

Entrepreneurial Marketing and Consumer Need Adaptability for Batik Industry Marketing Performance in Lasem, Rembang

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Abstract

The purpose of this research is to analyze how entrepreneurial marketing is able to develop business networks and adapt to consumer needs, so that competitive advantage will be achieved which is then expected to be able to improve marketing performance. This study took 120 respondents who owned Lasem batik SMEs in Rembang, Central Java. The analytical tool used is SEM (Structural Equation Modeling). The results of data analysis for the entire model meet the Goodness of Fit criteria with chi square = 89.718, degrees of freedom (df) = 100, probability = 0.760, CMIN/DF = 0.897, GFI = 0.914, AGFI = 0.884, TLI = 1.025, CFI = 1,000 and RMSEA = 0,000. Thus, it can be said that the proposed research model can be accepted. The results of the analysis carried out prove that entrepreneurial marketing can increase consumer need adaptability, competitive advantage and marketing performance.

Keywords

Entrepreneurial marketing, consumer need adaptability, competitive advantage, marketing performance

1. Introduction

Intensive developments in marketing research began in the 1980s. This has been applied to marketing by SMEs when they behave in an entrepreneurial manner (Bjerke & Hultman, 2004). Entrepreneur rooted in the word “Entreprendre” which in French the definition is to do, do something work. Entrepreneurship is a mechanism for starting a new business, composing the resources needed by taking into account a related threat and the reciprocation of services that will be received. Many entrepreneurial interpretations have been reviewed by researchers, including Widjaja (2009) which states that entrepreneurship is an attitude, temperament and the ability of a person to run a business or activity that is inclined to work, technology and even new commodities. Entrepreneur is someone who can introduce a change, innovation and also a new order, and is able to integrate resources, raw materials, labor, and other assets to create greater value than before (Hisrich et al., 2009).

Research on the relationship between entrepreneurial marketing in building marketing performance has been busy carried out by previous researchers, among others (Keh et al., 2007) stating that entrepreneurial orientation plays an important role in improving company performance. This entrepreneurial orientation has direct and indirect impacts (partly mediated by the use of information) on firm performance. It can be concluded that market orientation has a significant and positive influence on firm performance (Hussain, 2015). Arfanly & Syamsun (2016) conducted a study of four elements of entrepreneurial marketing, namely strategy, concept, and intelligence, which had a positive effect on improving marketing performance. Another case in the study Yusuf (1995) which shows that entrepreneurial marketing does not really affect the performance of MSME businesses in the southern Pacific, but is influenced by external factors such as the role of government. Therefore, this study was conducted to fill in the process gap which is not yet clear on the relationship between entrepreneurial marketing and marketing performance.

1.1. Entrepreneurial Marketing

(Morris et al., 2002) defines entrepreneurial marketing as a proactive attitude in identifying and exploiting opportunities in order to obtain and fortify profitable customers through various innovative approaches to manage risk, optimize resources and create value. Entrepreneurial marketing can be considered innovative and deviates from conventional marketing, due to administrative value creation mechanisms in aspects such as customer meetings, risk management, and resource utilization (Hallbäck & Gabrielsson, 2013; Morris et al., 2002).

A business actor or MSME who has the inclination to participate in innovative behavior, be proactive in competing with existing competitors, and be brave in taking up an existing risk is a picture of entrepreneurial marketing. Ionita (2012) states that an entrepreneur is those who are able to create products that are different from their competitors and are careful in seeing an opportunity and then able to use it to become an opportunity that can be profitable. The elements that can shape

entrepreneurial marketing according to (Morris et al., 2002; Thomas et al., 2013) are that there are seven elements including encouraging opportunity, proactivity, innovation focus, customer intensity, risk management, resource utilization power, and also value creation.

An increasingly uncertain business environment and continuous change has forced entrepreneurs to always be able to understand the needs of consumers. This is done by the SMEs to remain able to adapt to the tastes and needs of customers and also to be able to compete with competitors. By utilizing the information obtained and interpreted in order to implement a better strategy, companies must regulate the market sensing process through market sensing actions, responses to markets, and sensing activities (Lindblom et al., 2008). To provide value to customers, a company needs to develop such an ability to adapt products as well as adding some new attributes (Fiore et al., 2005). In research conducted by Matsuno et al., (2002) explains that there is a positive relationship between entrepreneurial marketing and consumer need adaptability. In addition, the good use of entrepreneurial marketing in the future is expected to increase the competitive advantage of an MSME compared to its competitors.

