ANALYSIS OF FACTORS AFFECTING THE PERFORMANCE OF SME EXPORTS IN CENTRAL JAVA THROUGH EXPORT MARKETING STRATEGIES

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ABSTRACT

The Era of the ASEAN Economic Community (MEA) should be a boost for small and medium entrepreneurs (SMEs) to be more proactive in maintaining the existence of their business. SMEs as one of the important links in Indonesia’s economic growth, need to get special attention to develop it. The research problem is how to improve export performance of SMEs in Central Java through the adoption of e-commerce, 3PL (third party logistics support), export market orientation and export marketing strategy. In answer to the problem developed a modeling and four hypotheses have been formulated in this study. This study used sampling purposive sampling method in which the respondent is the owner or manager of SMEs in Central Java that meets the criteria. The number of samples in this study was 134 respondents. The analysis tool used is SEM (structural equation modeling) in the AMOS program.

The result of SEM analysis meets the criteria of Goodness of Fit that is Chi-square equal to 193,647; probability 0.051; TLI 0.981; CFI 0.984; CMIN / DF 1,188; RMSEA 0,039; GFI 0.879 and AGFI 0.844. The results of the data analysis showed that all hypotheses are accepted and produced three strategies in order to improve export performance through export marketing strategies that are influenced by export marketing orientation, support from logistic companies, and e-commerce adoption.

Keywords: small and medium enterprises, export performance, export marketing strategy, export marketing orientation, logistic support company, and e-commerce adoption.
INTRODUCTION

Entering the period of the ASEAN Economic Community (MEA), Small Medium Enterprises (SMEs) are required to be more proactive in maintaining their business existence. It cannot be denied that SMEs are one of the important links in Indonesia’s economic growth. Benny and Abdullah (2011) also said that business people in Indonesia, in general, are not fully able to see MEA as a bigger opportunity for their business, and many of them even consider the MEA as a scary and pampering environment.

Based on the data from Indonesia Ministry of Cooperatives and SMEs in 2013, Indonesia has 57.9 million SMEs and is the largest number in ASEAN. According to the Indonesian law, UU No.20 of 2008, a business entity is classified as a small business when it sales reached Rp. 300.000.000,00 - Rp. 2.500.000.000,00 per year, and when the sale is Rp. 2.500.000.000,00 - Rp. 5.000.000.000,00, it will be categorized as medium business. While in Central Java, the growth of SMEs is very rapid where there is an increase every year. A significant growth occurred in 2011 to 2013. The growth chart of SMEs in Central Java can be seen in Figure 1 below:

![Figure 1: Graph of SME Growth Central Java Province](https://example.com/figure1.jpg)

*Source: Ministry of Cooperatives and SME’s website*

Thousands of SMEs are expected to understand the MEA as a golden opportunity to grow its business. Julian and O’Cass (2003) argued that foreign markets are both opportunities and challenges that will affect export performance and it is requiring the active participation of national and local governments to enhance the competitiveness of SMEs and provide real encouragement and assistance to take advantage of opportunities and face existing challenges.
In order to support the increase of export activities, from the private sector, the Indonesian Chamber of Commerce and Industry (KADIN) of Central Java Province launched a business portal to expand the network of SMEs abroad. The e-commerce portal named getasean.com is a collaboration between Central Java Chamber of Commerce and Malaysian Trade Company (SMCCI) and the Growth of Young Generation Entrepreneurs (GMB) or Young Entrepreneur Organization of Malaysia. The getasean.com portal will help the SME sector to market its products to the co-operated countries, in line with the aforementioned portal’s goal to encourage the expansion of SME sector trade network access to overseas markets so as to compete within the MEA.

