Analysis Influence of Market Orientation and Digital Marketing Capability on The Marketing Performance of Digital Culinary Sector MSMEs In Surabaya City

Whindya Rahmadi Muhammad1) Tias Andarini Indarwati 2)
Jurusan Manajemen, Fakultas Ekonomika dan Bisnis, Universitas Negeri Surabaya 12
E-mail: whindya.19103@mhs.unesa.ac.id1), tiasindarwati@unesa.ac.id2)


Abstract. Micro, Small, and Medium Enterprises (MSMEs) are business units that have an omzet under 2.5 billion rupiah per year and have assets under 10 billion rupiah. However, MSMEs take an important role in the Indonesian economy because they have contributed to PDP Indonesia by 60.3%. This Performance was achieved because MSMEs have implemented market orientation and have digital marketing capability. But, with the ability the marketing Performance of MSMEs has actually by 11.6% compared to 2021. So this study aims to reveal whether there is a significant influence between market orientation and digital marketing capability on Performance. digital MSME marketing in the Surabaya culinary sector. In sampling for this study, use Purposive Sampling. The data taken n this study was through primary data by distributing questionnaires to as many as 99 respondents who were selected based on the criteria of UMKM in the Surabaya culinary sector who were at least 1 year had already been digitally transformed. Data were analyzed using multiple linear regression by using SPSS25 and the results showed that there was an effect of market orientation and digital marketing capabilities on the marketing Performance of digital MSMEs in Surabaya's culinary sector.

Keywords: Market Orientation, Digital Marketing Capability, Marketing Performance, MSMEs, Culinary

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1. Introduction

Business units with asset ownership of under 10 billion rupiahs and relatively low turnover, namely under 2.5 billion rupiahs in a year are the definitions of MSMEs or what we can call Micro, Small, and Medium Enterprises which refers to Law Number 20 of 2008. Although has a relatively small valuation, in 2022 MSMEs register themselves as the highest contributor to Indonesia's GDP which reaches Rp. 10,470.9 trillion and MSMEs can absorb up to 97% of the workforce (ekon.go.id, 2023). MSMEs in Indonesia can create good Performance because they are supported by 65 million MSMEs spread throughout Indonesia with details of micro-businesses of as many as 63.4 million units (98%), small businesses of as many as 783 thousand (1.1%), medium businesses as many as 60 thousand (0.9%) (databooks.katadata.co.id, 2022).

Out of 65 million MSMEs with various sectors in them, the culinary sector is the sector that has the best Performance in 2022. This predicate was given because according to a report from the Central Bureau of Statistics in 2022, digital MSMEs in the culinary sector are the largest contributor to GDP at current prices. reached IDR 1,886.8. This value portion reached 38.35% of the total national economy which reached IDR 4,919.9 trillion, this portion was the largest compared to other industries. This Performance was achieved because the majority of MSMEs in Indonesia are engaged in the ManMin sector, BPS stated that the Digital MSMEs in the culinary sector totaled more than 23 million units or 36% of the total MSMEs in Indonesia in 2022 (bps.go.id, 2023).

East Java recorded a GDP contribution based on the second-highest current price in Indonesia with a nominal value of Rp. 649.54 trillion which was accumulated from 9.7 million MSMEs (bps.go.id, 2022). The Performance of East Java MSMEs is interesting to study because 2021 ADHB GRDP is only Rp. 588.49 trillion in 2021, or other words an increase of 10.37% (YoY) and becoming the province with the highest growth rate (kominfo.jatimprov.go.id, 2022). In East Java, the city of Surabaya is an area with SMEs that have the highest contribution to the economy of East Java, amounting to 304.5 trillion rupiahs or 36.13% of the total GRDP of East Java, recorded by 60 thousand SMEs. The city of Surabaya has around 17 thousand digital MSMEs in the culinary sector or 28.7% (diskopukm.jatimprov.go.id, 2022).

Even though they have a relatively good contribution and Performance, the contribution of MSMEs to the GDP of Indonesia in 2022 is Rp. 10,470.9 trillion, slightly lower than in 2021, which was Rp. 11,850.9 trillion (ekon.go.id, 2023). Whereas in this digital era, 77.02% of Indonesian people have switched to using digital technology in carrying out their daily lives and 21% of them use the internet to shop online (apjii.or.id, 2022) and are supported by MSMEs that digitization is already 44% which shows that MSMEs are already market-oriented (diskopukm.jatimprov.go.id, 2022), and sales of digital MSMEs which are higher than those that are not yet digital show that MSMEs already can carry out digital marketing (Kuncoro et all, 2020). This phenomenon creates a gap between several theories that say that market-oriented MSMEs (Royo-Vela et al, 2022) and the ability to carry out digital marketing (Tolstoy et al, 2022) have a positive effect on the Marketing Performance of MSMEs.

