

MSME Marketing Performance during the COVID-19 Pandemic: The Role of Empowered Interaction Capability

Sumaryanto Sumaryanto, Erni Widajanti

Slamet Riyadi University Surakarta, Surakarta, Central Java, Indonesia

ARTICLE INFO

Article history:

Received : 23 November 2021

Revised : 30 March 2023

Accepted : 31 March 2023

JEL Classification:

L25, L26, M31

Key words:

Empowered interaction capability, Marketing innovations, Marketing intelligence, Consumer need adaptability, Marketing performance

DOI:

10.14414/jebav.v25i3.2799.

ABSTRACT

The Covid-19 pandemic has had an impact on the marketing performance of MSMEs in Indonesia, as indicated by a decrease in sales. Therefore, various strategies must be carried out to boost the sales, including by implementing marketing innovations and increasing the ability to interact with customers. In addition to examining the effect of marketing innovation, consumer need adaptability, empowered interaction capability, and marketing intelligence on marketing performance, this study also aims to examine the effect of empowered interaction capability on marketing performance mediated by consumer need adaptability and marketing intelligence in Micro, Small and Medium Enterprises (MSMEs) in Banjarsari District during the Covid-19 pandemic. The sample of this study consists of 51 MSMEs spread across Banjarsari District, Surakarta Regency, Central Java. The analytical method used is Partial Least Square Structural Equation Modeling (PLS-SEM). The results of this study show that empowered interaction capability has a significant positive effect on marketing performance. Meanwhile, marketing innovation, consumer need adaptability, and marketing intelligence have no effect on marketing performance. Likewise, consumer need adaptability and marketing intelligence do not mediate the effect of empowered interaction capability on marketing performance. The implication of this research for MSMEs is that MSMEs need to increase empowered interaction capability through increased collaboration and co-creation so that customers are willing to provide ideas or suggestions to the company, thereby increasing company performance.

ABSTRAK

Cakupan minimal yang termuat dalam abstraksi adalah: permasalahan, tujuan penelitian, metode, temuan dan implikasi. Disusun dalam 1 (satu) paragraph. Disajikan di bagian awal artikel, justify, Book Antiqua 9. Jumlah kata antara 150 - 200 kata. Ditulis dalam Bahasa Inggris dan Bahasa Indonesia yang benar. Cakupan minimal yang termuat dalam abstraksi adalah: permasalahan, tujuan penelitian, metode, temuan dan implikasi. Disusun dalam 1 (satu) paragraph. Disajikan di bagian awal artikel, justify, Book Antiqua 9. Jumlah kata antara 150 - 200 kata. Ditulis dalam Bahasa Inggris dan Bahasa Indonesia yang benar. Cakupan minimal yang termuat dalam abstraksi adalah: permasalahan, tujuan penelitian, metode, temuan dan implikasi. Disusun dalam 1 (satu) paragraph. Disajikan di bagian awal artikel, justify, Book Antiqua 9. Jumlah kata antara 150 - 200 kata. Ditulis dalam Bahasa Inggris dan Bahasa Indonesia yang benar. Cakupan minimal yang termuat dalam abstraksi adalah: permasalahan, tujuan penelitian, metode, temuan dan implikasi. Disusun dalam 1 (satu) paragraph. Disajikan di bagian awal artikel, justify, Book Antiqua 9. Jumlah kata antara 150 - 200 kata. Ditulis dalam Bahasa Inggris dan Bahasa Indonesia yang benar.

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have an important role in advancing the Indonesian economy. MSMEs have been proven to have very strong resilience. In fact, during the economic crisis due to the Covid-19 pandemic, MSMEs were still

able to drive the economy in Indonesia, even though it was very difficult because apart from encouraging the public to strictly implement health programs to avoid the deadly virus, the government also imposed restrictions on community activities, which of course greatly affected various economic

* Corresponding author, email address: sumaryanto@unisri.ac.id

activities (Rofiaty et al., 2022). However, the power of consumers cannot be restrained, therefore, their wants and needs must be understood and fulfilled by business actors (Sutrisno et al., 2021).

Micro Enterprises are able to absorb approximately 107 million workers (89.2 percent), while Small Enterprises are able to employ 5.7 million people (4.74 percent) (Haryanti, 2018). Rapid changes in the business world and technology require MSMEs to be able to adapt according to existing conditions. MSMEs also showed resilience during the 1997/1998 monetary crisis (Tambunan, 2020). The Covid-19 pandemic period was the worst time for MSMEs that carried out their activities conventionally. Intense competition and activity restrictions had forced them to sell products and make transactions using digital-based applications. In addition, they had to develop knowledge and skills to improve marketing performance (Bigot & Germon, 2021; Kumar et al., 2022; Rifai & Meiliana, 2020).

The huge economic potential in Banjarsari District has made small traders pop up everywhere. They carry out their business activities conventionally so that the surrounding area looks unsightly and congested. All MSMEs, including those in Banjarsari District, Surakarta Regency, must adopt and master digitalization in business if they want to increase their sales turnover.