Various studies conducted show a positive relationship between export marketing strategy and export performance (Morgan et al., 2012; Leonidou et al., 2002). These studies are based on the results of previous studies, including Cavusgil and Zou (1994) where they stated that EMS is a key factor for achieving export marketing performance. Nevertheless, some authors such as Adis and Sidin (2010), Julian (2003), and Julian and O’cass (2001) who conducted similar research, claimed no direct or significant relationship between EMS and EP. The phenomenon in central Java is the increasing number of SMEs that have not been directly proportional to the increasing number of SMEs that exports, which occurs due to many factors including language limitations and weak EMS. SME entrepreneurs also have not utilized maximally the training held by the government through the relevant agencies. Another phenomenon is that SMEs do not dare to risk working with foreigners where many of them do not understand the system of security cooperation in the international market.

Based on the research gap and the above phenomenon, as well as the suggestions of previous researchers, Valenzuela and Gomez (2010) who examined the effect of EMS on EP, in order to research the same in other countries by adding other variables that increase marketing, in this research the problem taken is how to improve export performance of SMEs in Central Java through e-commerce adoption, logistics support, export market orientation and marketing export (export marketing strategy).

LITERATURE REVIEW

Export Performance (EP)

Export is one way to enter the international market and is a corporate strategy to expand the company’s activities abroad (Jalali and Soleimani, 2014). Performance is an indispensable guide for any company analyzing success rates, both in the domestic and international arena (Lages, 2000). Export Performance
can be broadly defined as the result of various corporate activities in export markets (Muhammed and Saleem, 2008). Codogan et al. (2003) define export performance as the degree of economic achievement in export markets. According to Navaro et al. (2010), EP is the result of the company’s activities in the international market. The EP of a company reflects the company’s specific behavior in utilizing its resources and capabilities in an international context at a particular point in time (Baleska, 2014). SMEs must understand the strengths and weaknesses of their business so they can achieve maximum performance. They must also be aware of the various obstacles that threaten the EP. They should be sensitive to obstacles from within and abroad. Barriers from within the country such as taxation and other government regulations, while foreign obstacles, among others, is a global economic crisis that causes business competition is getting stronger because all parties make efforts to survive.

**Export Marketing Strategy (EMS)**

Export Marketing Strategy (EMS) or export marketing strategy is a condition where the company responds to the interaction of internal and external forces to meet the objectives of the export business, which involves all aspects of marketing plans including product, promotion, pricing and distribution (Cavusgil and Zou, 1994). Export marketing strategy is a company’s planning to respond to internal and external forces by using elements of the marketing mix to achieve company goals. The key factors affecting EMS are standardization decisions or adapting to overseas market conditions (Cavusgil and Zou, 1994). In this study, the dimensions of EMS used are product adaptation, price adaptation, promotion adaptation and export channel accuracy (export channel).

**3PL Support**

Third-party logistics (3PL) is an additional activity in the transport system that can strengthen relationships between modes of transport (Selviaridis et al., 2008). According to Leuschner et al. (2014), the three main reasons for using the services of logistics companies are (1) service improvements, (2) cost reduction, (3) the desire of service users to focus on the main business unit. Selviaridis et al., 2008 states various LSP selection criteria which include financial stability/strength, service quality, and price/cots. The 3PL performance dimensions used in this research are service quality, reliability, flexibility and financial stability.
E-Commerce Adoption (EA)

Rainer and Cegielski (2011) convey that e-commerce is the process of selling, buying, moving, or placing products, services or information through computer networks and the internet. By KhodadadHuseini et al. (2009), e-commerce is defined as selling over the internet. According to Yappar and Yappar (2015), e-commerce is the process of buying and selling methods of goods and services designed through computer networks. Various drivers have been identified as a rationale for companies adopting e-commerce (Gilmore et al., 2007). These reasons include expansion of the company into national and international markets. Through e-commerce, a company does not have to have too many outlets to get more customers, best suppliers, and matching business partners from around the world (Sajuyigbe, 2012). The dimensions of EA used in this study are the benefits of e-commerce adoption, ease of use of the web, web completeness, and web appeal.