Kotler & Keller (2016: 6) states that marketing is the main process in a business because it is marketing that can attract, retain and increase customers by making the right sales. Without the right marketing strategy and the market, even products or services with the best quality...
and price will not be able to provide value and benefits for consumers so there is no income, then the impact on finances will be hampered, so the organization is unable to carry out operational activities effectively in the next period, therefore marketing is the spearhead of a business.

To determine the level of achievement of the success of the marketing strategy implemented, we can measure it by paying attention to the level of Marketing Performance, which is a variable that can measure the results of the strategies that have been formulated or those that have been implemented by the marketing division of a company or business entity. Marketing Performance is an important variable to measure because it is a measure of the success of a company (Handayani & Handoyo, 2020).

Marketing Performance can be increased by implementing market-oriented strategies (Puspaningrum, 2020; Kuncoro et al., 2020; Riswanto et al., 2020; Chinakidzwa et al., 2020; Jeen-Su Lim et al., 2017; Nicholas, 2020; Prifti and Alimehmeti, 2017; Royo-Vela et al., 2022; Ayimey et al., 2021; Oduro et al., 2019; Gotteland et al., 2020; Acosta et al., 2018; Nakos et al., 2019) and skills in digital marketing (Maxwell et al., 2020; Tolstoy et al., 2022; Olazo, 2022; Wang, 2020; Nirawati and Prayogo, 2019; Nuseir, 2022; Yasai et al., 2019).

Marketing Performance as a measure of the sustainability of a business is influenced by the market orientation of the business. Apart from being market-oriented, during the current marketing 4.0 era, it is inevitable that digital marketing capabilities can affect the marketing Performance of a business. However, several studies are showing that market orientation (Oduro, S., & Haylemariam, L.G., 2019) and capabilities in digital marketing (Daniel Tolstoy, Emilia Rovira Nordman, Uyen Vu, 2022; Lia Nirawati, Rangga Restu Prayogo, 2019) are not effective on marketing Performance. With the phenomenal research gaps that the researchers have described and speculation about the benefits that will be obtained by MSME actors through this research, the researchers decided to examine whether MSME strategies that are market-oriented and can carry out digital marketing can influence the marketing Performance of digital MSMEs in the culinary sector in the city of Surabaya.

2. Research Method

This type of quantitative research was used in this study, where the quantitative method aims to measure data and use statistical analysis with large numbers and there is an action at the end of the study (Malhotra, 2016: 135). In this study, the researcher decided to conduct research with a conclusive design and causal research. The independent variables are Market Orientation (X1) and Digital Marketing Capability (X2). The dependent variable studied is Marketing Performance (Y). The data used to reveal the correlation between variables uses primary data sourced from questionnaires or questionnaires distributed to respondents, as well as using secondary data sourced from literature, scientific articles, and news.

The right population to be the respondent in this study is the Micro, Small, and Medium Enterprises (MSMEs) business unit that is already operating digitally and is located in the city of Surabaya, and is at least one year old. Calculation of the number of samples in this study using the Slovin method approach, and determined the sample of this study amounted to 99 respondents. The method used to collect data was by distributing questionnaires online by
utilizing Google form technology and distributing them to the culinary MSME community in
the city of Surabaya on the Facebook platform.

Before distributing the questionnaire to the target respondents, the research instrument
plan used must meet the validity and reliability requirements which are carried out by several
data tests with 30 respondents other than the main respondent. If the research instrument has
passed the validity and reliability tests, then afterward a questionnaire can be distributed to
the 99 main respondents. Then, the classical assumption test and multiple linear regression
tests were performed using SPSS 25 software. The assumption tests performed were
multicollinearity, heteroscedasticity, normality, and linearity tests. Followed by hypothesis
testing with the t-test, the test correlation coefficient and determination, and the f-test.

3. Results and Discussion
3.1. Results
Respondent Characteristic
Based on the results of data collection, the majority of respondents are micro-scale
businesses located in West Surabaya, especially in the Lakarsantri sub-district and most of
them have been running for no more than three years. All respondents have been able to
optimize the use of WhatsApp and Facebook in conducting marketing, while TikTok and
Instagram are only used by a small number of respondents. Digital media for sales such as
GoTo, Shopee, and Grab can already be used by most of the respondents. Respondents have
also provided various digital payment methods to facilitate transactions such as ShopeePay,
GoPay, OVO, and QRis. However, only six respondents have used digital bookkeeping, and
the rest are still doing bookkeeping manually.