Producers must be able adapt to consumer needs in order to compete (Ali, 2019; Ferdinand & Fitriani, 2015) and innovate both in terms of products and technology used (Reinhardt et al., 2018). According to Leng et al. (2020), businesspeople must be able to keep up with very fast changes in business and technology, including the ever-changing desires and needs of consumers. Consumer need adaptability reflects the company's ability to sense and meet market needs (Bayighomog Likoum et al., 2020). This adaptability is a marketing tool that is indispensable in meeting dynamic market needs and improving company performance (Alshanty & Emeagwali, 2019; Osakwe et al., 2016). Consumer need adaptability is proven to affect marketing performance (Ardi et al., 2020).

Marketing innovations have been used by large companies (Gupta et al., 2016; Purchase & Volery, 2020; Tang et al., 2021). Therefore, it is time for small and medium enterprises to also adopt marketing innovations (Tang et al., 2021). MSMEs are a major force in facing the economic crisis, including the Covid-19 pandemic. By implementing marketing innovations, MSMEs are expected to be able to improve marketing performance and ultimately be

able to compete (Alraja et al., 2022; Pu et al., 2021). In Indonesia, several studies related to the effect of marketing innovation on marketing performance have shown various results. The results of research conducted by Sari et al. (2021) show that marketing innovation has no effect on marketing performance, while the results of research conducted by Elwisam & Lestari (2019) and (Merakati et al., 2017) show that innovation improves marketing performance.

Another factor that affects marketing performance is the company's ability to interact with customers (Chen et al., 2016). Empowered interaction capability is the ability of organizational members to mobilize, contribute to creating, and establish positive relationships, related to the activities of organizational members both as business managers and consumers, in producing products that have added value (Dadwal, 2019). According to Wijiharjono (2021), if business actors have the ability to interact by collecting all data on the market, including competitor data that can be obtained through their customers, they will be able to create superior marketing strategies.

Knowing the movements of competitors helps businesspeople to understand market conditions, including what products consumers need and want at this time. Marketing intelligence can make businesses become market leaders (Donthu et al., 2021; Ratten, 2016) and is useful to anticipate dynamic global competition (Aripin et al., 2022). Marketing intelligence is also useful in carrying out relationship marketing (Al-Weshah, 2017).

This study differs from previous studies in two respects. First, this study examines the factors that influence marketing performance, such as marketing innovation, empowered interaction capability, consumer need adaptability, and marketing intelligence. In this case, the empowered interaction capability has often been neglected in previous research, even though it is a vital factor in improving marketing performance (Chen et al., 2016). Second, this study is conducted on MSMEs that are generally weak in terms of technology. In fact, technology is an important element in marketing intelligence.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Marketing Performance

Measuring marketing performance is complex and challenging for academics and marketing practitioners (Katsikeas et al., 2016). This measurement is increasingly challenging along with increasing global competition and a highly dynamic

business environment (Liang et al., 2018). In general, marketing performance is an assessment of the relationship between marketing activities and business performance (Clark & Ambler, 2001; Puspaningrum, 2020).

According to Morgan et al. (2022), marketing performance is marketing efficiency associated with inter-functional processes, such as sales activities, pricing and distribution, and marketing output. Foltean et al. (2019) and O'Sullivan et al. (2009) state that, based on a customer relationship management perspective, marketing performance is a company's ability to attract and retain profitable customers. Habel et al. (2020) and Osakwe (2020) argue that marketing performance is a company's ability to expand and maintain strategic partnerships with all relevant supply chains. According to Najafi-Tavani et al. (2016), marketing performance is the ability to produce market intelligence and spread it throughout the company and build a customer-oriented culture. Furthermore, Lamberti & Noci (2010) classify marketing performance into four categories: single financial output performance (such as sales, profit), non-financial performance (such as market share, customer satisfaction, customer loyalty), input performance (such as marketing budget, marketing audit), and combined performance. This study focuses on marketing performance based on non-financial and financial aspects which include customer loyalty, customer satisfaction, ability to attract new customers, growth in market share, increase in sales transactions, decrease in marketing costs, and marketing investment (Dam & Dam, 2021; Foltean et al., 2019; Limakrisna & Zahara, 2017; Morgan et al., 2022).

Marketing Innovation and Consumer Need Adaptability

Empowering interaction in marketing performance is very important in anticipating rapid changes in consumer desires. Smart technology is rapidly changing the interactions between companies and their customers (Marinova et al., 2017). The dynamic construction of empowerment and adaptation for agile innovation processes is essential for business actors and organizational environments to encourage adaptability (Grass et al., 2020). Service-Dominant Orientation theory is used to explain how MSMEs can adapt to market changes, especially in company, customer and market relationships through service interactions (Wilden et al., 2017). This study is based on research by Karpen et al. (2017) that empowered interaction capability is adopted in the process of interaction between

organizational members/business actors in order to build the concept of dominant service orientation as a portfolio of capabilities to create shared value. It takes a long time for market participants to accept marketing innovations, so adaptation is needed to be able to accept innovation changes (Ali, 2019; Ferdinand & Fitriani, 2015). In the context of this research, marketing innovation, which is the result of interactions between members in the organization and between members and consumers, is expected to drive the speed of consumer need adaptability (Sánchez-Gutiérrez et al., 2019).