Export Market Orientation (EMO)

Export Market Orientation (EMO) or export market orientation by Cadogaa et al., (2009) is a company’s attempt to integrate the marketing concept with its export activities. Cadogan et al. (2002) have integrated the market orientation dimension of market intelligence generation related to export activities, market intelligent dissemination and responsiveness to market intelligence into marketing international who then gave birth to the concept of EMO. Export market intelligence generation is the activity of seeking information about customers in export markets and their future needs, competition in export markets, and others (Norzalita and Mohd, 2010). Export market intelligence dissemination according to Olimpia and Amonrat (2006) refers to the possible formal and informal exchange of information that can be used to make informed decisions on export marketing. Responsiveness to export market intelligence according to Dodd (2005) is the design and implementation of all responses to export intelligence that has been established and disseminated.

Export Marketing Strategy (EMS) and Export Performance (EP)

EMS is one of the main elements that have an influence on export performance (Brodrechtova (2008), Halikias (2008) Traditionally a marketing strategy is identified as an antecedent and a determinant of performance exports (Mavrogiannis et al., 2008; Leonidou, et al., 2002; Baldauf et al., 2000; Cooper, Kleinschmidt, 1985) .EMS is a tool of the internal and external strength of firms
used by firms to achieve export objectives Oyeniyi (2009) states that in the choice of strategy, firms must adjust their strengths with existing market opportunities, neutralize weaknesses and overcome existing threats (Cavusgil and Zon, 1994). Companies can respond to controllable and uncontrollable forces in various ways to achieve their goals. The response is a marketing strategy covering all aspects of the product, promotion, price, and distribution.

The research model of Oyeniyi (2009) using marketing plan, marketing mix, and marketing adaptation/standardization as an element of EMS shows that marketing strategy related to export context, industrial product and export market characteristic can support export performance. In another study, Cavusgil and Zon (1994) asserted that business strategy directly affected export performance. Distributors have an important role in marketing success in the export market. Rosson and Ford in Cavusgil and Zou (1994) stated that cooperation with export channels is important for effective implementation of export marketing strategies and improving export performance. Thus, this research proposes a hypothesis:

**H1:** Export Marketing Strategy has a positive effect on SME’s Export Performance.

### 3PL Performance (3PLP) and Export Performance (EP)

The performance of logistics companies selected by SME entrepreneurs plays an important role in improving corporate EP (Yeung, 2006). Leuschner et al. (2014) state a positive relationship between customer service 3PL with company performance. To achieve the expected level of customer service requires proximity and collaboration between buyers and suppliers (relational governance structure). Rosa et al. (2014) found that improving logistics performance will increase the volume of exports. Research conducted by Yeung (2006) on a new view of the relationship between logistics service providers (3PL), found that the role of 3PL service providers is quite important in logistics activities and improving export performance.

In his research, Yeung (2006) showed that 3PL timelines of service affect user export performance. 3PL timelines of service or time limits for these services also directly affect the achievement of the export destination of the service user. The price factor of the service (3PL pricing factor) which affects the logistics performance of its users will also affect the achievement of the export destination. Exporters who use 3PL services should benefit faster and better. Faster production and distribution processes and better distribution performance that will excite customers. Competitive advantage 3PL will improve the user’s export performance (Yeung and Cheng, 2012). Based on these studies and referring to the results of research Maes (2012) states the higher the quality of 3PL services the better the export performance of its users, then:
**H2:** 3PL Performance has a positive effect on SME’s Export Performance.

**E-Commerce Adoption (EA) and Export Performance (EP)**

Abebe (2014) states that the role of e-commerce is directly proportional to the entrepreneurial orientation to improve the performance of SMEs. E-commerce is also proven to increase sales growth in SMEs that adopt it compared to SMEs that do not adopt e-commerce. The adoption of e-commerce has a significant positive effect on the performance of SMEs. The ease of e-commerce adoption makes many entrepreneurs interested to try it, but it is not uncommon to doubt the validity of online transactions, especially middle-class entrepreneurs who are not too familiar with technology.