H1: The better entrepreneurial marketing, the better the consumer need adaptability

H2: The better entrepreneurial marketing, the better competitive advantage

1.2. Consumer Need Adaptability

To remain able to compete in an increasingly competitive business environment, entrepreneurs from MSMEs should be able to adapt to the changing tastes that customers want. With the ability to meet market needs, especially the needs and tastes of its customers, it is easier for MSME businesses to gain market share and be able to improve their marketing performance. The study conducted Matsuno et al., (2002) states that the ultimate goal of entrepreneurial business lies in the success of the business in meeting market needs, both due to new technology and customer needs. By utilizing the information obtained and interpreted in order to implement a better strategy, companies must regulate the market sensing process through market sensing actions, responses to the market, and sensing activities (Lindblom et al., 2008). The benchmarks of success or failure of a business are very dependent on the company's ability to be able to integrate with environmental forces, as well as the competitive phase.

In order to provide value to customers, a company needs to develop such abilities in adapting products as well as adding some new attributes (Fiore et al., 2005). Companies should be able to find what the customer needs and also be able to detect information about a product from competitors, so the company is able to elaborate on new products that are in accordance with what is the needs of customers, and also able to create divergent products from competitors. Sales that easily align themselves with circumstances can lead to long-term effectiveness if the use of adaptive activities is higher than the funds that have to be spent. The elements

forming the consumer need adaptability are Adaptability to market change, Adaptability to product motives in a risky market and Understanding Customer Need (Ferdinand & Fitriani, 2015; Hughes et al., 2008).

With the ability to adapt in a changing business environment, a business run by entrepreneurs will more easily reach the level of competitive advantage. This is certainly an important factor in mastering existing market share, because having a good competitive advantage will make it easier for SMEs to stay ahead in competing with their competitors. Studies conducted (Homburg et al., 2007) state that companies that can respond to customers and competitors are the most important factors in growing their performance such as market share, profits, and also customer satisfaction. Another case with the opinion White et al., (2003) which states that by observing changes in opportunities and threats continuously, then the company will be able to continue to survive in the market.

H3: The better the consumer need adaptability, the better the competitive advantage

1.3. Competitive Advantage

Competitive advantage is a factor or combination of factors that makes an organization superior to other organizations in a competitive environment and cannot and is easily emulated by competitors (Soltani et al., 2014). A fundamental perspective on resources or Resource Based View (RBV) confirms that a business will strive to continue to maintain and maintain its competitive advantage by forming and strengthening the important resources it has and also to make effective corporate capabilities that are superior, rare, and its competitors cannot be imitated (Barney, 1991; Ou et al., 2006; Ray et al., 2004; Roberts & Dowling, 2002). Competitive advantage is also closely related to the internal characteristics of a company (Spanos & Lioukas, 2001). Whereas Li et al., (2006) stated that competitive advantage is a measure of the extent to which an organization is able to create a position that can be maintained from its competitors.

An organization or company can assess competitive advantage by comparing weaknesses with the qualifications of its competitors (Meutia, 2013). With this, an organization or company will be more smooth to superior in competing with its competitors. There are two elements that need to be considered to produce a competitive advantage. First, this is organizational competition and superior achievement resulting from a protracted process. Or it can be interpreted, if the organization uses its own capabilities, will realize a consistently high competitive advantage from competitors and feasible for customers, it will produce competent performance and competitiveness. Second, because of the increasing complexity of the environment and the severity of the competition, the resulting competitive advantage will be lightly imitated by competitors, which means that competitive advantage must be substituted with new advantages (Soltani et al., 2014). The study conducted (Čater & Čater, 2009) assumes that the end result of all efforts to build competitive advantage is to achieve superior firm performance.

