

## **Entrepreneurship Marketing Development Model To Improve SMEs Economic Performance in Semarang**

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### **Abstract**

*The empowerment of SMEs (micro small and enterprises) in the midst of globalization and high competition with ASEAN Economic Community (MEA) is expected to be an opportunity to exploit ASEAN regional policy in order to develop market as market player as its market. SMEs (micro small and enterprises) should be able to face various challenges, such as increasing product and service innovation, human resource and technology development, and expanding marketing. Marketing is a fundamental issue for small entrepreneurs. An important aspect of marketer is examined in the context of entrepreneurial efforts to see how marketing theory fits into the practice of entrepreneurship. But in the globalization era with the development of information technology is the essence, it is necessary development of entrepreneurship marketing that is able to reach all consumer in the world, that is through internet marketing or e-commerce. This research seeks to get a model of entrepreneurship marketing development in an effort to improve the performance of MSMEs (micro small and medium enterprises) in Semarang City. The hypothesis is tested using SEM analysis by estimating PLS parameters to assess the outer model and measurement model as well as assess the inner model. Based on the result, development of effective e-commerce has a positive influence on SMEs performance. But, entrepreneur marketing was rejected even though it has a positive influence on E-Commerce Development. This is because of the lack of understanding of the concepts, strategies, methods and market intelligence of the SMEs in Semarang.*

**Keywords: Entrepreneurship Marketing, e-Commerce, SMEs (Micro Small and Enterprises) Performance**

**JEL classification: M31 Marketing**

### **INTRODUCTION**

The global economic crisis that hit the world in 2008 had an impact for Indonesia which is one of the countries that continue to experience positive economic growth. Small and Medium Enterprises (SMEs) have a big role in economic growth in Indonesia. SMEs have a large role and are spread across several economic sectors, thus absorbing a large number of workers, and use local raw materials in the production process and produce products needed by the community at affordable prices. The number of SMEs continues to increase in 2016 there were 61.7 million, in 2017 there were 62.9 million and in 2018 there were 64.2 million. Therefore, the existence and development of SMEs should get more attention from the Government, Society, and Academics, so as to contribute more leverage to improve the welfare of the community.

Constraints that are often faced by SMEs in developing their business are in the field of marketing such as (1) lack of understanding of markets and product competition, (2) lack of knowledge about market information, (3) institutional governance supporting small businesses. Therefore, an entrepreneurial marketing approach is needed, namely a conceptual approach that is considered more appropriate in terms of the resources and problems that exist in SMEs (Stokes & Wilson, 2010). The entrepreneurial marketing concept is designed so that the marketing aspect focuses more on efforts to create and develop networks that are able to support company activities, which provide benefits for consumers as well as success for small and medium businesses.

Entrepreneurial marketing emphasizes that marketing theory is implemented according to entrepreneurial practice. However, there are differences of opinion that the marketing concept carried out by entrepreneurs shows differences from the concepts put forward in conventional marketing (Kotler & Keller, 2016). To enrich the body of knowledge related to resource-based theory and the development of strategic management of human capital investment for the implementation of business strategies to achieve good performance and systems (Ariawan et al., 2017). Therefore, we want to examine the performance of SMEs from entrepreneurial marketing.

The marketing concept with the many textbooks that are the origin of concepts and case studies is mostly applied to large corporations, but given the considerable role of SMEs today it is time to learn the marketing process in the context of small companies to generate an understanding of marketing entrepreneurial Tailored to all its limitations Development of entrepreneurship Marketing through e-commerce is necessary for SMEs able to compete in the era of globalization.

## **RESEARCH METHOD**

### **Population and Sample**

The data source consists of two kinds, namely primary and secondary data. Primary data and directly related to the problems studied (Cooper & Emory, 2000). The data source for this research was obtained directly from the questionnaires by respondents or SME business owners in Semarang through direct interviews by the field surveyor team. The population of this study was all SMEs from various economic sectors in the Semarang area, totaling 150. The number of SMEs in Semarang region can be seen in Table 1.

Table 1. Number of SMEs Semarang

Center of handicraft	40
Center of food and drink	70
Center of batik	40
<b>Total</b>	<b>150</b>

The sample in this study was purposive sampling, namely the method of collecting data by taking elements or members of the population as a whole with the aim of processing all data returns only (Sumargo, 2020).

### **Theoretical Thinking Framework**

Based on the analysis in the theoretical basis that examines the development of entrepreneurship and e-commerce marketing on the performance of SMEs in the Semarang region, the model is designed for the development of SMEs marketing. The entrepreneurship marketing variable uses four dimensions: concept, strategy, method, market intelligence. While the development of marketing through e-commerce using two dimensions of commerce via the Internet (internet commerce), trade with Internet web facility (Web Internet). Variable The

company's performance uses three dimensions of financial factors such as sales growth, asset turnover (ROA), profitability improvement, and three dimensions of non-financial factors in the form of services to improve customer satisfaction increase customer growth and improve quality of product and services.