In his research, Kraemer et al. (2002) suggest that the adoption of e-commerce increases the performance of the company. E-commerce can simplify issues that may arise in international trade, reduce dependence on agents and distributors, and serve as a source of information about target markets at low cost (Wilson and Abel, 2002). According to Jalali and Soleimani (2014), the adoption of e-commerce helps SMEs to be competitive in foreign markets and position themselves effectively so that export performance can increase. Export performance is influenced by factors affecting e-commerce adoption and how to use it to solve export problems which will then improve the effectiveness of its activities (Alavinasab and Taleghani, 2016).

**H3:** E-Commerce Adoption positively affects SME’s Export Performance.

**Export Market Orientation (EMO) and Export Marketing Strategy (EMS)**

Several studies have proven the positive relationship between EMO and EP, where export market orientation improves export performance (Cadogan et al., 2002, Cadogan and Cui 2004, Dodd 2005), but Hoang (2015) stated that EMO can also indirectly affect EP. According to Hoang (2015), EMO facilitates the development of EMS that positively affects EP. EMO has a positive influence on export product strategy and export manufacturing strategy, which in turn has a positive effect on EP (Hoang, 2015). Various other studies have been conducted to study the relationship between market orientation and organizational strategy (Dobni and Luffman, 2003 and Kumar et al., 2005). Santos et al. (2005) suggest that there is a strong relationship between market orientation and the six dimensions of strategy. In the study, Hansen and Dibrell (2006) stated that market orientation influences differentiation strategy and low price strategy. Dobni and Luffman (2000) argue that market orientation can be a powerful explanation for
strategizing as well as being a driver for determining how to achieve company goals.

**H4:** Export Market Orientation has a positive effect on Export Marketing Strategy

**RESEARCH METHOD**

**Population and Sample**

Some owners or managers of SMEs in Central Java became the population in this study. Then the purposive sampling method becomes the method chosen to take the sample where this method is taken by specifying the sample criteria. Some of the respondents are the owner and most of them are SME managers who are currently active in exporting, SMEs registered at the Office of Cooperatives and SMEs Central Java or become members of Central Java Chamber of Commerce, and has been running for at least 2 years. Based on these criteria, estimated there are 200 SMEs that can be respondents in this study.

**Research Instrument and Measurement**

**Table 1**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Factor Loading</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL Support</td>
<td>Service Quality</td>
<td>0.76</td>
<td>0.9188</td>
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<td></td>
<td>Reliability</td>
<td>0.85</td>
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<tr>
<td></td>
<td>Flexibility</td>
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<td></td>
<td>Financial stability</td>
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<tr>
<td>Export Market Orientation</td>
<td>Export Market Intelligence generation</td>
<td>0.78</td>
<td>0.8789</td>
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<tr>
<td></td>
<td>Export Market Intelligence dissemination</td>
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<td></td>
<td>Responsiveness to export market intelligence</td>
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<td></td>
<td>Coordinating mechanism</td>
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<td>E-commerce-adoption benefit</td>
<td>0.81</td>
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<td></td>
<td>Ease of use of the web</td>
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<td>Web completeness</td>
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<td></td>
<td>Web appeal</td>
<td>0.93</td>
<td></td>
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<tr>
<td>Export Company’s strategy</td>
<td>Export product adaptation</td>
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<td>adoption</td>
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### RESULT AND ANALYSIS

**Structural Equation Modeling Analysis**

*Figure 2*

**Structural Equation Modeling (SEM) Analysis Result**

<table>
<thead>
<tr>
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<th>Factor Loading</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Strategy</td>
<td>respond the interaction of internal and external forces to achieve export objectives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Export promotion adaptation</td>
<td>0.82</td>
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<tr>
<td></td>
<td>Export price adaptation</td>
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<td></td>
<td>Export channel’s accuracy</td>
<td>0.74</td>
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<td>Export Performance</td>
<td>The result of company activities in international market</td>
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<tr>
<td></td>
<td>Export sales volume</td>
<td>0.73</td>
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<td></td>
<td>Export profitability</td>
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<td></td>
<td>Export market share</td>
<td>0.80</td>
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</tr>
<tr>
<td></td>
<td>Export success</td>
<td>0.84</td>
<td></td>
</tr>
</tbody>
</table>

