

# The Effect of International Marketing and Marketing Communication on Marketing Performance at Yogyakarta's SMEs

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This study discusses the effect of international marketing and marketing communication on marketing performance and marketing communication toward international marketing existed in SMEs at Yogyakarta. The research used path analysis with convenience sampling as a sampling method. However, marketing communication is rejected by affected international marketing. Marketing communication has a greater impact than international marketing toward marketing performance. The results indicate that the manager of the SMEs should take care of how marketing tools are held in the business. It must carry good communication tools and an international marketing point of view. Suggestions for future research should improve the quality of the exported products with consideration for the green industry.

**Key words:** *Marketing performance, SMEs, entrepreneurship.*

## Introduction

Small and Medium Enterprises (SMEs) are the majority business group in many countries. Therefore if SMEs get stronger, then the national economy will get stronger as well (Byun, Sung, Park, & Choi, 2018; Kamunge, Njeru, & Tirimba, 2014; Ndubisi & Iftikhar, 2012; Savrul, 2017; Valliere & Peterson, 2009). One of the reasons for this is that it can increase family income. As stated by Santoso & Oetomo (2018), entrepreneurs play an important role in improving people's welfare. In Indonesia, particularly in the province of the Special Region of Yogyakarta, the number of SMEs reached 220.703-238.619 units in 2016-2017 (UMKM DIY, 2017). Advancing SMEs is a challenge because of internal limitations (for example financial limitations, human resource capabilities, and marketing capabilities) in competing with large businesses, but the use of information technology can strengthen their marketing



reach to the international level. An international marketing orientation encourages SMEs to think about strategies to enter the market and perform in international markets (Kanibir, Saydan, & Nart, 2014).

SMEs in Yogyakarta produce unique Yogyakarta products such as pottery in Kasongan, silver handicrafts in Kotagede, leather handicrafts in Manding, and Batik Jumputan handicrafts at Pandeyan Tahunan. Local products can be exported to meet fulfil global demand. Innovation through products has a tremendous impact on SME growth and progress in business competition in international marketing (O’Cass & Weerawardena, 2009).

Innovation and international marketing are more often implemented by large companies. In this study, researchers analysed the performance of SMEs. SMEs with limited facilities make unique products that they can market internationally. Researchers also included analysis of marketing communication orientation toward marketing performance to gain a better understanding of SMEs’ marketing performance. Understanding marketing performance is the reason why the research is conducted. SMEs that can compete in international markets will be able to create jobs and economic growth (Moen, 2007).

### **Theoretical Background**

The choice of communication strategies is important for a business (Mumel, Hocevar, & Snoj, 2007). There is a significant relationship between marketing communication strategies and the effectiveness of communication strategies (Jerman & Završnik, 2014). The selection of effective marketing communication strategies can ensure success in fierce business competition. Marketing communication is a tool that can be used to increase consumer motivation and create a competitive advantage (Milichovský, 2013). Another definition of marketing communication based on Malinowska (2013) is a set of tools and procedures for exchanging information about a company and its products, which contribute to meeting organizational goals. The purpose of marketing communication is to inform, convince, and remind brands and businesses of products that are given directly or indirectly. Marketing communication that allows consumers to focus attention on their business and create uniqueness (value) can be an opportunity in business competition. Lahti & Beyerlein (2000) argue that marketing communication is a tool that can create competitive advantage, increase sales and profits, and minimize costs, time and stress.

Integrated Marketing Communication (IMC) is a concept in communication that is more than just integration: IMC is a concept of strategic positioning, managerial organizational, and interrelated personal issues (Bruhn & Schnebelen, 2017; Kliatchko, 2008). The concept that began from 1990 until the present shows that communication in marketing also develops according to the times so that managers must be given more attention. IMC is a concept in



marketing communication planning that prioritizes the added value of a comprehensive plan and evaluates the strategic rules of various communication disciplines such as advertising, direct marketing, sales promotion and public relations in an effort to provide clarity, consistency and maximum communication (Eagle & Kitchen, 2000). Although this research does not focus on the IMC concept, the author wants to emphasize the importance of marketing communication concepts that can add value and be directly felt by potential customers and buyers.