H₁: Marketing innovation has a positive effect on consumer need adaptability

Marketing Innovation and Marketing Performance

Good marketing performance can be achieved if there is dynamic service interaction between members. In this case, MSMEs are playing a role both as producers and as consumers. Conceptually, marketing competency refers to a company's ability to develop and maintain quality relationships with customers (marketing research), use marketing intelligence (marketing strategy), and identify external factors that affect current and future customer needs (marketing action) (Huang & Rust, 2022). Marketing innovation is needed to produce quality products. Marketing innovation is related to the execution of marketing techniques that are significantly different from what was implemented before so as to provide added value to customers (Hussain et al., 2020). In general, these innovations relate to important aspects of a company's products or services (Bamfo & Kraa, 2019). Thus, marketing innovation can increase the sustainability of a company's competitive advantage (Quaye & Mensah, 2019). Marketing innovations are not only carried out on products, but also on facilities and infrastructure, such as during the COVID-19 pandemic. Market players need to master technology to be able to market their products online (Sari et al., 2021).

H₂: Marketing innovation has a positive effect on marketing performance

Consumer Need Adaptability and Marketing Performance

The company's ability to understand signals from customers regarding their needs is very important in determining marketing performance (Ferdinand & Fitriani, 2015). Customer need adaptability reflects a

company's ability to deeply understand the macro market environment, as this has an impact on customers, competitors and other business partners (Osakwe et al., 2016). In addition, customer need adaptability is also a means for companies to develop expertise in learning, perceiving, and responding to dynamic markets (Bayighomog Likoum et al., 2020).

Therefore, the success or failure of a business is highly dependent on the company's ability to integrate with environmental forces and competitive phases. To provide value to customers, companies need to develop the ability to adapt products and add several new attributes (Alshanty & Emeagwali, 2019; Reven & Ferdinand, 2017). Companies should be able to find what customers need and detect information about a competitor's product so that they can elaborate new products according to customer needs and create products that are different from competitors' products. The elements of consumer need adaptability include adaptation to market changes, adaptation to product motives in risky markets, and understanding of customer needs (Ali, 2019).

H₃: Consumer need adaptability has a positive effect on marketing performance

Empowered Interaction Capability and Consumer Need Adaptability

The four elements of empowered interaction capability are human interaction, technology interaction, managerial system interaction, and cultural interaction ability. The shift towards empowered consumers has an effect on various businesses. The empowered interaction capability is the ability of members of the organization to mobilize, contribute to creating, and establish positive relationships because it is related to the activities of members of the organization, both as business managers and as consumers, in producing their products so that they have added value (Dadwal, 2019). According to Karpen et al. (2017), empowered interaction capability is an important resource that must be possessed by a company leader in facing highly dynamic global competition. This capability encourages the consumer need adaptability in the form of collaboration between parties within the company as well as between parties inside and outside the company, such as customers and suppliers, which has an impact on competitiveness (Ardi et al., 2020).

H₄: Empowered interaction capability has a positive effect on consumer need adaptability

Empowered Interaction Capability and Marketing Performance

According to Karpen et al. (2015), companies must collaborate by involving customers to help and support customers directly with the aim of improving relationships, gaining access and exchange of services, and acquiring knowledge, thus marketing performance will improve. The results of research conducted by Ardi et al. (2020) show that empowered interaction capability has a positive and significant effect on marketing performance. This indicates that collaboration to produce co-creation between service providers and customers can improve the relationship between the two parties. This collaboration is usually carried out in developing companies to improve marketing performance and carry out transactional exchanges.

H₅: Empowered interaction capability has a positive effect on marketing performance

Empowered Interaction Capability and Marketing Intelligence

Empowered interaction capability is the ability of members of an organization to mobilize, create, and establish positive relationships by influencing and sharing experiences between one another, thus creating added value to the organization (Ferdinand & Fitriani, 2015). In addition, this capability can also provide value to customers. Therefore, companies need to improve this capability by adapting the product and adding some new attributes (Reven & Ferdinand, 2017). Companies should be able to find what customers need and detect information about competitors' products so that they can elaborate new products that suit customer needs and are able to create products that are different from competitors' products. Wijiharjono (2021) identifies the main factors influencing innovation capability and marketing performance and describes the complexity of various concepts, such as the concepts of intellectual capital, innovation capability and creative economy, to create a comprehensive, logical and methodical conceptual framework. Empowered interaction capabilities can be used to find out what competitors are doing and will be doing. In other words, interaction capabilities will enhance the company's marketing intelligence.

H₆: Empowered interaction capability has a positive effect on marketing intelligence

Marketing Intelligence and Marketing Performance

According to Alamsyah et al. (2015), marketing intelligence reflects the continuous and systematic understanding, analysis and assessment of the internal and external environment. Marketing intelligence is needed to solve various problems in business at the national and international levels that require more information about markets and customers (Igbaekemen, 2014). Marketing intelligence is important because the quality of marketing information affects the effectiveness of business decisions. Marketing intelligence is also used to develop marketing strategies. MSME actors should know and understand their own business and the conditions of their competitors. Therefore, interaction skills are needed to identify humans, technology, managerial systems and culture (Kunle et al., 2017). Marketing performance will be good if market participants are able to anticipate situations with marketing intelligence (Lies, 2019). Marketing intelligence is useful in increasing a company's ability to predict future customer needs and wants, winning prices, penetrating both online and offline distribution channels, increasing sales, and increasing the growth of dominant customers. Thus, marketing intelligence is one of the factors that can improve marketing performance.