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Table 2

**Model feasibility test result**

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off value</th>
<th>Analysis Result</th>
<th>Model evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>&lt; 193,7914</td>
<td>193,647</td>
<td>Good</td>
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<td>193,647</td>
<td>Good</td>
</tr>
</tbody>
</table>
The results of the data analysis show that all constructs used to form a research model, on the process full model analysis. SEM has met the criteria of the specified goodness of fit. The goodness of fit is shown by Chi-square number of 193,647 which is smaller than the defined cut-off value (193,7914) with probability value 0.051 or above 0.05. This value indicates no difference between the sample covariance matrix and the estimated population covariance matrix. Other goodness of fit measures also shows good conditions, ie TLI (0.981); CFI (0.984); CMIN / DF (1.188); RMSEA (0.039) meets the criteria of goodness of fit. While the value of GFI (0.879) and AGFI (0.844) is still within tolerable limits so it can be accepted.

CONCLUSION

The theoretical implications developed in the effort to improve the export performance developed in this study are the adaptations of Hoang's (2015), Yappar and Yappar (2015) research, Kareem et al. (2014), Leuschner et al. (2012), Rainer and Cegielski (2011), Oyeniyi (2009), Alrawi (2007). The result of this research is about the causality relationship between export marketing strategy and export performance variables in accordance with previous research results by Cavusgil and Zou (1994) where EMS gives a significant direct effect to EP. This research is also in line with research conducted by Oyeniyi (2015) where EMS through market adaption positively influenced significantly to EP. The causality relationship between 3PL Support and export performance in this research also proves that there is similarity of research result with Yeung (2006) which states that 3PL Support is formed by 3PL timeliness, 3PL pricing factor and 3PL quality of delivery affect export performance.

This study also shows that the relationship between E-Commerce Adoption and Export Performance is similar to previous research on E-Commerce Alavinasab and Taleghani (2016) that E-Commerce adoption through technological factors, cost factor, and market factors has a positive effect on EP.
The last relationship in this research that is an export market orientation to export marketing strategy also shows the similarity of result with the previous researcher that is Hansen and Dibrel (2006) that connect variable market orientation, competitive strategy, and firm performance. The same results are also shown by Huang (2015) where the EMO positively influences the export manufacturing strategy to improve the EP.

3PL support or support from logistic companies is very helpful for SMEs to conduct export activities so that their performance increases. A series of logistics activities ranging from SME warehouse to goods received by overseas buyers can be submitted to logistics companies so that SME players can focus on production and sales. Logistics companies generally also support financially because all logistic costs will be paid first by the logistics company to be billed after the goods are shipped, and even many logistics companies that provide credit facilities to SMEs so that they can pay up to a maximum of 3 months from the date of collection. Logistics companies will also be responsible if during the shipping process there is a problem with the mode of the carrier. With all the ease and support provided by logistics companies, export performance will increase.

The last is an export market orientation that affects export marketing strategy. SME actors should really understand the orientation of the export market so that it can develop appropriate marketing strategies to boost export performance. Understanding the orientation of export markets through export market intelligence will make it easier for SMEs to set strategies to meet market demands as reported by their intelligence. The more intelligence distributed the better the understanding of market orientation and the faster the reported results can be immediately followed up. EMO has a significant positive effect on EMS to support the improvement of EP.

Limitations of Research This study uses the owner or manager of SMEs as respondents, but SMEs are the object of research dominated by SMEs engaged in the furniture industry. In addition, the antecedents of the EMS variable are only one EMO. Another limitation is that in this study the performance measurement is only viewed from the financial side. Future Research Subsequent research can be done on a wider scale so that product categories are studied more and deliver more specific results. Measurement of export performance from the strategic side can also be done to expand the research results. Subsequent research can also be done by adding other variables that can affect EMS such as controllable forces and uncontrollable forces (Oyeniyi, 2009). In addition, research on the 3PL support can be developed by considering user ratings of partners.
REFERENCES