H4: The better competitive advantage, the better marketing performance

1.4. Marketing Performance

Performance is a benchmark of success or can be called the level of success in achieving the company's mission. The level of success can be viewed from several performance in the company, such as the performance of HR, financial performance, and marketing performance. And if the company has a good firm performance, then it will prove the success and behavioral capabilities of the company. The performance of a business is related to how the steps and tactics of the business are applied in an effective and efficient manner. Studies conducted by (Olson et al., 2005) state that marketing performance is also a staple of business success as a result of the marketing steps used by entrepreneurs to broadly attract consumers, markets, and financial profits for the business. While the results of studies conducted by Chang et al., (2010) state that marketing performance has a number of indicators such as sales to old customers, market share, and also sales growth that can be understood as a construction.

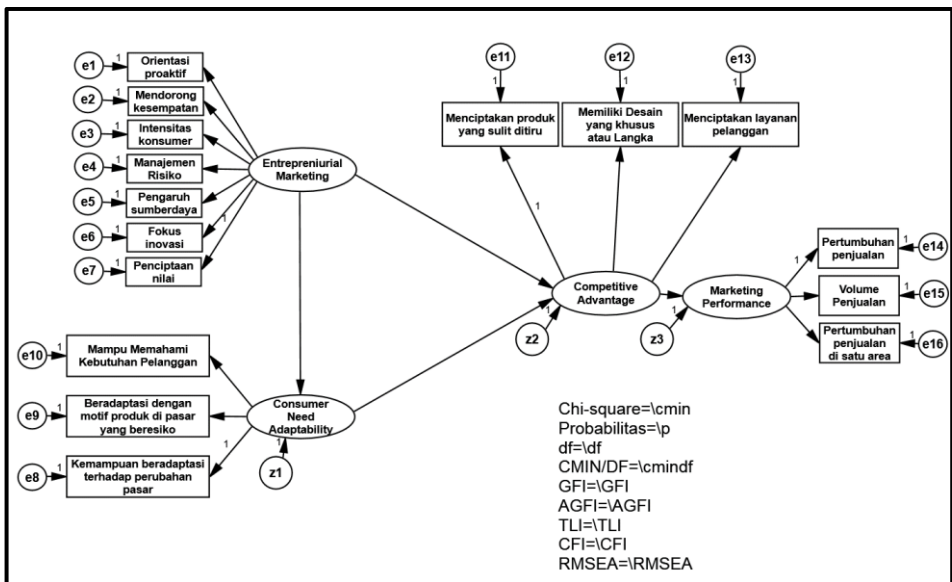


Figure 1. Research framework

2. Research Methods

2.1. Sampling and Data

The respondents to be sampled in this study were Lasem batik SMEs. The research area taken is the City of Rembang which is the easternmost city on the north coast of the island of Java, Central Java Province. The City of Rembang consists of

14 Subdistricts with the number of Lasem batik UMKM totaling 120 UMKM units. The sampling technique in this study was by census sampling. So, the questionnaire will be given to 120 owners of Lasem SME batik in Rembang. This study aims to study the performance of inputs (Entrepreneurial Marketing), process performance (Consumer Need Adaptability and Competitive Advantage), and output performance (Marketing Performance). The type of data used in this study are primary and secondary data. Primary data were obtained from the distribution of questionnaires given to 120 respondents who owned Lasem batik SMEs in Rembang. Whereas secondary data was obtained from various literatures which could support this research.

Data collection method used in this study is by distributing questionnaires or questionnaires to respondents who have been determined and asked to fill in or provide answers to questions that have been provided by researchers in the form of Likert scale. The Likert Scale is used to make it easier for respondents to answer each question. The scale used in this study is 1 (strongly disagree) - 10 (strongly agree).

2.2. Measurement and Testing of Validity and Reliability

The results of the confirmatory analysis produce loading factors for each construct in the model above the expected drinking value of 0.50, with a critical ratio greater than 1.96. So that it can show that the magnitude of the contribution of each indicator for the construct that was built was accepted with a significantly lower level than 0.05 at a critical ratio ≥ 1.96 . So, this indicator can be accepted and further analysis can be done. All constructs have excellent reliability, such as Entrepreneurial Marketing (0.839), Consumer Need Adaptability (0.723), Competitive Advantage (0.703), and Marketing Performance (0.712). The construct validation can be measured using AVE with a minimum standard level of ≥ 0.50 . From the analysis it can be seen that the level of convergence validation can be accepted, such as Entrepreneurial Marketing (0.692), Consumer Need Adaptability (0.549), Competitive Advantage (0.513), and Marketing Performance (0.528).