### Research Hypothesis

The hypothesis proposed in this research was shown in Figure 1.

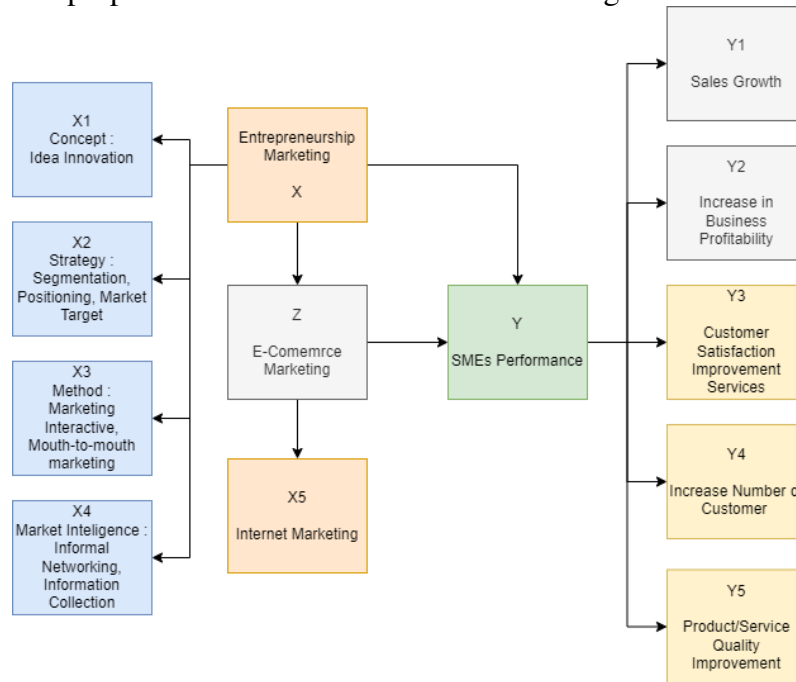


Figure 1. Proposed Method.

H1: Entrepreneurship Marketing will improve the performance of SMEs in the city of Semarang.

H2: E-Commerce Marketing will improve the performance of SMEs in Semarang City.

H3: Entrepreneurship Marketing Development through E-Commerce will improve the performance of SMEs in the City.

### Analysis Method

#### Assessing the outer model and measurement model

The measurement model is evaluated with Convergent and Discriminant validity of the indicator and Composite reliability for the indicator block. Decision-making on acceptance or rejection of the hypothesis is made under the following conditions:

Convergent validity is judged on the correlation between the Component score and the constrained score calculated by the PLS by seeing the Outer loading of each indicator and its significance value. The reflexive size is said to be high if it correlates more than 0.70 with the measured constructs. The recommended loading rate is above 0.50 (positive) and T-Statistic above 1.96 on the 5% significance. The indicator that has a value below the terms must be dropped from the model and then retest.

Good Discriminant Validity is measured by comparing the AVE root of each construct to be greater than the correlation value between the construct and the construct must be greater than the value of the relation between the constructs and the other constructs in the model (Fornell & Larcker, 1981). Composite reliability block indicators are evaluated by looking at their Composite Reliability. Each construct above 0.80 is said to be very good or reliable.

### Assess the Inner Model or Structural

The inner model was carried out to see the relationship between the construct and the significance value with the R-Square value. To see that the relationship between constructs can be estimated through the path parameter coefficients of the structural model, then the structural model is evaluated using R-Square for the dependent construct, Stone-Geisser Q-square test for predictive relevance and test, and the significance of the structural path parameter coefficients (Ghozali, 2016).

## RESULTS AND DISCUSSION

### Analysis of Outer Model (Measurement Model)

#### Convergent Validity

All indicators, that all of the indicators are valid or feasible to measure latent variables. Table 2 shows the AVE value of each construct.

**Table 2.** AVE value of each construct

Construct	AVE
Market industries	0.683
E-Commerce Development	0.679
Performance of SMEs	0.950

#### Unidimensionality Test

To determine the Unidimensionality value using composite reliability and Cronbach alpha indicators with the provision that if the composite reliability and Cronbach alpha values are > 0.7 it means that the data has high reliability, as in Table 3.

**Table 3.** Composite reliability and cronbach alpha of each construct

Construct	Cronbach's Alpha	Composite Reliability
Performance of SMEs	0.974	0.983
Market Industries	0.851	0.896
E-Commerce Development	0.931	0.944

### Inner Model Analysis (Structural Model)

#### Coefficient of Determination (R<sup>2</sup>)

According (Chin, 1998), the value of R<sup>2</sup> is 0.67 (good), 0.33 (moderate) and 0.19 (weak), as in Table 4.

