MARKETING PERFORMANCE DEVELOPMENT: APPLICATION OF THE CONCEPT OF DIGITAL MARKETING AND MARKET ORIENTATION STRATEGY IN THE MSME SECTOR

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Abstract

Changes in consumer behavior require companies to rethink their marketing strategies, especially in the digital marketing era. The Covid-19 pandemic has suppressed the marketing performance of MSMEs in a negative direction, so MSMEs need to improve their marketing strategies towards the concept of digital marketing. This study aims to analyze the role of the digital marketing platform, marketing orientation and entrepreneur orientation on the marketing performance of MSMEs during the Covid-19 pandemic in North Aceh Regency. This research is survey research with a sampling approach, the number of samples used in this study is 131 MSME actors in North Aceh Regency which are determined by purposive sampling. The data were analyzed using the Structural Equational Modeling (SEM) software Amos. Based on a survey of marketing managers and MSME managers, this study shows that MSMEs face various internal and external pressures to adopt digital marketing platforms as a medium to improve their marketing. This can be seen from the low perception of respondents on the influence of the entrepreneurial orientation variable on marketing performance. However, in this case, MSME Marketing Performance is influenced by digital marketing and marketing orientation, each coefficient value for digital marketing is 0.215 and CR 3.387 (P-Value 0.000 < 0.05) and marketing orientation is 0.621 and CR 8.466 (P-Value 0.000 < 0.05). The involvement of digital marketing and marketing orientation in MSMEs is expected to increase the company's performance and income. To increase digital marketing engagement, MSME actors who focus on relationship-based interactions with their customers through various digital marketing platforms and on-line buying and selling sites are still expected. This research shows how some companies outside of MSMEs have achieved this. This study makes an important contribution in improving the marketing performance of MSMEs through the relationship of digital marketing platforms, customer orientation and entrepreneurial orientation.

Keywords: Digital Marketing, Marketing Orientation, Entrepreneur Orientation Marketing Performance, SMEs.

1. INTRODUCTION

The digital era is an important problem for humans, because almost all economic activities and activities are carried out through various digital and internet platforms, including economic activities carried out by MSMEs. In Indonesia's economic structure, MSMEs are one of the sectors that play a major role in supporting the economy, so the government must try to encourage and strengthen MSMEs with a digitalization concept approach. The digitization of MSMEs is able to have a significant impact on the economic growth of the community. This potential must continue to be developed and utilized optimally by all sectors of the economy, including the Cooperative and MSME sectors, particularly in the marketing of goods and services. The number of Indonesian MSMEs as of March 2021 reached 64.2 million and contributed to the Gross Domestic Product by 61.07 percent or reached Rp. 8,573, 89 Trillion. Furthermore, MSMEs are able to absorb 97 percent of the workforce and can increase the investment value to 60.42 percent of the total...
national investment (https://www.kemenkeu.go.id/). Furthermore, of the 64.2 million MSMEs, only 15.3 million MSMEs have been integrated with the digital and e-commerce ecosystem.

The growth of MSMEs in Aceh Province also experienced a significant increase. Micro, Small and Medium Enterprises (MSMEs) in Aceh Province reached 74,810 units (https://datakumkm.acehprov.go.id/index.php/umkm), while the number of MSMEs for North Aceh Regency was 3,660 units. Generally, these MSMEs are engaged in trade, services, agriculture, mining, industry, fisheries, transportation and animal husbandry. Although the number continues to increase, this sector has not developed optimally in terms of productivity. Some of the factors causing the undeveloped MSMEs in Aceh are the high transaction costs due to uncertainty and high market competition. In addition, the undeveloped MSMEs in Aceh are also caused by limited access to productive resources, especially to raw materials and capital.

Furthermore, the government’s policy regarding restrictions on community movement during the Covid-19 pandemic has also significantly reduced the productivity of MSMEs and has an impact on increasing the unemployment rate (Hardilawati, 2020). The increasing COVID-19 pandemic, triggered by the SARS-CoV-2 virus, has had a very significant impact on the economy, politics and socio-culture around the world, not least in Indonesia. The increasing spread of Covid-19 also raises concerns about the growth of the MSME business (Bui, Jambulingam, Amin, & Hung, 2021). Entering the digital marketing area, MSMEs must improve themselves and improve product and service quality standards according to the Covid-19 conditions.