Classical Assumption Test Results
Multiple linear regression analysis can only be used if the data obtained from
respondents have a regression equation that has accuracy in estimation, is objective, and is
consistent. Based on the criteria that have been described, this study produces the following
data: 1) The data is normally distributed as indicated by the acquisition of the Asymp
significance value. Sig (2-tailed) of 0.060 from the One-Sample Kolmogorov-Smirnov Test. 2)
There is no correlation between the independent variables, which is indicated by the tolerance
value of each variable X which has a value of 0.693 and each obtains a VIF value of 1.442 ≤ 10.
3) Heteroscedasticity occurs in the acquisition data which is indicated by a significance value
> 0.05. 4) Through the linearity test, the independent and dependent variables have a linear
relationship as indicated by the deviation from linearity value of 0.632 > 0.05, and the
calculated F value which has a value of 0.576 which is not greater than F Table (3;94), that’s
2.70.

Multiple Linear Regression Test Results
After the data has been confirmed to meet the classical assumption criteria, the next
step is a multiple linear regression test by utilizing SPSS 25 software and obtaining the
following output.

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Based on the table above, it can be seen that the multiple linear regression equation is as follows:

\[ Y = -1.398 + 0.369(X_1) + 0.152(X_2) \]

So from the equation above, it can be interpreted that a constant value is obtained, namely (-1.398) which indicates a poor Marketing Performance value that occurs in conditions when the respondent's MSME does not run the variables of market orientation and digital marketing capabilities. The regression coefficient value of the Market Orientation variable (X1) is 0.369 in the positive direction. This positive number indicates that every time there is a change in the market orientation it will cause a change of 0.369 in the same direction in the Marketing Performance (Y) variable. Digital Marketing Capability variable regression has a coefficient of 0.152 towards the positive. This positive number indicates that every time there is a change in digital marketing capability it will cause a change of 0.152 in the same direction in the Marketing Performance (Y) variable.

Model Feasibility Test Results

Based on the results of the model feasibility test, it can be interpreted that the R² value for market orientation (X1) and digital marketing capabilities (X2) variables on marketing Performance (Y) is 0.621. This number means that X1 and X2 have a portion of influence on Y of 62.1% while the remaining 37.9% is the influence of other variables not examined in this study.

Hypothesis Test Results (t-test)

Based on the table above, the market orientation variable has a significance of 0.000 <0.005 and a T-value of 7.916 which is greater than the t-table (1.664). Meanwhile, the digital marketing capability variable has a significance of 0.004 which is still not greater than 0.005 and the t count is greater than 1.664, namely 2.977. With the interpretation of the figures above,
it can be concluded that each independent variable partially has a positive effect on the dependent variable.

**Hypothesis Test Results (f test)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>33.276</td>
<td>2</td>
<td>16.638</td>
<td>70.416</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>22.683</td>
<td>96</td>
<td>.236</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>55.960</td>
<td>98</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: MP  
b. Predictors: (Constant), DMC, MO

By interpreting the ANOVA table above, it can be seen that the significance value is 0.000 and the value is not greater than 0.005. In the calculated F value there is a value of 70.416 and this value is greater than the F table which is 3.09. Through these acquisition figures, it can be interpreted that H1 is accepted, that is, market orientation and digital marketing capability variables simultaneously have a positive effect on marketing Performance variables.

3.2. Discussion

**Effect of Marketing Orientation On Marketing Performance**

The character of market demand continues to change with the times, therefore it is the duty of every business unit, including MSMEs, to always be responsive to these changes, which means that MSMEs must be close and familiar with their markets or what can be called market orientation (McNamara, 1972; Shapiro, 1988; Kohli, 1990; and Day, 1994).

Market orientation is referred to as a strategy in which a business collects and uses information about its customers, develops strategies based on information about market needs and demands, then implements these strategies to satisfy market-specific needs and wants (Ruekert, 1992). So that Tjiptono & Chandra (2012) and Harini & Yulianeu (2019) state that if a business is already market-oriented then it has high enough potential and opportunity to improve its marketing Performance. Marketing Performance is the result of achieving the completion of a responsibility and marketing division target within a certain time frame (Handayani & Handoyo, 2020).

Based on research that has been conducted on 99 digital MSME respondents in the culinary sector in the city of Surabaya, the majority of whom are in West Surabaya, especially in the Lakarsantri sub-district and the majority are 1-3 years old, it was found that respondents were able to carry out a market orientation strategy, especially on competitor orientation (0.85). This number means that respondents have a good response to their competitors' strategies, so they can respond to these strategies by creating products and services that are superior to competitors. This statement is based on 40% of respondents marketing their products on social media Facebook and WhatsApp, 40% have distributed their products on Shopee, GoTo, and Grab. Respondents of 34% have also provided various digital payment methods to make it easier for the market to make transactions. However, in terms of finance, only a small number are aware that the use of digital bookkeeping can provide business efficiency and effectiveness.
Based on the explanation above, it is understandable that due to the Covid-19 pandemic, 51 new digital MSMEs were born. This fact is based because when the pandemic forced MSMEs to transform digitally. Business digitalization has many benefits, especially the availability and disclosure of information so that an MSME can easily find out the strategies of its competitors. By knowing competitors' strategies, MSMEs can see their position in the market and can respond to these strategies by trying to create superior products and better services than their competitors. The manifestation of this effort is that 71 respondents have carried out digital transformation in terms of advertising, sales, payment transactions, and digital bookkeeping which makes them superior to their competitors.