Designing a global marketing strategy to operate in international markets is crucial for success in entering overseas markets (Kanibir et al., 2014). Therefore, SMEs need to understand the geographical targets and market segments to be addressed, as well as the marketing mix used. SMEs in Yogyakarta in conducting international marketing is still limited by exporting products. The strength of ethnic and cultural related products becomes a competitive advantage because it is unique and innovative. Gnizy & Shoham (2014) emphasized that in international marketing, SMEs can adopt innovative behaviour by taking risks and being proactive in the international market. International marketing activities are carried out by searching for innovative products and services that target international markets, look at foreign markets as opportunities rather than risks, and look for business opportunities and partners abroad (Kanibir et al., 2014). International marketing activities have a broader scope than just export activities. Indeed, international marketing activities alone include market analysis, product or service development, pricing, distribution, and promotion (Ruzo, Losada, Navarro, & Díez, 2011).

In SMEs, the success of marketing performance is often simplified in size by increasing profits on sales. The marketing strategy aims to realize marketing performance in sales quantity and sales growth rate (Pires, Rocha, Borini, & Rosetto, 2015). Zhao & Priporas (2017) states that marketing performance is the key to business success as a result of market strategies for customers, markets, and organizations. Another study shows that good marketing performance has three main focuses: namely, sales value, sales growth, and the right target market which ultimately can increase company profits (O’Cass & Weerawardena, 2009). Marketing performance is used to test the extent to which market performance has been achieved by the products of the company. An important aspect that excels in a competition is the presentation of valuable products and services at competitive prices, which provides value and customer satisfaction (Keh, Nguyen, & Ng, 2007).

### **Hypotheses Development**

Marketing communication is a tool that can be used by a business to influence consumer behaviour and create competitive advantage (Milichovský, 2013). In addition, marketing communication represents the “voice” of the company and its brand (Amoako, Dartey-Baah, Dzoghbenuku, & Junior, 2012). Lahti & Beyerlein (2000) argue that marketing communication

tools can create competitive advantages, increase sales and profits, and minimize costs, time and stress. Another definition stated that marketing communication is a process where marketers try to share their message to targeted customers (Hossain, Kabir, & Rezvi, 2017). Meanwhile, international marketing has the scope to achieve the target market abroad, firstly in relation to geographic targets and the market segments to be addressed, and secondly in relation to the marketing mix used. Ehikwe (2013) stated that marketers are expected to position their brands of products in the minds of millions of consumers and, therefore, have to direct the communications about these brands to them. The potential determinants of export performance include the marketing strategy carried out by the firm in its foreign markets (an adaptation of marketing-mix strategy and expansion) and the resources available for implementing the strategy (Ruzo et al., 2011).

As far as communication is concerned, in an era of network or relationship marketing, as well as just-in-time manufacturing and delivery, maintaining effective internal and external communications is critically important to the firm's successful internationalisation process (Johanson & Vahlne, 1990; Lu & Julian, 2007). SMEs that consciously put forward a good communication system will be open to the potential of exporting their products abroad. Therefore, SMEs that are open to export opportunities will do marketing that does not only exist domestically but abroad. In other words, this good marketing communication will open up potential opportunities for an MSME to 'move up to go international' later on. Based on the explanation above, the first hypothesis is stated:

### **H1: Marketing communication positively influences international marketing**

Success in international marketing activities in an SMEs entity requires a proactive strategy, detailed planning, and the implementation of the right strategy (Chao & Kumar, 2010; Griffith, 2010; O'Cass & Weerawardena, 2009; Ruzo et al.). Before the implementation of strategy, selected targeting must be done by the SMEs. Selecting a target market is critical because the choice can have a major implication on a firm's market performance (Hoang, 1998). Market-oriented SMEs should then focus on satisfying the desires of the target market by producing value-added products.

SMEs in Yogyakarta see the international market as a way out to get the right consumers and higher selling prices than in the local market. SMEs must proactively seek sufficient market information to find opportunities to increase market share and expand product lines, expand markets and even diversify international marketing activities (Moen, 2007). Research conducted by Shamsuddoha, Ali, & Ndubisi (2009) expressly states that the performance of SMEs in international activities is determined by strategy and management's ability to implement the overall strategy. Ruzo et al. (2011) and Jin & Cheo (2010) found a positive effect of international marketing on marketing performance.