The increasing marketing performance of MSMEs is influenced by various factors, such as access to digital marketing, marketing orientation and entrepreneur orientation (Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018; Octavia et al., 2020). But on the way pThe government is faced with several obstacles for business actors who have not dared to market their products with digital-based technology media, including obstacles in the field of HR, business actors do not have experience in marketing products, are unable to use digital-based electronic devices, lack of innovation and no less important. Weak capability in the production process, this is a major obstacle in parts of Aceh and its surroundings. In this study, several problems will be studied in more depth by answering the following questions, namely how the influence of digital marketing platform applications, marketing orientation and entrepreneurial orientation in improving MSME marketing performance during the Covid-19 pandemic in Aceh Province.

2. THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK
2.1 Digital Marketing and Marketing Performance

Digital marketing has experienced very rapid development in maximizing product and service marketing activities using digital technology. Digital Marketing is a marketing concept based on Information and Communication Technology which is currently growing very fast throughout the world. The development of the Internet of Things, especially on social media platforms, has become a new area and opportunity for MSME actors (Redjeki & Affandi, 2021). The adoption of digital marketing has proven the company's ability to increase customer preferences, brands and increase product sales, including in the MSME industry (Esqueda-Walle, Jesus, & Karla, 2020). In the approach of the American Marketing Association (AMA), the adoption of digital marketing platforms is often used to carry out promotional activities and reach their consumers. The penetration of the digital marketing concept requires MSME industry players to make improvements in various aspects, including increasing product and service quality standardization to increase customer satisfaction and maintain the sustainability of small and medium enterprises (Adam, Ibrahim, Ikramuddin, & Syahputra, 2020).

The use of digital marketing and perceived benefits are dimensional variables that can effectively capture the engagement of a company's digital devices. In a study (Martins, Oliveira, & Popovič, 2014) using several types of digital media as indicators for measuring consumer behavior, namely: (1) institutional websites or microsites; (2) websites or microsites for clients; (3)
chat/voice/video over IP; (4) cellular network; (5) mobile application; (6) discussion forums; (7) Facebook; (8) Twitter; (9) Orkut; and (10) blogs. According to (Pandey, Nayal, & Rathore, 2020), digital marketing includes Social media capability, Content marketing, Advertising, and Blogging. Previous research found that digital marketing significantly affects marketing performance partially (Gunawan & Sulaeman, 2020). Then the use of digital marketing platforms can improve the financial performance of small and medium businesses during the Covid-19 pandemic.

For the purposes of this study, we adopted the concept offered by (Esqueda-Walle et al., 2020; Kannan & Li, 2017) that digital marketing is the process of using information technology for the purpose of producing products, communicating products, delivering and providing added value for all stakeholders including agents and customers. According to a study conducted by (Gunawan & Sulaeman, 2020; Nuseir & Aljumah, 2020), the use of digital marketing platforms (online advertising, affiliate marketing, emailo marketing, and social media) affects the marketing performance of MSMEs.

Based on the theoretical study above, the proposed hypothesis is as follows:

H1: Digital Marketing has a significant effect on the marketing performance of SMEs.

2.2 Marketing Orientation and Marketing Performance

The application of a market orientation strategy can bring a number of benefits to companies including MSMEs. Market orientation is a marketing strategy that integrates customer orientation, competitor orientation and coordination between business functions (Ali, Hilman, & Gorondutse, 2020; Solano Acosta, Herrero Crespo, & Collado Agudo, 2018). Market orientation is the company's strategy to increase commitment in creating business excellence from the customer's perspective (Fitriani, Brasit, Nursyamsi, & Kadir, 2020). According to (Shahe & Ali, 2020) Market orientation is a company strategy to understand customer needs and wants, as well as one of the important requirements to get customer recognition. Several empirical studies have found that a marketing orientation can significantly affect marketing performance (Harjadi, Fatmasari, & Nurhasanah, 2020; Kuncoro, Astuti, & Firdiansjah, 2021).

