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### ACTORS AFFECTING MARKETING STRATEGY AND ITS IMPLICATIONS ON MARKETING PERFORMANCE IN INDUSTRY SMALL SHOES ENTERPRISES BANDUNG RAYA

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#### ABSTRACT

The business development of small and medium industry activists is inseparable from the application and utilization of information technology which encourages the creation of competitive businesses which can be seen from the effectiveness of the supporting systems. Most shoe entrepreneurs have not used a digital strategy so that it has an impact on marketing performance. The purpose of this study was to determine the factors that influence marketing strategies and their implications for marketing performance. This study used the snowball sampling method to 310 respondents who were analyzed using SEM (Structural Equation Modeling). The results showed that the factors affecting marketing strategy and their implications for performance. This study uses snowball sampling method to 310 respondents who analyzed using product innovation, business partnerships and market orientation affecting marketing performance through marketing strategies. Increased product innovation will ultimately provide benefits for small and medium enterprises (IKM) shoe activists in Bandung.

#### INTRODUCTION

Small and Medium Industry (IKM) is one part of the industrial structure whose existence is often associated with traditional connotations, low capital, low *skills*, and less efficiency. The existence of IKM with such low conditions is apparently able to absorb a workforce of more than 68 million workers or around 85.70% of the workforce who work in small businesses (source for the Central Statistics Agency, 2015).

Industry Small and Medium Enterprises (SMEs) are an integral part of the national business world have accrued, potential and strategic role in achieving national development goals. Considering that their role in development is so great, small businesses must continue to be developed in order to achieve the greatest possible prosperity for all Indonesian people. To achieve this goal, IKM must be improved so that it becomes better by establishing good cooperation between the government and the community. The community is the main actor of development, while the government is obliged to direct, guide, protect and foster a conducive climate.

The footwear product industry in West Java Province is spread across several Regencies / Cities, both products produced from several Small, Medium and Large Industries. Small and Medium Industry (IKM) footwear products are generally located in a central environment that is scattered, among others:

- (1) Bandung City Cibaduyut Footwear Center,
- (2) Ciamis Bogor IKM Center,
- (3) Center for IKM SukaregangGarut,
- (4) The Tasikmalaya Footwear Center IKM.

Footwear products produced by Small, Medium and Large Industries from districts / cities in West Java have been able to be exported to various countries including: Europe, the United States, Asia, Africa and Australia. Based on the West Java Regional Financial Economic Statistics published by Bank Indonesia West Java in July 2016, the export value and export volume of shoes and other footwear in 2011 to 2015 can be seen in Table 1 in the following.

**Table 1** Value and volume of shoes and other foot equipmentin West Java Province (2011-2015)

No.	Year	Export value (IDR million)	Export volume	Change	
				Score	Volume
1.	2011	428,313	30,350	-	-
2.	2012	324,235	25,746	(-24.29)	(15,17)
3.	2013	235,456	18,857	(27.38)	(26.76)
4.	2014	247,550	17,879	5.14	(5.19)
5.	2015	315,470	16,750	2.74	(6.31)

**Source:** West Java Regional Financial Economic Statistics, Bank Indonesia, July 2016 (processed)

Based on Table 1 shows that the export value of shoes and other equipment from West Java Province since 2011 has decreased with a relatively varied percentage of decline. Meanwhile, the export volume experienced a decline that occurred from 2012 to 2013, but in 2014 it experienced a relatively small increase of 5.19%.

The shoe industry includes the classification of leather, leather goods and footwear according to the 2-digit Standard Industrial Classification (KBLI), and to see the development of Small and Medium Industries (IKM) shoe entrepreneurs / craftsmen in Greater Bandung, we can see in Table 2 as follows.