## **H2: International marketing positively influences marketing performance**

Previous research conducted by Papastathopoulou (2000) shows that the application of communication in marketing is closely related to marketing results in terms of sales, market share, and profits for an organization. Luxton, Reid, & Mavondo (2014), Papastathopoulou (2000), and Solberg (2002) in a theoretical and empirical contribution, illustrates the impact of marketing communication on the performance of companies or SMEs, especially in improving relations between organizations. Milichovský (2013) presents a potential measurement and evaluation of the implementation of marketing communication. The results of his research indicate a significant positive impact on the performance of marketing communication on market performance. The relationship between marketing communication and organizational performance is important to study, but few empirical studies support this relationship (Hossain et al., 2017). Organizations that have marketing communication skills can create successful communication programs and ensure long-term market performance. The success of an organization can also result from the effectiveness of marketing communications (Luxton et al., 2014).

## **H3: Marketing communication positively influence toward marketing performance**

### **Research Methodology**

This study uses path analysis using SmartPLS 2 to 100 respondents. Path analysis is a variation of multiple-regression analysis and is useful for analysing several issues involved in the causal Stage, Carter, & Nora (2004). The respondents in question are the owners of SMEs (pottery in Kasongan, statue in Ganjuran and Batik Jumputan handicrafts at Pandeyan Tahunan) around Yogyakarta. Samples were taken using convenience sampling. Before the path analysis is performed, it is necessary to ensure the reliability and validity of the variable indicators by testing the outer loading test model. The research adapted indicators from international marketing by O'Cass & Weerawardena (2009), marketing communication by Chen, Shen, & Chiu (2007), and international marketing performance by Fahy et al. (2000).

### **Findings**

Based on the characteristics table of the respondents (table 1), it can be seen that the SME business owners in Yogyakarta serving as a sample of respondents are mostly women with a percentage of 50.5%, with the company operating for 6-10 years with a percentage of 50.5%. Measurement loadings are the standardized path weights connecting the factors to the indicator variables. The result showed that all the value of the loading is greater than 0,7 which is about half the variance and is also the level at which explained variance must be greater than error variance (Garson, 2016). The validity test also used Average Variance Extra (AVE) value

which amounted above 0,5, which proved the items were valid. In can be concluded that all of the items of the questionnaire were valid. The reliability test then used Cronbach's alpha value and the result showed that all of the items in the questionnaire were above 0,7. Therefore, all of the items were indicated as reliable.

**Table 1:** Characteristics of Respondents

<b>Gender</b>	<b>Percentage</b>
Male	49,5%
Female	50,5%
Total	100%
<b>Period the Company Operates</b>	
Under 5 years	22,7%
6-10 years	50,5%
11-20 years	19,6%
21-30 years	4,1%
Over 30 years	3,1%
Total	100%

Results of the path analyses table indicates that marketing communication has a positive effect on international marketing. It can be seen that the value of  $t$  (0,914) has a  $p$ -value of 0,361. H1 is rejected ( $p > 0,05$ ). It can be explained by the characteristic of preference related to the product in foreigners. They would likely consider the quality of the product itself than the marketing strategy used by Indonesian SMEs. Indeed, it is still an issue even in Indonesia consumers about the quality of Indonesian SMEs product. Nevertheless, Indonesian SMEs always develop and upgrade their products to be able to compete with other foreign products.

The second hypothesis shows that international marketing has a positive effect on marketing performance. It can be seen that the value of  $t$  (2,155) has a  $p$ -value of 0,032. H2 is accepted ( $p < 0,05$ ). Pottery SMEs in Kasongan, statue in Ganjuran and Batik Jumputan handicrafts at Pandeyan Tahunan can increase international marketing, especially in terms of increasing market share, entering new markets, and increasing customer satisfaction (O'Cass & Weerawardena, 2009). The target market at the global level can benefit SMEs because products are sold in dollars at a favourable exchange rate against the rupiah. Product innovation strategies are often a powerful way to attract the market. Findings made in this study are in line with research by Shamsuddoha et al. (2009) and Moen (2007), who demonstrated that international marketing has a positive effect on marketing performance.