So it can be concluded that market orientation is a new strategy that can be perfectly imitated to produce a sustainable competitive advantage by utilizing the resources and capacities of MSME actors. (Fernandes, Ferreira, Lobo, & Raposo, 2020). In line with this opinion, the authors propose measuring market orientation variables through the dimensions of customer orientation, competitor orientation and coordination between functions. Based on the theoretical study above, the proposed hypothesis is as follows:

H2: Marketing orientation has a significant effect on the marketing performance of SMEs.

2.3 Entrepreneur Orientation and Marketing Performance

Entrepreneurial orientation is an important construction in any research in the field of entrepreneurship. Entrepreneurship orientation can systematically explain the strategy of companies including SMEs in explaining various company practices that are important characteristics of entrepreneurship. Mutual agreement in defining entrepreneurial orientation is as conveyed by (Shahe & Ali, 2020), which includes consideration of innovative, proactive and risk-taking capacities.

Next (Irwin et al., 2018) Entrepreneurial orientation is a pattern of entrepreneurial behavior or posture that involves all processes of company activities to achieve business targets. The core characteristics of entrepreneurship include business innovation, proactiveness and the ability to take risks (Asemokha, Musona, Torkkeli, & Saarenketo, 2019). Then other studies, such as (Khan, Li, Khan, & Anwar, 2019; Kiyabo & Isaga, 2020; Kuncoro et al., 2021), concluded that entrepreneurial orientation can improve marketing performance and also has an impact on company performance, including MSMEs. In the research, testing the entrepreneurial orientation variable
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refers to the previous opinion, namely the ability to innovate, be proactive and the ability to manage business risk. Based on the theoretical study above, the proposed hypothesis is as follows: H3: Digital Marketing has a significant effect on the marketing performance of SMEs.

2.4 MSME Marketing Performance

Marketing performance is an important factor for assessing company performance, including in the MSME industry. The increasing marketing performance of MSMEs is influenced by many factors, such as the level of sales per period, market share growth, operating profit growth(Yasa, Ketut Giantari, Setini, & Rahmayanti, 2020). Marketing performance is generated from marketing activities that are supported by the expertise and proactive factors of business people, innovative factors and the courage to take risks(Gupta, Justy, Cambodia, Kumar, & Kristoffersen, 2021). Marketing performance measurement, according to(Astuti & Handayani, 2021) measured by indicators of the company's profitability, sales volume, customer satisfaction, product quality and customer growth.

Figure 1 Conceptual Framework

3. IMPLEMENTATION METHOD

This article presents empirical research to determine the factors that influence the marketing performance of the MSME industry in the North Aceh Regency. This research includes explanatory research, namely research that aims to explain the relationship between variables through hypothesis testing. The sample used as the object of the study was 131 marketing managers or MSME owners, which were determined by purposive sampling or sample determination based on certain criteria, such as; 1) SMEs that exist during the Covid-19 pandemic. 2) MSMEs use digital platforms to support their marketing performance during the Covid-19 pandemic. 3) MSMEs are active on at least two social media platforms for marketing their products and services.

The number of research samples was determined by taking into account the data analysis tools. The data analysis tool in the proposed research model was tested using the AMOS Version 22 structural equation modeling (SEM) program. According to(Joseph F. Hair, Black, Babin, & Anderson, 2018) Determining the number of samples for SEM must meet several assumptions, one of which depends on the method of estimating the sample size used, namely by using the maximum likelihood (MLE) parameter method.