**Table 4. Coefficient of Determination (R<sup>2</sup>)**

Endogenous Variable	R <sup>2</sup>	Goods of Model
E-commerce Development	0.482	good
Performance of SMEs	0.723	good

Table 4 explains that e-commerce development has an R<sup>2</sup> value of 0.482, meaning that e-commerce development varies 48.2% influenced by entrepreneurial marketing variables. While the performance of SMEs has a value of R<sup>2</sup> of 0.723, meaning that the performance of SMEs of 72.3% is influenced by entrepreneurial marketing variables and e-commerce development.

### Effect Size (F2)

The value of effect size (F2) is used to assess the predictor influence of latent variables. According to (Cohen & Winn, 2007) the value of F2 is 0.02 - 0.15 (weak), 0.15 - 0.35 (medium), > 0.35 (strong).

- 1) PK - PE 0.929 (strong)
- 2) PK - KI 0.094 (weak)
- 3) PE - KIN 0.866 (strong)

### Goodness of Fit Index (GoF)

The value of the goodness of fit is to determine a model worth using or not. According to (Jannoo et al., 2017), GoF small = 0.1, GoF medium = 0.25, and big GoF = 0.38. GoF value on SEM-PLS must be searched manually ie: The GoF value is 0.681 greater than 0.38, meaning the strength of the model prediction is big category.

### Hypothesis Testing

Hypothesis testing is done by looking at the probability value and t-count. The scoring criterion is if p-value <0.05 or t-arithmetic> t-table then hypothesis accepted. Table 5 shows the path coefficient standard of the research model.

**Table 5.** Coefficient of determination (R2) endogenous variable

Independent Variable	Regression	Dependent Variable	Path Coefficient	Probability	t-count	Direct Effects	Indirect Effects	Total Effects (Direct Effects + Indirect Effects)
PK	→	PE	0.694	0.000	13.607	0.694	-	
PK	→	KIN	0.224	0.058	1.899	0.224	-	
PE	→	KIN	0.680	0.000	6.448	0.680	-	
Mediation								
PK	→ PE →	KIN		0.000	5.109	-	0.472	0.696

Based on SEM-PLS analysis result which has been done and presented in table shows result as follows :

#### Entrepreneurship Marketing Affects Against E-Commerce Development

The effect of entrepreneurial marketing on e-commerce development has a path coefficient of 0.694 with p <0.05, and t-count value 13,607 > t-table 1.98. This means that entrepreneurship marketing has a positive and significant impact on e-commerce development. Thus the hypothesis is accepted.

#### Entrepreneurship Marketing Affects SMEs Performance

The influence of entrepreneurship marketing on the performance of SMEs has a path coefficient of 0.224 with p > 0.05, and the value of t-count 1,899 <t-table 1.98. This means that entrepreneurship marketing has a positive but insignificant effect on the performance of SMEs. Thus the hypothesis is rejected.

#### Development of Effective E-Commerce Against SMEs Performance

The effect of e-commerce development on SMEs performance has a path coefficient of 0.680 with p <0.05, and t-hit value of 6.448 <t-table 1.98. It means that the development of e-commerce has a positive and significant effect on the performance of SMEs. Thus the hypothesis is accepted.

#### Entrepreneurship Marketing Affects SMEs Performance through E-Commerce Development

The coefficient of influence of entrepreneurship marketing on the performance of SMEs indirectly through e-commerce development variables is 0.472 greater than its direct influence (0.224). Besides, the indirect relationship between entrepreneurship marketing and SMEs performance through e-commerce development has p-value <0.05 and t-hit 5,109 > t-table 1.98, meaning there is significant influence. This shows that the variables of e-commerce

development can be mediated or intermediary variable between entrepreneurship marketing and performance of SMEs.

## CONCLUSIONS

Based on the result of standard SEM-PLS analysis path, it can be concluded that entrepreneurship marketing influence to e-commerce has coefficient of path equal to 0.694 with  $p < 0.05$ , and t-count value  $13.607 > t\text{-table } 1.98$  and SMEs performance with path coefficient of 0.680 With  $p < 0.05$ , and t value of  $6.448 < t\text{-table } 1.98$ . The development of e-commerce on the performance of SMEs has a path coefficient of 0.680 with  $p < 0.05$ , and t-count value of  $6.448 < t\text{-table } 1.98$  and the coefficient of entrepreneurial marketing influence on the performance of SMEs indirectly through e-commerce development variables is 0.472 larger than Its direct influence (0.224). Besides, the indirect relationship between entrepreneurship marketing and MSMEs performance through e-commerce development has p-value  $< 0.05$  and t-hit  $5,109 > t\text{-table } 1.98$ , it means there is significant influence. Entrepreneurial marketing variable was rejected because of the lack of understanding of the concepts, strategies, methods and market intelligence of the SMEs in Semarang. The use of E-Commerce will further improve the performance of SMEs. Entrepreneurial marketing supported by E-Commerce is increasingly improving the performance of SMEs. Therefore, the local government through the SME service should provide training related to E-Commerce and increase the network in every corner of the city.

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