This statement is proof that MSMEs are market-oriented. Then, with MSMEs being able to create products that are superior to competitors, respondents feel an increase in sales in their business, where increased sales is an indicator of marketing Performance.

The results of this study can be concluded that MSMEs can create products that have competitive advantages so that they will satisfy their consumers by offering products and providing services that always adjust to changing market demands, so MSMEs are said to have optimized market orientation, which will then have an impact on marketing Performance. good and precisely increased sales and profits. The results of this study are in line with and support the theories of Puspaningrum (2020), Kuncoro et al (2020), Riswanto et all (2020), Chinakidzwa et al (2020), Jeen-Su Lim et al (2017), Nurcholis (2020), Prifti and Alimehmeti (2017), Royo-Vela et al (2022), Ayimey et al (2021), Oduro et al (2019), Gotteland et al (2020), Acosta et al (2018), dan Nakos et al (2019).

**Effect of Digital Marketing Capability On Marketing Performance**

2020 was the starting point for the digital transformation of MSMEs in the city of Surabaya to 44% from only 11% initially because that year the Covid-19 pandemic occurred which was the cause of the enactment of Large-Scale Social Restrictions (PSBB). During the PSBB period, all mobility was restricted so that business flows were hampered which caused consumers to be reluctant to leave their homes. These conditions force MSME players to make sales strategies where consumers don't need to leave their homes, and the solution that emerges is having the ability to do digital marketing.

Digital marketing capability is a company's ability to carry out a series of strategies, especially coordinated digital-related marketing or in other words utilizing digital resources to achieve competitive advantage (Syarifuddin et. Al, 2019). Herhausen (2020), states that a business should carry out digital transformation, especially in the field of marketing, this is because consumer trends, needs, and desires are oriented towards the digital world. Wang (2020) and Chinakidzwa, More; Phiri, Maxwell (2020) found that it contributes positively to marketing Performance. Companies that can utilize more effectively and have better Performance.

Based on research that was conducted on 99 digital MSME respondents in the culinary sector in the city of Surabaya, the majority of whom were in West Surabaya, especially in the Lakarsantri sub-district, and the majority aged 1-3 years, it was found that respondents could carry out digital marketing, especially in the ability to communicate and maintain relationships with customers (0.83). This number means that respondents can respond quickly to questions, as well as comments in the form of criticism or suggestions, to create customer
loyalty. This statement is based on 40% of respondents marketing their products on social media Facebook and WhatsApp, 40% have distributed their products on Shopee, GoTo, and Grab. Respondents of 34% have also provided various digital payment methods to make it easier for the market to make transactions. However, in terms of finance, only a small number are aware that the use of digital bookkeeping can provide business efficiency and effectiveness.

Based on the explanation above, it is understandable that due to the Covid-19 pandemic, 51 new digital MSMEs were born. This fact is based because when the pandemic forced MSMEs to transform digitally. Business digitalization must be followed by good communication skills with customers and then being able to maintain these relationships to create loyalty. The manifestation of this effort is that 71 respondents have carried out digital transformation in terms of advertising, sales, payment transactions, and digital bookkeeping which makes them superior to their competitors.

This statement is proof that MSMEs already can carry out digital marketing. Then, with MSMEs being able to create customer loyalty, respondents feel an increase in sales in their business, where increased sales is an indicator of marketing Performance. The results of this study reveal that having the ability to carry out digital marketing can improve marketing Performance compared to before digitalization. The results of this study have similarities with the results of research by Maxwell et all (2020), Tolstoy et all (2022), Olazo (2022), Wang (2020), Nirawati and Prayogo (2019), and Nuseir (2022), and Yasai et all (2019).

4. Conclusion

MSMEs are aware of dynamic changes in market character and demand as well as increasingly fierce business competition, thus requiring MSMEs to maintain their marketing Performance by always being responsive and responding quickly to these changes by being market-oriented and having digital marketing capabilities.

Based on the presentation, MSME respondents can be market-oriented, especially focusing on competitors so they can create products and provide services that are superior to competitors, and MSME respondents already have digital marketing capabilities, especially in the ability to communicate and maintain relationships to create customer loyalty. Both of these variables can have a positive impact on increasing their sales level, which is one indicator of marketing Performance. so that it can be concluded that the independent variable shows a positive and significant influence and shows a unidirectional correlation, which means that digital MSMEs in the culinary sector in the city of Surabaya can optimize market orientation and digital marketing capabilities can improve marketing Performance.

References