**Table2** Number of Small and Medium Industry Shoe Producers / Craftsmen Throughout Bandung Raya

Year	Shoe Entrepreneur				Number of shoe entrepreneurs	Growth%
	Bandung	Bandung district	West Bandung	Cimahi		
2010	845	32	0	1	878	-
2011	828	36	0	2	866	-1.37
2012	847	36	0	3	886	2.31
2013	867	36	0	3	906	2.26
2014	844	36	65	3	948	4.64
2015	844	36	64	3	947	-0.11
<b>Average</b>						<b>1.29</b>

**Source:** Researcher Preliminary Survey, data processed (2019)

Based on Table 2, we can see the development of shoe producers / craftsmen in Bandung Raya, where from year to year there is a fluctuating increase of only 1.29% on average. From the data, it can be seen that in 2015 there was a decrease of -0.11%. This decrease was due to inadequacy and constrained by incomplete infrastructure so that it was not equipped with adequate road access, lack of promotion of center products, lack of capital assistance in the form of materials and equipment carried out for center that (according to the Technical Implementation Unit (UPTD) Industry Development Center (BPP) Footwear IKM Installation Bandung, 2016).

In 2014, there was an increase from 2.26% to 4.64%, this is due to government programs that support IKM from year to year, for example, the government supports the use of domestic products, capital assistance, creates the number of entrepreneurs in a large number apart from the fact that only 65 shoe entrepreneurs from West Bandung were recorded.

The level of competition is getting tougher, requiring all business actors to mobilize all their potential. According to Undang Juju in Trikonomika (2009) states that with the increasingly fierce competition, the company's existence in the market depends on the extent to which it (the company) is able to produce company performance, in which there is marketing performance, such as sales growth, market share and profitability.

From the phenomena described above, the problem formulation in this study is how much influence product innovation and market orientation have on the marketing strategy of IKM shoe entrepreneurs throughout Bandung Raya.

## **LITERATURE REVIEW**

According to James A.F who was translated by Handoko (2011), "Management is the process of planning, organizing, directing and supervising the efforts of organizational members and the use of other organizational resources in order to achieve established organizational goals". From the definitions described above, it can be seen that management plays a very important role in an organization to direct the planning, organizing, leadership and controlling processes. The four processes have their respective functions to achieve an organizational goal effectively and efficiently.

Marketing is one of the main activities carried out by a company to maintain the survival of the company, to develop and to make a profit. Marketers must strive to understand the needs, wants and demands of the target market because needs are basic human guides. In general, marketing is seen as the task of creating, introducing and delivering goods and services to consumers from other companies. Marketing also serves as an effort to increase sales figures for products or services. Without a marketing process, the market will not know about the products or business services being made. Kotler and Keller (2015) state that marketing management is as follows:

"Marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value."

Product innovation can come from the desire of consumers for a product that meets their needs (marketpull) or it can be through a technology that creates or develops new products which are then introduced to the market (technologypush). Innovation product and services seen as increasingly important strategically Holtzman (2011) in Dhewanto and Hendrati Wawan Dwi Mulyaningsih (2014)). Viewed globally, international markets have increased competition. Competitors were increasingly emerging and it could not be avoided. Even a small difference in the benefits of a product and service will have a big impact on the customer. Therefore, customers are now smarter and become more selective in choosing the products and services they consume. The result is a market that is increasingly segmented due to products and services with increasingly specific benefits, as well as shorter product life cycles due to the large number of competitors entering the market. Therefore, introducing new products and services efficiently and effectively is a way that allows companies to take advantage of the competition.

Meanwhile, according to Jaworski and Kohli (1993) in Wachjuni (2014): Market orientation is a series of processes and activities to obtain information. In addition, market orientation is believed to provide

psychological and social benefits for employees, in the form of a greater sense of pride and belonging as well as greater organizational commitment.

Narver and Slater (1990) in a research in the form of Yusuf Iskandar (2016) stated that market orientation consists of three behavioral components, namely: customer orientation, competitor orientation, and coordination between functions.