H₇: Marketing intelligence has a positive effect on marketing performance

Consumer Need Adaptability, Empowered Interaction Capability, and Marketing Performance

In a constantly changing business environment, all members of the organization are required to have good interaction skills with one another within the

company, including with parties outside the company (Reven & Ferdinand, 2017). Every member of the organization must be able to contribute in establishing good relationships both inside and outside the organization, such as customers and suppliers. Empowered interaction capabilities will encourage the company's ability to meet customer needs and ultimately improve marketing performance (Ferdinand & Fitriani, 2015).

H₈: Consumer need adaptability mediates the effect of empowered interactive capability on marketing performance

Marketing Intelligence, Empowered Interaction Capability, and Marketing Performance

To maintain competitiveness, companies need marketing intelligence. The number of existing applications shows the availability of big data, so that it is possible to find out competitors' market movements (Lies, 2019). According to Venter & Jansen van Rensburg (2014), intelligent information about customers, competitors and suppliers can improve the quality of decision making and market performance. Having good marketing intelligence will encourage all components within the company to interact, with the ultimate goal of improving company performance. The results of research conducted by Furqon et al. (2019) show that marketing intelligence mediates the relationship between empowered interaction capability and marketing performance.

H₉: Marketing intelligence mediates the effect of empowered interaction capability on marketing performance

Based on the theoretical studies and hypothesis development discussed earlier, the conceptual framework of this study is presented in Figure 1.

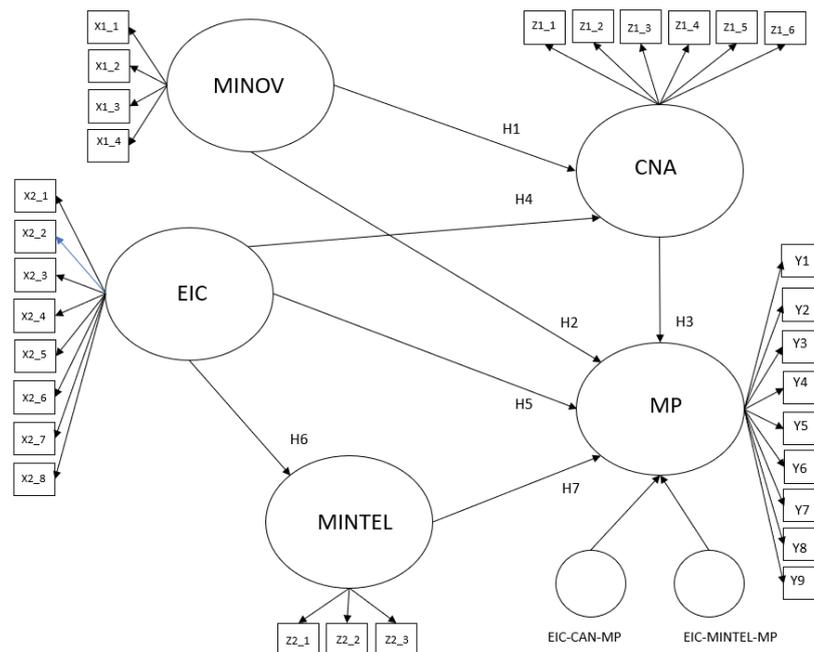


Figure 1. Research Conceptual Framework

3. RESEARCH METHOD

The object of this research is the decision makers/owners of MSMEs who are domiciled and have businesses in Banjarsari District, Surakarta City, both as producers/vendors and as consumers. Banjarsari District was chosen because this area is not a producer of batik or batik convection. The emergence of many MSMEs in this area is as a result of the development and rapid economic growth in Banjarsari District due to the presence of the "Pasar Legi" Main Market, the Balapan Train Station and the Tirtanadi Bus Terminal which are open 24 hours, as well as several schools and private universities.

The population of this research is the decision

makers/owners of MSMEs in Banjarsari District, Surakarta City. According to Law no. 9 of 1995, the criteria for small industries include: the maximum turnover is IDR 200 million; the number of workers is 5 - 19 people; and the capital is less than IDR 25 million. The sample used in this study is the decision makers/owners of MSMEs in Banjarsari District, Surakarta City, totaling 51 people.

Table 1 presents the research variables and their indicators. All variables are measured using a Likert scale, from 1 (strongly disagree) to 5 (strongly agree). Marketing performance is based on non-financial and financial aspects with reference to Limakrisna & Zahara (2017).

Table 1. Variables and indicators

No	Variable	Indicator	Source
1	Marketing Performance (MP)	Customer loyalty / loyalty to the product by retaining old Customers Attracting new customers, easier and cheaper. Customer satisfaction with the product, with evidence of customers making repeat purchases. Market share growth is indicated by an increase in the number of new buyers/agents. Significant market share growth requires the formation of new agents/branches. Sales Management is achieved by increasing purchase transactions. Sales Management is achieved by reducing cost items. Sales Management achieves the company's investment through other business activities. Market share growth is marked by an increase in the number of registered customers	Limakrisna & Zahara (2017)