Table 1: Measurement and testing of validity and reliability

Variables & indicators	Source	Std. Loading	Construct reliability	Convergent validity
Entrepreneurial marketing	Morris et al., 2002;		.839	.692
Proactive orientation	Thomas et al., 2013	.626		
Opportunity driven		.644		
Consumer intensity		.669		
Risk management		.627		
Resource leverage		.647		
Innovation focus		.713		
Value creation		.653		
Consumer need adaptability	Ferdinand & Fitriani, 2015;		.723	.549
Adaptability to market change	Hughes et al., 2008	.675		

Adaptability to product motif in a risky market		.672	
Understanding customer need		.700	
Competitive advantage	Barney, 1991;	.703	.513
Creating products that are difficult to imitate	Bilgihan et al., 2011; Vlaar et al., 2005	.632	
Has a special or rare design		.636	
Creating customer service		.724	
Marketing performance	Ferdinand & Fitriani, 2015	.712	.528
Sales growth		.683	
Sales volume		.620	
Sales growth in one area		.712	

Table 2: Correlation

Variable	Code	Mean	Std. Dev	Correlation	Em	Cna	Ca	Mp
Entrepreneurial marketing	EM	7.29	5.73	Pearson	.839			
				Correlation				
				Implied				
				Correlation Sig. (2-tailed)				
Consumer need adaptability	CNA	7.52	2.45	Pearson	.305**	.723		
				Correlation				
				Implied	.392			
				Correlation Sig. (2-tailed)	.001			
Competitive advantage	CA	7.70	2.49	Pearson	.294**	.361**	.703	
				Correlation				
				Implied	.419	.524		
				Correlation Sig. (2-tailed)	.001	.000		
Marketing performance	MP	7.91	2.35	Pearson	.288**	.282**	.444**	.712
				Correlation				
				Implied	.277	.346	.660	
				Correlation Sig. (2-tailed)	.001	.002	.000	

N = 120
 ** significant correlation on level 0.01 (2-tailed)
 ** significant correlation on level 0.05 (2-tailed)

3. Hypothesis test

To test whether the proposed model and hypothesis are acceptable, it is necessary to test the SEM analysis. In the proposed empirical research model, Entrepreneurial Marketing is considered an exogenous variable, while Consumer Need Adaptability, Competitive Advantage and Marketing Performance are

considered endogenous variables. The results of a full model analysis on SEM can be seen in the following figure.

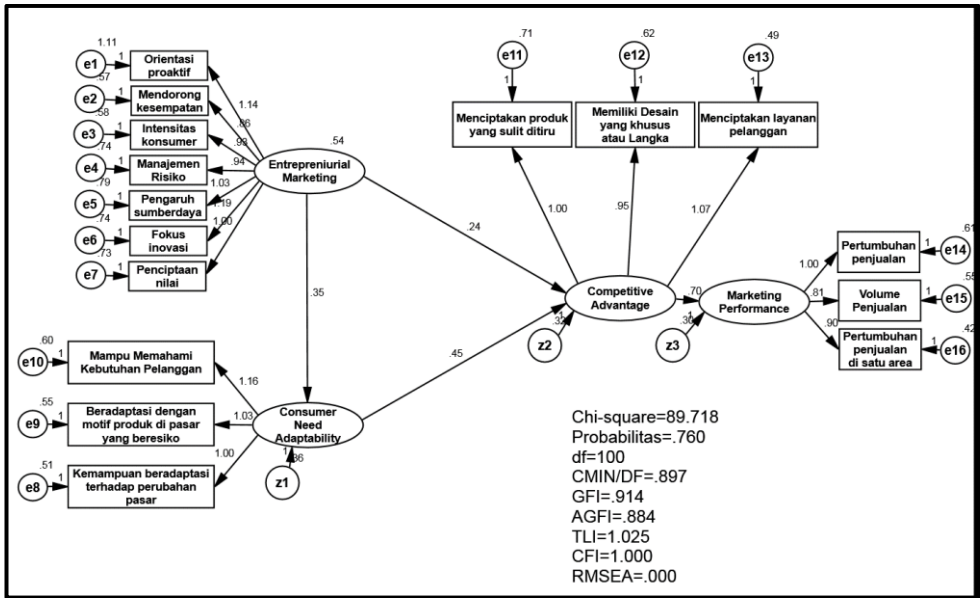


Figure 2: Full model

Based on the results of SEM analysis testing, a summary of the results of hypothesis testing can be seen in the following table.