Marketing performance is a construct that is often used to measure the impact of the strategy and orientation implemented by the company. Marketing strategies are always directed at producing good marketing performance such as sales volume, number of customers, and a good sales growth rate as well as good financial performance (Ferdinand, 2003). Furthermore, Ferdinand also stated that good marketing performance is expressed in three main values, namely sales value, sales growth, and market share which ultimately leads to company profits. Marketing competence has a positive relationship with performance outcome measures (Nursya' bani Purnama and HeriSetiawan (2003) in AgusAlamsyah(2011)).

In general, the measure of company performance is measured through the rupiah value of sales, return on investment (ROI), and Return on assets (ROA). However, these measures are seen as aggregative measures produced through accounting and financial processes, but do not directly describe management activities, particularly marketing management (Ferdinand, 2000).

## **RESEARCH METHODOLOGY**

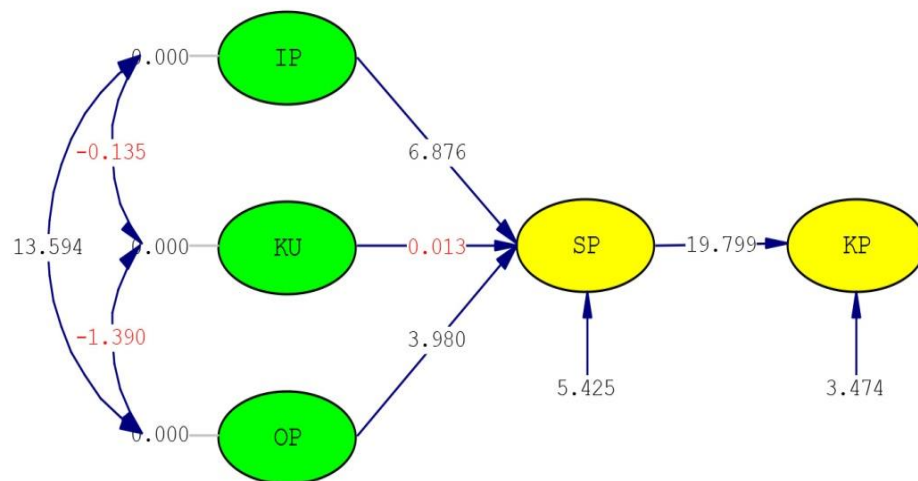
This research is descriptive-verification, where research is a descriptive study whose main purpose is to describe something and usually characteristics or functions. Another feature of descriptive research is that it does not make comparisons or connect with other variables (Sugiyono, 2015). This study also uses a survey method. The survey was carried out by distributing questionnaires to the research sample. The population of this study were small and medium industrial shoe entrepreneurs in Bandung Raya in several areas, namely Bandung City, Bandung Regency, Cimahi and West Bandung Regency. These areas are the centers of shoe production. The sampling technique in this study used snowball sampling with a sample size of 310 respondents. Calculations were performed using Lisrel 8.70 software. Operationalization of variables is a specification of activities that will be used to measure variables. The operationalization of these variables is then described as an indicator used in each variable. Variable operationalization includes the dimensions of each variable. In this study, there are 19 parameters consisting of eight product innovation parameters, three market orientation parameters and five marketing performance parameters. This assessment uses a Likert scale ranging from one to five. This study requires information from existing customers based on the dimensions of each variable.

## RESULTS AND DISCUSSION

Before the questionnaire is used for data collection, firstly tested its validity and reliability using the Pearson Product Moment correlation method and Cronbach's Alpha. The following shows the results of the validity and reliability tests for all questionnaire questions / statements.

Based on the recapitulation of the results of the validity and reliability of the instruments presented in the table above, it can be seen that all statement items show valid results, where the value of the validity coefficient of each statement item is greater than the  $r_{table}$  value of 0.361.