2	Marketing Innovation (MINOV)	Always innovating Always finding new ways to improve customer relations New sales techniques and methods are being tried out Looking for ways to develop new business models Product design is constantly being updated according to customer needs and competitive products Always looking for ways to improve promotion methods/methods and tools	Purchase & Volery (2020)
3	Empowered Interaction Capability (EIC)	Able to understand the expected output of the customer Able to improve social relations and emotional with customers Able to act fairly to customers Able to allow customer to design the context and content of the deal Able to help customers develop knowledge and competence Able to facilitate an integrated customer service process	Karpen et al. (2017))
4	Consumer Need Adaptability (CNA)	Able to understand customer needs Adapting to product motives in risky markets Ability to adapt to market changes	Ali (2019)
5	Marketing Intelligence (MINTEL)	Company's Ability to Develop and Build Customer Relationships Ability to use marketing intelligence (i.e., activities in marketing aimed at detecting competitors' activities) Recognizing External Factors That Have an Influence on Current and Future Customer Needs. Building Quality Channels Good relationships with customers, network partners and stakeholders/suppliers	Lies (2019)

The research hypothesis testing is carried out using multivariate analysis. The analysis in this study uses Structural Equation Model (SEM) with the SmartPLS program. This model is chosen because it has the ability to test not only the causal relationship between the dependent variable and the independent variable (structural model), but also the validity and reliability of latent variables (measurement model) with a limited number of samples.

4. DATA ANALYSIS AND DISCUSSION

Assessment of the Measurement Model

The first step in the analysis using Partial Least Square (PLS) is to test the measurement model which is evaluated using indicator validity and discriminant validity for indicator blocks. The validity of the indicators can be assessed by looking at the reliability of each indicator. Testing the validity and reliability of the data is carried out using SmartPLS. The validity of the indicator is tested by looking at the loading factor in its significant construct, which is above 0.7 (Cheah et al., 2018). The results of the convergent validity test in Table 2 show that there are two invalid indicators

in the first test, and then these indicators are deleted. In the second test, all indicators meet convergent validity with a loading factor value of more than 0.7.

The validity test in this study uses the convergent validity test and the discriminant validity test. The convergent validity test is done using factor analysis, while the discriminant validity test is done using the Fornell-Larcker Criterion and the Heterotrait-Monotrait Ratio (HTMT). Based on the Fornell-Larcker Criterion, a construct is said to be valid if the AVE square root value of the construct is greater than the correlation value with other constructs. Meanwhile, based on the Heterotrait-Monotrait Ratio, the construct has an HTMT value of <0.85 (Hair Jr et al., 2021).

The results of the validity test using the Fornell-Larcker Criterion presented in Table 3 show that all constructs have good validity because the AVE square root value (bold) is greater than the highest correlation value with the other constructs. Furthermore, the test results using the Heterotrait-Monotrait Ratio presented in Table 4 show the same thing, where all constructs have an HTMT value of less than 0.85.

Table 2. Results of convergent validity test using factor analysis

Indicator	Loading Factor-1	Loading Factor-2
X1_1	0.903	0.904
X1_2	0.916	0.916
X1_3	0.913	0.914
X1_4	0.870	0.870
X1_5	0.912	0.912
X1_6	0.921	0.921
X2_1	0.920	0.920
X2_2	0.835	0.835
X2_3	0.923	0.923
X2_4	0.937	0.937
Z1_1	0.790	0.790
Z1_2	0.863	0.863
Z1_3	0.880	0.880
Z1_4	0.912	0.912
Z1_5	0.896	0.896
Z1_6	0.922	0.922
Z1_7	0.928	0.928
Z1_8	0.920	0.920
Z2_1	0.973	0.973
Z2_2	0.923	0.922
Z2_3	0.914	0.914
Y1	0.871	0.883
Y2	0.784	0.779
Y3	0.877	0.911
Y4	0.899	0.899
Y5	0.749	0.747
Y6	0.920	0.939
Y7	0.634	-
Y8	0.675	-
Y9	0.769	0.756

Source: Primary data processed, 2022

Table 3. Results of discriminant validity test using Fornell-Larckel criterion

Information	CNA	EIC→ CNA→ MP	EIC → MINTEL → MP	EIC	MINOV	MINTEL	MP
CNA	0.890						
EIC → CNA→ MP	-0.411	1.000					
EIC → MINTEL → MP	-0.566	0.743	1.000				
EIC	0.743	-0.467	-0.527	0.905			
MINOV	0.786	-0.444	-0.509	0.723	0.906		
MINTEL	0.757	-0.519	-0.569	0.705	0.787	0.937	
MP	0.746	-0.534	-0.581	0.775	0.765	0.750	0.848

Source: Primary data processed, 2022

Note: CNA is Consumer Need Adaptability; EIC is Empowered Interaction; MP is Marketing Performance; MINTEL is Marketing Intelligence, MINOV is Marketing Innovation;

Table 4. HTML value

	CNA	EIC- CNA- MP	EIC- MINTEL- MP	EIC	MINOV	MINTEL
EIC-CNA-MP	0.417					
EIC-MINTEL-MP	0.577	0.643				
EIC	0.688	0.474	0.537			
MINOV	0.722	0.454	0.520	0.774		
MINTEL	0.705	0.535	0.586	0.771	0.739	
MP	0.677	0.540	0.590	0.726	0.706	0.705

Source: Primary data processed, 2022

Composite reliability is an indicator block that measures reflexive constructs. Composite reliability with a value of more than 0.7 indicates good internal consistency (Hair Jr et al., 2021). The output of Smart

PLS 3 in Table 5 shows that the composite reliability value for all constructs is above 0.7. Thus, it can be concluded that all constructs have good internal consistency.