Table 3: Hypothesis testing

Hypothesis	Std. Estimate	Estimate	S.e	C.r	P	Conclusion
Entrepreneurial marketing → consumer need adaptability	.39	.346	.113	3.055	.002	Accepted
Entrepreneurial marketing → competitive advantage	.25	.235	.117	2.010	.044	Accepted
Consumer need adaptability → competitive advantage	.43	.448	.154	2.913	.004	Accepted
Competitive advantage → marketing performance	.66	.700	.163	4.296	***	Accepted
Goodness of fit						Result
Chi-square						89,718
Goodness of fit index						0,914
Comparative of fit index						1,000
Tucker Lewis index						1,025
Rmse						0,000
***) Significant ≤1%						
***) significant ≤ 5%						
***) significant ≤ 10%						

As noted in the table above, our model has been well supported, with a Comparative of Fit Index (CFI) of (1,000), Tucker Lewis Index (TLI) of (1,025), and an RMSEA of (0,000). With Critical Ratio (CR) for H1, H2, H3, and H4 which have a value greater than the cut-off value of 1.96 with a hypothesis. All hypotheses are accepted with a significantly lower probability level of 5%.

4. Findings and Discussion

In the increasingly competitive business world as it is today, many entrepreneurs from MSMEs have taken a number of strategies in order to remain able to survive in an increasingly competitive market competition. Therefore, to know the changes that occur in the market environment it is important to remain able to exist and compete in the market. Studies on entrepreneurial orientation and market orientation have been carried out for decades Li et al., (2008); Ruekert (1992) show that an entrepreneurial business will be able to obtain information about customers, develop strategies that aim to meet the needs customers, and implement these strategies if the attitude is more responsive to the needs and desires of the customer. Research conducted Matsuno et al., (2002) has shown that entrepreneurial tendencies not only have a positive and direct relationship to market orientation, but also indirect and positive effects on market orientation through reduction of departmentalization. The results of this study indicate that there is a significant relationship between Entrepreneurial Marketing and Consumer Need Adaptability, where the results also support research Matsuno et al., (2002) which shows that there is a positive and direct relationship between entrepreneurial tendencies towards market orientation. In addition, there are also results from this study which show that there is a significant relationship between Entrepreneurial Marketing and Competitive Advantage, and these results also strengthen research from Lee & Hsieh (2010) which states that there is a positive relationship between entrepreneurship and competitive advantage.

Although in the perception of strategic management competitive advantage is the perception most often taken Sigalas (2015), but competitive advantage is not necessarily successfully predicted, and resource competencies that lead to superior profitability and competitive advantage are not explicit (Hinterhuber, 2013). A company that is able to know the needs and tastes of its consumers can be categorized as an organization or company that has a competitive advantage in a sustainable manner compared to its competitors. Many studies have stated that by being able to understand all the changes that occur in the market environment, it can facilitate a company to achieve a good level of competitive advantage. The results of this study indicate that there is a significant relationship between Consumer Need Adaptability with Competitive Advantage, where the results also support the research conducted Safarnia et al., (2011) which shows that there is a significant relationship between market orientation and competitive advantage.

The competitive advantage of a company is a form of tangible evidence that the company plays a successful role in controlling market share. Prayhoego, (2013) argues

that competitive advantage is a center or core of company performance in market competition. While studies conducted by Spanos & Lioukas (2001) explain that competitive advantage is also closely related to the internal characteristics of a company. The results of this study indicate that there is a significant relationship between competitive advantage and marketing performance, where the results also support the research conducted (Mohebi & Farzollahzade, 2014) which explains that competitive advantage has a positive and also significant effect on business performance.

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