4. RESULTS AND DISCUSSION

4.1 Characteristics of Respondents

Demographically, respondents who filled out the questionnaire in this study were dominated by female respondents as many as 124 people (53.7%) of the 231 respondents. Then in terms of age, respondents aged 40-50 years were dominated by 98 people (42.4%). Furthermore, there are 105 (45.5%) respondents who have used digital marketing platforms to support their marketing activities, including the use of social media such as Facebook and Instagram.
4.2 Reliability and Validity of the Measurement Model

The statistical measurement of the model followed the Confirmatory Factor Analysis (CFA) procedure which was carried out to evaluate the reliability and validity of the measurement instrument. All constructs proved to be reliable, because the Cronbach value and the construct reliability value were greater than 0.70, as recommended (Joseph F. Hair et al., 2018; Solano Acosta et al., 2018). The validity of the instrument was measured using a Likert scale (scale 1 – 5). Discriminate Validity confirmed with Average Variance Extracted (AVE), as recommended (Malhotra, Lopes, & Veiga, 2014; Solano Acosta et al., 2018). The AVE value for each construct is greater than the recommended shared variance value, indicating discriminant validity. AVE value above 0.50 indicates convergent validity (See Table 1).

Table 1. Reliability and Convergent Validity Result Summary

<table>
<thead>
<tr>
<th>Construction and items</th>
<th>Factor loading</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing (DM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>dm1</td>
<td>0.728</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>dm2</td>
<td>0.738</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>dm3</td>
<td>0.788</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Orientation (MO)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mo1</td>
<td>0.841</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mo4</td>
<td>0.765</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mo5</td>
<td>0.773</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneur Orientation (EO)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eo3</td>
<td>0.846</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eo4</td>
<td>0.892</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eo5</td>
<td>0.753</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Marketing (MP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mp1</td>
<td>0.823</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mp3</td>
<td>0.905</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>mp4</td>
<td>0.912</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data is processed using Amos, 2021

Table 2. Analysis of discriminant validity for the procedure proposed by (Fornell and Larker, 1981) as quoted by (Solano Acosta et al., 2018)

<table>
<thead>
<tr>
<th>Construct</th>
<th>DM</th>
<th>MO</th>
<th>EO</th>
<th>MP</th>
</tr>
</thead>
<tbody>
<tr>
<td>DM</td>
<td>0.900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO</td>
<td>0.402</td>
<td>0.794</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO</td>
<td>0.287</td>
<td>0.136</td>
<td>0.832</td>
<td></td>
</tr>
<tr>
<td>MP</td>
<td>0.478</td>
<td>0.714</td>
<td>0.195</td>
<td>0.881</td>
</tr>
</tbody>
</table>

Source: Data is processed using Amos, 2021

Note: DM = Digital Marketing, MO = Marketing Orientation, EO = Entrepreneur Orientation, MP = Marketing Orientation

Correlation analysis between constructs explains the initial support for hypothesis testing in this study. Table 2 shows that all study constructs are positively correlated, as shown that DM is positively correlated with MO (r = 0.402) and with EO (r = 0.287) and with MP (r = 0.478). A positive correlation was also shown between MO and EO (r = 0.136), and with MP (r = 0.0714).
Then EO is also positively correlated with MP (r = 0.195). The correlation value was found to be less than 0.80 which indicates that there is no multicollinearity problem in this study (Khan et al., 2019).

The measurement model also shows statistical fit (See Table 3) with degrees of freedom (χ²/df = 1.774), Tucker-Lewis index (TLI = 0.944), comparative fit index (CFI = 0.956) and root mean square error of approximation (RMSEA = 0.060) and confirm the validity of the construct. Thus, it can be concluded that the model fit statistically (See Table 3).

### Table 3. Goodness of fit Indices in the measurement model

<table>
<thead>
<tr>
<th>Selected Indices</th>
<th>Result Outcome</th>
<th>Acceptable Level of Fit</th>
<th>Source for Suggested Cut off Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normed 2/df</td>
<td>1.214</td>
<td>(χ²/df) 3; 5 Sometimes Permissible</td>
<td></td>
</tr>
<tr>
<td>P-Value</td>
<td>0.147</td>
<td>P &gt; 0.05</td>
<td></td>
</tr>
<tr>
<td>TLI</td>
<td>0.992</td>
<td>TLI &gt; 0.90</td>
<td></td>
</tr>
<tr>
<td>CFI</td>
<td>0.994</td>
<td>CFI &gt; 0.90</td>
<td>(Joseph F. Hair et al., 2018) &amp; (Malhotra et al., 2014)</td>
</tr>
<tr>
<td>GFI</td>
<td>0.961</td>
<td>GFI &gt; 0.95</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>0.937</td>
<td>AGFI &gt; 0.95</td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.031</td>
<td>RMSEA &lt; 0.05 good; 0.05 to 0.10 Acceptable</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data is processed using Amos, 2021

### 4.3 Structural Model

This study tested the hypothesis statement using the Amos SEM structural model (See Fig. 2). Then for the assessment of model fit, it is shown in Table 3 which shows the research model developed is statistically fit.