Table 5. Composite reliability

	Cronchbach's Alpha	rho_A	Reliabilitas Composite	Avarage Varians Ekstrak
EIC → MINTEL → MP	1.000	1.000	1.000	1.000
EIC → CNA → MP	1.000	1.000	1.000	1.000
MINTEL	0.930	0.932	0.956	0.878
MINOV	0.956	0.957	0.965	0.821
EIC	0.926	0.937	0.947	0.819
CNA	0.962	0.963	0.968	0.792
MP	0.934	0.945	0.947	0.719

Source: Primary data processed, 2022

Calculating the consistency of variable measurement items can be done by measuring the AVE (Average Variance Extract) value. The degree of consistency of respondents' answers can be seen from the AVE value, with the criterion that the AVE value is greater than 0.5. Furthermore, all variables have a Cronbach alpha value greater than 0.5. This indicates that the model is fit to meet the data reliability requirements, and further tests can be carried out.

Assessment of the Structural Model (Inner Model)

After testing the outer model, the next step is testing the structural model. This test is intended to assess the relationship between the constructs that have been proposed in the research hypotheses. Using Smart PLS 3, two types of information are generated which indicate how well the structural model predicted and the relationship hypothesized. The first information is obtained by looking at the R Square value which is a model fit test to explain the

percentage of construct variation to the overall model. By using the Smart PLS 3 output and the bootstrap method for 51 samples, as shown in the table below, it can be seen the R Square value of each endogenous variable.

Table 6 below presents the results of the coefficient of determination test (adjusted R-squared). Based on the test of the coefficient of determination, the variables that affect the dependent variable have a fairly high adjusted R-squared value. The marketing intelligence variable has the highest value of 0.819, indicating that the independent variable has a high ability to explain variations in the dependent variable. This can be caused by the use of indicators that represent the description of these variables. The coefficient of determination of marketing performance is 0.821, indicating that the forming dimension is quite high, while the remaining 0.189 (18.9 percent) is influenced by other variables.

Table 6. Coefficient of determination

Variable	R-Square	Adjusted R-Square
Consumer Need Adaptability	0.789	0.780
Marketing Intelligence	0.819	0.815
Marketing Performance	0.821	0.797

Source: Primary data processed, 2022

Goodness of Fit (GoF) Test

The results of the GoF test are obtained by multiplying the average root value of communalities with the average root value of r-square, which can be seen from the R-Square table and AVE table. Based on the GoF calculation results, the Consumer Need Adaptability (CAN) variable has a value of 0.824, the Marketing Intelligence (MINTEL) variable has a value of 0.840, and the Marketing Performance variable has a value of 0.841. So it can be concluded that the model has a large GoF value, where the

greater the GoF value, the more appropriate it is in describing the research sample. The formula for calculating the GoF value is:

$$GoF \text{ Value for Consumer Need Adaptability} = \sqrt{Com} \times R^2 = \sqrt{0.861} \times 0.789 = 0.824$$

$$GoF \text{ Value for Marketing Intelligence} = \sqrt{0.861} \times 0.819 = 0.840$$

$$GoF \text{ Value for Marketing Performance} = \sqrt{0.861} \times 0.821 = 0.841$$

Hypothesis Testing

The results of hypothesis testing in table 7 describe the estimated influence between variables accompanied by t-statistics & p-values for the purpose of drawing conclusions on hypothesis testing. Testing is carried out to answer research problems. Interpretation of the estimation results with SEM-PLS can be done after the model assumptions are met. The following is a hypothesis test based on the calculation

results with Smart PLS 3. The proposed hypothesis test can be seen from the t-statistic value. To find out whether the path coefficient of the structural model is significant or not, it can be seen from the t-Statistic value. For a significance level of 5 percent, the path coefficient is considered significant if the t-statistics value is more than 2.013 (Hair Jr et al., 2021).