The third hypothesis shows that marketing communication has a positive effect on marketing performance. It can be seen that the value of  $t$  (6,099) has a  $p$ -value of 0,000. H3 is accepted ( $p < 0,05$ ). The selection of effective marketing communication strategies for SMEs can ensure

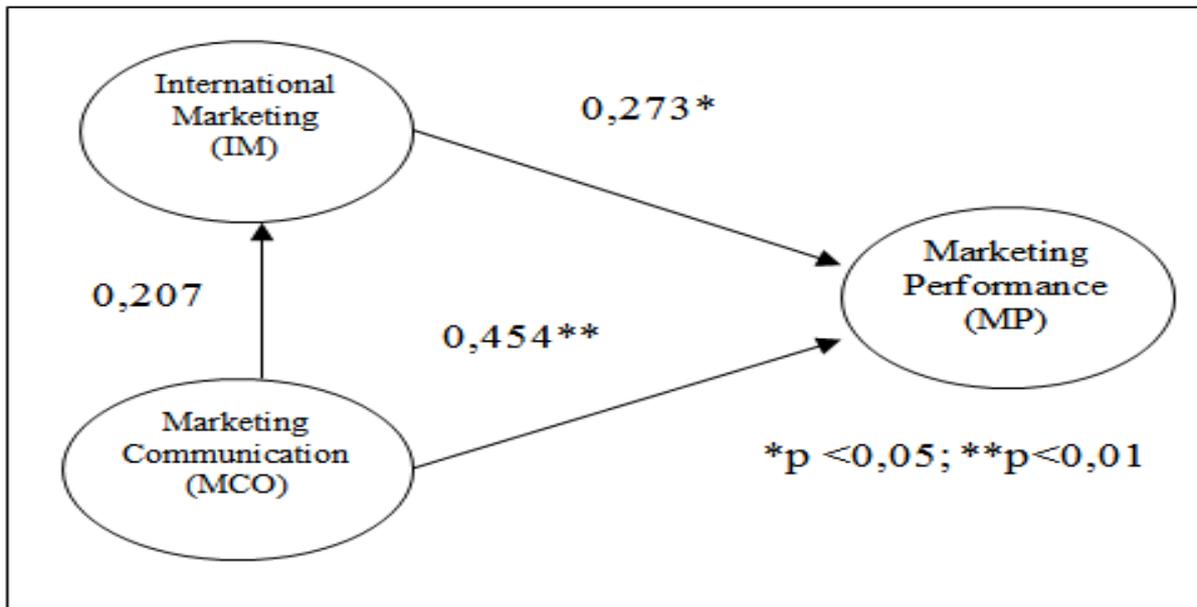
success in a competitive business environment. The findings of this study are in line with the research conducted by Luxton et al. (2014), which showed that SMEs with marketing communication skills can create successful communication programs in determining long-term market performance. Thus the research findings lead to the suggestion that marketing communication in SMEs needs to be continuously improved through message clarity, message uniformity, and the integration of communication (Chen et al., 2007), to encourage further marketing performance.

However, the result also showed that there is an indirect relationship between marketing communication, international marketing, and marketing performance. Based on Path Analyses Table below, the indirect relation is rejected. Therefore, the relation between marketing communication to international marketing and international marketing to marketing performance will separately impact one another.

**Table 2:** Path Analyses

	<b>Path Coefficient</b>	<b>Sample Mean</b>	<b>Standard Deviation</b>	<b>T statistics</b>	<b>P Value</b>
MCO – IM	0,207	0,190	0,226	0,914	0,361
IM – MP	0,273	0,263	0,127	2,155	0,032
MCO – MP	0,454	0,476	0,074	6,099	0,000

**Figure 1.** Result





## **Discussion and Conclusion**

Nowadays, SME development is still important for the Indonesian Government. The government has attempted to help domestic SMEs to improve their products and thereby increase exports and ultimately, decrease poverty and unemployment. SMEs in Indonesia provide around 87% of contributions to several business entities in Indonesia and has a share of 85% in employment (Murdani, Widayani, & Hadromi, 2019). Therefore, in line with the goals stated earlier, it is important to choose the strategy used by SMEs. One of the strategies which is necessary is in the marketing field. Based on the result, researchers recommend that SMEs continue to improve international marketing and marketing communications to gain better marketing performance. International marketing indicators from O'Cass & Weerawardena (2009) and marketing communication indicators from Chen et al. (2007) need to be improved in implementation. In future research, the green industry should be included in terms of the quality and technology used in the SME field, particularly if SME product would likely be exported.

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