In the research hypothesis section, it is tested whether the magnitude of the influence between the variables previously described is statistically significant or not. Hypothesis testing is done by using the t test approach for partial hypotheses and F test for simultaneous hypotheses. By using the help of the LISREL program application, the t value calculation results are obtained as follows:



Chi-Square=885.56, df=405, P-value=0.00000, RMSEA=0.062

**Figure 1** Structural Diagram of  $t$  Value Estimation Results

**Table 3** Evaluation of the Estimated Value of  $t$  Structural Equations

$$SP = 0.486 * IP + 0.000608 * KU + 0.290 * OP, \text{ Errorvar.} = 0.495, R^2 = 0.505$$

(0.0707) (0.0457) (0.0728) (0.0912)  
 6,876 0.0133 3,980 5,425

$$KP = 0.896 * SP, \text{ Errorvar.} = 0.197, R^2 = 0.803$$

(0.0453) (0.0566)  
 19,799 3,474

**Test hypothesis**

$H_0 \rightarrow R^2 = 0$ : There is no simultaneous significant effect of Product Innovation, Business Partnership and Market Orientation on Marketing Strategy;

$H_1 \rightarrow R^2 > 0$ : There is a simultaneous significant effect of Product Innovation, Business Partnership, and Market Orientation on Marketing Strategy.  
 Significance level ( $\alpha$ ) = 5%.

Test criteria:

Reject  $H_0$  and accept  $H_1$  if  $F_{count} \geq F_{table}$ ; or

Accept  $H_0$  and reject  $H_1$  if  $F_{count} < F_{table}$ .

Table 2 has been obtained through the coefficient of determination ( $R^2$ ) of 0.505, so that the value of F arithmetic can be calculated as follows:

With  $df_1 = k = 3$  and  $df_2 = n - k - 1 = 310 - 3 - 1 = 306$ , then the  $F_{table}$  value is obtained from the F distribution table at the 5% significance level of 2,634.

Because the calculated F value is greater than the  $F_{table}$  value ( $104,061 > 2,634$ ),  $H_0$  is rejected and  $H_1$  is accepted, meaning that Product Innovation, Business Partnerships, and Market Orientation simultaneously have a significant effect on Marketing Strategy.

Based on test criteria outlined above, it appears that the value of t arithmetic variable Marketing Strategies that are in the rejection of the null hypothesis ( $1,968 < 19.799$ ). This indicates that  $H_0$  is rejected and  $H_1$  is accepted, meaning that Marketing Strategy has a partially significant effect on Marketing Performance

Using the help of the LISREL program application, the following results are presented in the evaluation of structural model suitability (Goodness of Fit) after respecification.

**Table 5** Evaluation of Goodness of Fit Criteria After Model Respecification

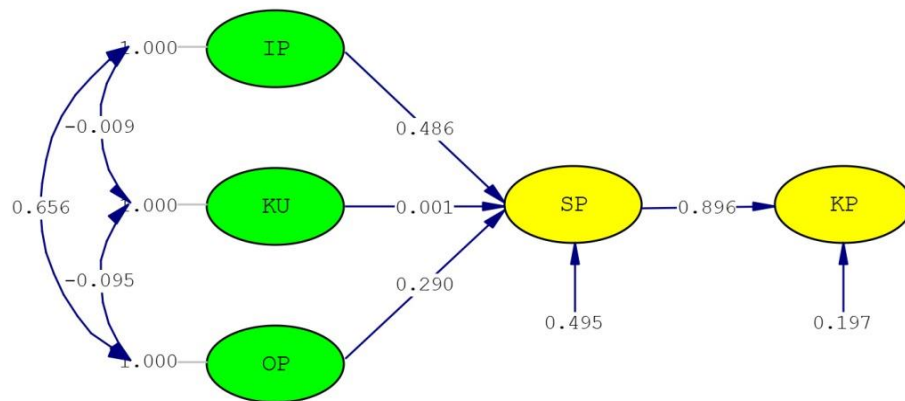
Goodness of Fit measures		Target Match Rate	Estimation Results	Match Rate
1	Satorra-Bentler Scaled Chi-Square	p-value > 0.050	0,000	Poor fit
2	RMSEA	RMSEA < 0.080	0.062	Good fit
3	ECVI	ECVI	3,455	Good fit
		ECVI Saturated	3,210	
		ECVI Independence	93,139	
		CAIC Saturated	3341.34	
		CAIC Independence	28926.77	