Figure 2. Structural Models

Table 4 explains the results of testing hypothesis 1, where Digital Marketing (DM) has a positive and significant effect on Marketing Performance (MP) of (β = 0.215, p = 0.000 < 0.05) which supports hypothesis 1 (H1). Similarly, a positive and insignificant effect was found between Entrepreneur Orientation (EO) on Marketing Orientation (MO) of (β = 0.049, p = 0.396 > 0.05) not supporting Hypothesis two (H2). The test results also found that Marketing Orientation (MO) had a positive and significant effect on Marketing Performance (MP) of (β = 0.621, p = 0.000 <0.05)
indicating the acceptance of the third hypothesis (H3). The findings of this study provide good support for all proposed hypotheses, except the second hypothesis (H2).

Table 4. Hypothesis Testing

<table>
<thead>
<tr>
<th>Stands. Estimate</th>
<th>unstand. Estimate</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP &lt;--- DM</td>
<td>0.215</td>
<td>0.142</td>
<td>0.042</td>
<td>3.387</td>
</tr>
<tr>
<td>MP &lt;--- EO</td>
<td>0.049</td>
<td>0.041</td>
<td>0.049</td>
<td>0.849</td>
</tr>
<tr>
<td>MP &lt;--- MO</td>
<td>0.621</td>
<td>0.503</td>
<td>0.059</td>
<td>8.466</td>
</tr>
</tbody>
</table>

Source: Data is processed using Amos, 2021

4.4 Discussion
The development of MSME performance is largely determined by the ability of the marketing division. The results of this study found that the marketing performance of MSMEs in North Aceh Regency was more dominantly influenced by marketing orientation strategies, namely customer orientation, competitor orientation and coordination between MSME management functions. The results of this study are in line with research (Masa'deh et al., 2018), who said that the implementation of a market orientation strategy contributed the most to the development of business performance. The same thing was also stated by (Kuncoro et al., 2021), that market orientation and entrepreneur orientation can encourage the marketing performance of SMEs in North Aceh Regency.

Similarly, to test the involvement of digital marketing tools, the results of this study found a positive and significant influence on the marketing performance of MSMEs in North Aceh Regency. This finding validates several previous studies conducted in the MSME sector such as (Dumitriu, Militaru, Deselnicu, Niculescu, & Popescu, 2019; Purwana, Rahmi, & Aditya, 2017). Previous researchers revealed that only a small proportion of MSME actors use digital marketing tools, such as social media as a means of promotion, and in general they do not separate them from their personal social media accounts. However, almost all MSME actors show great interest in using digital marketing media for their marketing tools. Digital marketing capabilities through social media channels, digital relationships, and digital technology are also an important spotlight in managerial practice in the future (Herhausen, Miočević, Morgan, & Kleijnen, 2020). However, this study cannot statistically prove the influence of entrepreneur orientation on marketing performance, which is characterized by insignificant research findings.

5. CONCLUSION
Based on the proposed hypothesis and the discussion above, the conclusions from the results of this study are 1) the market orientation strategy applied can increase the performance capacity of the MSME sector in North Aceh Regency. The results of this study recommend that the management needs to systematically monitor customer service commitment, customer satisfaction and create superior customer value. 2) the results of this study also found a positive and significant effect between the use of digital marketing platforms to support marketing performance. The use of digital marketing platforms is expected to improve the promotion and sales performance of MSME products. Digital marketing platforms can be in the form of online advertising, affiliate marketing, email marketing and social media marketing.

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