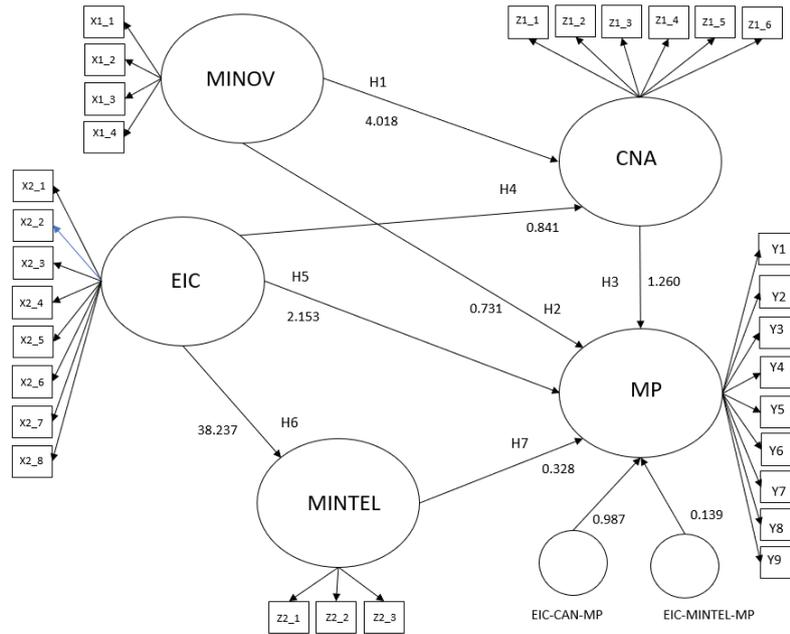


Figure 2. Model PLS Bootstrap

Table 7. Results of hypothesis testing

Hypothesis	Relationships	Coefficient	St. Dev.	T-Statistic	P-Values
H ₁	MINOV → CNA	0.723	0.180	4.803	0.000
H ₂	MINOV → MP	0.168	0.230	0.731	0.465
H ₃	CNA → MP	0.249	0.198	1.260	0.208
H ₄	EIC → CNA	0.176	0.209	0.841	0.400
H ₅	EIC → MP	0.385	0.179	2.153	0.032
H ₆	EIC → MINTEL	0.905	0.024	38.237	0.000
H ₇	MINTEL → MP	0.070	0.213	0.328	0.743
H ₈	EIC → CNA → MP	-0.160	0.162	0.987	0.324
H ₉	EIC → MINTEL → MP	0.026	0.186	0.139	0.890

Source: Primary data processed, 2022

The Effect of Marketing Innovation on Consumer Need Adaptability

The test results show that marketing innovation (MINOV) has a significant positive effect on consumer need adaptability (CAN). This can be seen from the t-statistical value of 4.803 which is greater than t-count value of + 2.013 and a significance p-value <0.001 which is less than 0.05. So, H1 is accepted. In a very dynamic business environment, marketing innovation is needed to be able to keep up with the fast-changing competition. The creativity of

the business world, including small and medium enterprises, in exploiting their resources requires adjustments, both as producers and consumers, to obtain quality goods at competitive prices. Product design needs to be constantly updated according to customer requirements. In addition to competitive products, methods/techniques and promotional tools should be continuously improved. Companies should try to find new ways to build and improve relationships with customers. Marketing innovation, as a result of interactions between individuals within

the organization, including with those outside the organization, is expected to accelerate the consumer need adaptability (Sánchez-Gutiérrez et al., 2019). The results of this study are in line with the results of research conducted by Ali (2019) and (Ferdinand & Fitriani, 2015) that marketing innovation can encourage companies to increase consumer need adaptability. When facing demand pressure, as a result of the Covid-19 Pandemic, entrepreneurs are required to be more innovative in carrying out marketing activities (Ding & Li, 2021; Wang et al., 2020). Companies are competing to be better able to meet consumer needs so they can survive amid the economic downturn due to the Covid-19 Pandemic (Hoekstra & Leeflang, 2020; Kirk & Rifkin, 2020).

The Effect of Marketing Innovation on Marketing Performance

The test results show that marketing innovation (MINOV) has no significant effect on marketing performance (MP). This can be seen from the t-statistic value of 0.731 which is smaller than the t-count of 2.013 and the significance of the p-value of 0.465 which is greater than 0.05. So, H2 is rejected. The results of this study are not in line with the results of research conducted by Bamfo & Kraa (2019) and Hussain et al. (2020) that marketing innovation can improve marketing performance. An innovation takes a long time to be accepted by market players. Its impact on market performance may not be seen for another year (Ali, 2019; Ferdinand & Fitriani, 2015). In the short term, marketing innovation is able to produce products or services that match market needs, but consumers need time to respond to the company's innovation results. During the Covid-19 Pandemic, people's income dropped significantly and there were many layoffs. Even though companies were successful in carrying out marketing innovations by producing various products or services that met the needs, the consumers did not necessarily increase their demand due to their low purchasing power.

The Effect of Consumer Need Adaptability on Marketing Performance

The test results show that consumer need adaptability (CNA) has no significant effect on marketing performance (MP). This can be seen from the t-statistic value of 1.260 which is smaller than the t-count value of 2.013 and the significance of the p-value of 0.208 which is greater than 0.05. So, H3 is rejected. The results of this study do not support the results of research conducted by Ali (2019) that consumer need adaptability has a positive effect on

marketing performance. Theoretically, consumer need adaptability is a means for companies to develop expertise in learning, perceiving, and responding to dynamic markets so as to improve marketing performance. However, this study does not provide significant evidence regarding this relationship. This condition is likely to occur because most MSMEs in Banjarsari District, Surakarta City are providers of the basic needs of the community, so they do not need adaptability to consumer needs. This is of course very different from businesses that serve secondary needs, such as batik (Ferdinand & Fitriani, 2015), coffee drinks (Watini et al., 2022), and restaurants (Lai et al., 2020). The Covid-19 pandemic has had a negative impact on the public consumption needs sector, so it is necessary for companies to be able to adjust to consumer needs.

The Effect of Empowered Interaction Capability on Consumer Need Adaptability

Empowered interaction ability is the ability of organizational members to mobilize and contribute to creating, and establish positive relationships between individuals in the organization, including with customers (Dadwal, 2019). The test results show that empowered interaction capability (EIC) has no significant effect on consumer need adaptability (CNA). This can be seen from the t-statistic value of 0.841 which is smaller than the t-count value of 2.013 and the significance of the p-value of 0.400 which is greater than 0.05. So, H4 is rejected. The results of this study indicate that the empowered interaction capability does not increase customer need adaptability. However, the interaction capability drives marketing innovation and subsequently increases marketing performance (Ngo & O'Cass, 2012).

