example the sample could be from the MSEs which has been established for a long time (5 years above) which have been more stable, such as Hakala study (2011) which examines the appropriate strategic orientation based on the age of the MSE. The sample of MSEs owners could be categorized such as millennial generation, or the trend that the digital era is widely open opportunities for housewives, so they could do the business at home, without leaving the family, but at the same time generate income. Another strategic orientations which could be added, such as brand orientation and technology orientation.

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