4	NFI	$NFI \geq 0.90$	0.969	Good fit
5	CFI	$CFI \geq 0.90$	0.983	Good fit
6	NNFI	$NNFI \geq 0.90$	0.980	Good fit
7	IFI	$IFI \geq 0.90$	0.983	Good fit
8	RFI	$RFI \geq 0.90$	0.965	Good fit
9	GFI	$GFI \geq 0.90$	0.839	Marginal fit
10	AGFI	$AGFI \geq 0.90$	0.803	Marginal fit
11	PGFI	$PGFI \geq 0.60$	0.685	Good fit
12	PNFI	$PNFI > 0.09$	0.844	Good fit
13	RMR	Standardized RMR $< 0.050$	0.049	Good fit

Source: Processed by Researchers with the Lisrel 8.70 Program. (2019)

From the overall model fit analysis presented in the table above shows that there is 1 measure of Goodness of Fit that is not good (poorfit), 2 measures of Goodness of Fit that are quite good (marginal fit), and 10 measures of Goodness of Fit that show the results. good (goodfit). Thus it can be concluded that the fit of the overall model is considered good and satisfactory.

**Magnitude of influence between variables**



Chi-Square=885.56, df=405, P-value=0.00000, RMSEA=0.062

**Figure 2** Structural Diagram of Standardized Coefficient Estimation Results

**Table 6** Evaluation of Structural Parameter Estimation Results

Structural Equations

$$SP = 0.486 * IP + 0.000608 * KU + 0.290 * OP, \text{Errorvar.} = 0.495, R^2 = 0.505$$

(0.0707) (0.0457) (0.0728) (0.0912)  
 6,876 0.0133 3,980 5,425

$$KP = 0.896 * SP, \text{Errorvar.} = 0.197, R^2 = 0.803$$



(0.0453) (0.0566)  
19,799 3,474

Based on the table and figure above, it can be seen that in sub structure 1, Product Innovation ( $\xi_1$ ) affects Marketing Strategy ( $\eta_1$ ) by 0.486, Business Partnership ( $\xi_2$ ) affects Marketing Strategy ( $\eta_1$ ) by 0.001, and Market Orientation ( $\xi_3$ ) effect on Marketing Strategy ( $\eta_1$ ) of 0.290. Together (simultaneously), Product Innovation ( $\xi_1$ ), Business Partnership ( $\xi_2$ ), and Market Orientation ( $\xi_3$ ) contributed to the influence of the Marketing Strategy variable ( $\eta_1$ ) by 0.505 or 50.5%, while the remaining 49.5 % is influenced by other variables not observed in this study.

## CONCLUSION

Based on the analysis of secondary data and primary data as well as the results of structural equation modeling and hypothesis testing of research on shoe entrepreneurs in Greater Bandung, it can be concluded as follows:

1. Shoe Product Innovation in Bandung Raya is in a fairly good to good category with an average perception of the respondents of 69.35% which lies in the continuum line ranging from 63.27% to 75.50%, this indicates that innovation shoe products throughout Bandung Raya are included in the category "good enough" towards good which is dominantly shaped by product innovation. However, there are still indicators that have weaknesses, namely the variety and shape of the shoe product is still not creative and the product packaging has not attracted the attention of consumers.
2. The marketing performance carried out by small and medium-sized industrial shoe entrepreneurs throughout Bandung Raya is in the fairly good to good category with an average perception of 63.66% this indicates that the marketing performance is included in the fairly good category where the shoe entrepreneur has implemented four indicators, namely volume. sales, customer growth, profitability and motivation. From the analysis of the calculation of these indicators, there are several things that must be improved by shoe manufacturers in Bandung, including: service quality and evaluation of business models.

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