The Effect of Empowered Interaction Capability on Marketing Performance

Co-creation between service providers and customers is expected to improve marketing performance through the creation of products that suit customer needs. The test results show that empowered interaction capability (EIC) has a significant positive effect on marketing performance (MP). This can be seen from the t-statistical value of 2.153 which is greater than the t-count + 2.013 and the significance of the p-value of 0.032 which is less than 0.05. Thus, H5 is accepted. Marketing performance can improve if all members of the organization understand techniques, social barriers, standards and regulations related to the latest applications in the business world (Leng et al., 2020). Efforts that can be made are

increasing knowledge and ideas from network partners, actively socializing shared experiences on social media, and letting customers interact in their own way. The results of this study support the results of research conducted by Ardi et al. (2020) that empowered interaction capability has a positive effect on marketing performance.

The Effect of Empowered Interaction Capability on Marketing Intelligence

Empowered interaction capability is the ability to interact between members of the organization to mobilize, contribute to creating, and establish responsive relationships, both within the organization and outside the organization, by sharing information and experiences (Ferdinand & Fitriani, 2015). The test results show that empowered interaction capability has a significant positive effect on marketing intelligence. This can be seen from the t-statistic value of 38,237 which is greater than the t-count value of 2.013 and the p-value significance of 0.000 which is less than 0.05. So, H6 is accepted. These results indicate that MSME managers use empowered interaction capabilities to find out what competitors are doing and will be doing. In other words, interaction capabilities will enhance the company's marketing intelligence. The company's ability to develop and maintain good relationships between employees, including with customers, can improve marketing intelligence because there is a sense of sharing information, knowledge and experience between them. The results of this study are in line with the results of research conducted by Wijiharjono (2021) that empowered interaction capabilities encourage the ability of MSMEs to assess markets and competitors, which in turn has an impact on company performance.

The Effect of Marketing Intelligence on Marketing Performance

Marketing intelligence reflects the continuous and systematic understanding, analysis and assessment of the internal and external environment. Therefore, marketing intelligence is expected to improve marketing performance. The test results show that marketing intelligence has no significant effect on marketing performance. This can be seen from the t-statistic value of 0.328 which is smaller than the t-count value of 2.013 and the significance of the p-value of 0.743 which is greater than 0.05. So, H7 is rejected. The results of this study contradict the results of research conducted by Lies (2019) that marketing performance will be better if the company is able to anticipate the situation by using marketing

intelligence of market participants. This insignificant effect can be attributed to the field of business that is generally carried out by the MSMEs that are the research sample. They are only providers of basic needs of society. Small business sectors that meet basic needs generally have traditional customers. There is a stronger personal relationship between seller and buyer than just marketing intelligence.

Consumer Need Adaptability Mediates the Effect of Empowered Interaction Capability on Marketing Performance

The test results show that consumer need adaptability does not mediate the relationship between empowered interaction capability and marketing performance. So, H8 is rejected. The research results confirm that improving marketing performance does not have to be through the customer need adaptability. This can be done directly by increasing the empowered interaction capability. To improve marketing performance, MSME managers need to empower good collaboration between employees within the company and between employees and customers in order to generate products or services that are in line with customer finances. Collaboration and co-creation are important in improving the marketing performance of MSMEs.

Marketing Intelligence Mediates the Effect of Empowered Interaction Capability on Marketing Performance

The test results show that marketing intelligence does not mediate the relationship between empowered interaction capability and marketing performance. So, H9 is rejected. The results of this study are not in line with the view that marketing intelligence is very important for companies to maintain competitive advantage in the face of competition (Lies, 2019). These results are also not in line with the results of research conducted by Furqon et al. (2019) that marketing intelligence mediates the relationship between empowered interaction capability and marketing performance. This indicates that although empowered interaction capabilities can improve marketing intelligence, marketing intelligence itself does not provide significant benefits for the MSMEs engaged in basic needs.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study examines the effect of marketing innovation, empowered interaction capability, marketing intelligence, and consumer need adaptability on marketing performance. In addition,

this study also examines the role of consumer need adaptability and marketing intelligence in mediating the effect of empowered interaction capability on the marketing performance of MSMEs in Banjarsari District, Surakarta Regency, Central Java Province during the Covid-19 Pandemic. The results of this study show that empowered interaction capability has a significant positive effect on marketing performance. Meanwhile, marketing innovation, consumer need adaptability, and marketing intelligence have no significant effect on marketing performance. Likewise, consumer need adaptability and marketing intelligence do not mediate the effect of empowered interaction capability on marketing performance of MSMEs in Banjarsari District, Surakarta Regency, Central Java Province during the Covid-19 Pandemic.

The implication of this research is that MSMEs need to increase empowered interaction capability through increased collaboration and co-creation so that customers are willing to provide ideas or suggestions to the companies, which in turn can improve the company performance. MSMEs also need to increase understanding of customer needs, improve social and emotional relationships with customers, and help increase customer knowledge.

This study is limited to MSMEs in the Banjarsari District only, and the characteristics of the businesses run by the respondents are dominated by the provision of basic needs. Future research is expected to examine MSMEs with a wider scope and with more diverse business fields. In addition, further research needs to examine using a mixed method approach with the aim of obtaining a more in-depth description of this phenomenon.

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