

Improving and Optimization Marketing Performance of Coffee MSMEs in Central Java, Indonesia

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Abstract

This research comprehensively explains the improvement and optimisation of marketing performance through competitive advantage, entrepreneurial orientation, product innovation and brand trust. This study aims to analyse the effect of entrepreneurial orientation, product innovation, and brand trust on marketing performance through competitive advantage. The sample in this study were 100 coffee MSMEs in Central Java. This research uses MSMEs with Amos analysis tools. This study resulted in the finding that entrepreneurial orientation, product innovation, and brand trust, directly affect marketing performance through competitive advantage.

Keywords: *entrepreneurial orientation, product innovation, brand trust, competitive advantage, marketing performance, MSMEs.*

INTRODUCTION

In the international market, coffee is the second largest traded commodity. Meanwhile, in the domestic market, consumption of processed coffee products is a trend and will be an opportunity to introduce coffee commodities. Central Java is one of the top coffee-producing provinces abroad. In 2022, at least 9 million kilograms or 9 thousand tonnes of coffee beans from Central Java will be absorbed by the international market. Central Java's ability to penetrate the export market is no doubt, in 2020 Central Java succeeded in exporting coffee to various countries with a total export of 17 781.34 tonnes.[1] The Central Java Plantation and Agriculture Office in September 2022 showed that Central Java exported 19,000 kilograms or 19 tonnes of coffee for export to Vancouver, Canada. In addition, it said that the largest export was to Egypt as much as 4.4 million kilograms of fruit. Next is Iran with 1.2 kilograms, Georgia with 900,000 kilograms and 42 other countries.[2] This shows that Central Java coffee has domestic and foreign market potential. Of the total 35 districts and cities in Central Java, 29 regions have coffee plantations. Almost all regions in Central Java can become coffee producers. Central Java's coffee plantation area is 45,779 hectares. Of this area, 7,655 hectares are Arabica coffee and 38,123 hectares are Robusta coffee. In this region, Robusta coffee production dominates up to 70% of the total production. The amount reaches 23,279 tonnes per year. Currently, Arabica coffee production

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is around 2,719 tonnes.[3]

The high demand for coffee in Central Java is a good opportunity to support coffee marketing performance in Central Java. Marketing effectiveness is an important factor critical to overall company performance. This concept aims to measure the marketing effectiveness of a company and reflect the implementation of its strategy. Company strategy is important to understand the relationship between consumers and brands because trust has become the foundation and cornerstone of the most sought-after qualities in close relationships. [4] In order to improve marketing performance, companies need to pay attention to and implement competitive advantages effectively. [5]

Bargava et al explain that the multidimensional nature of marketing performance can be assessed in different ways or using other means, there is no single measure of performance. Efficiency, effectiveness and adaptability operationalise the term marketing performance. [6]. According to Song and Perry (1997) competitive advantage is defined as the company's ability to create more effective competition in the market. while Ehmke (2008) defines competitive advantage as an effort to offer customers greater value or lower prices than competitors in order to gain an advantage over competitors. Competitive advantage is measured by the following indicators: product uniqueness, product quality, i.e. the quality of the product that the company has successfully created, and competitive prices

One of the factors that affect marketing performance is entrepreneurial orientation according to research [7]; [8] It is known that there is a significant relationship between entrepreneurial orientation on marketing performance and competitive advantage. While Charupongson and Puriwat [9] in his research explains that entrepreneurial orientation has a direct effect on marketing performance through competitive advantage.

This study analyses the factors that influence product innovation as an effort to influence marketing performance for sustainable competitive advantage improvement. [10] while in other studies it is stated that product innovation affects marketing performance [11] in this case there are inconsistent results. It is important for businesses to acquire and maintain a competitive advantage by increasing customer satisfaction. To do this, companies must do their best for consumer consumers to ensure that what they see and think is what they want. Brand trust has become essential to understanding the relationship between consumers and brands to the extent that trust has become the cornerstone and driving force of the relationship between consumers and brands. [12]

The marketing performance of Micro, Small and Medium Enterprises (MSMEs) has its own problems, especially in sales volume, sales growth rate, and customer growth associated with productivity and quality of products produced. The volume of product sales in a company can be influenced by several things, including brand image, brand trust, brand, product quality, and customer satisfaction with the products used. [13]

This research was conducted because there is still a research gap or better known as the paradox of marketing performance against comparative advantage. So that it raises problems, namely how competitive advantage can explain marketing performance. Based on the business phenomenon and research gap that has been stated, it is necessary to conduct research to formulate priority strategies for improving coffee marketing performance in Central Java based on competitive advantage analysis. This study will answer the research gap and the phenomenon of coffee business in Central Java by finding the formulation of priority strategies to improve coffee marketing performance in Central Java. This study aims to determine priority strategies to improve the marketing performance of Coffee coffee in Central Java based on the analysis of competitive advantage, entrepreneurial orientation, product innovation and brand trust..

This study aims to look at the relationship between entrepreneurial orientation variables, product innovation and brand trust as independent variables, and marketing performance

as the dependent variable with competitive advantage as a mediating variable. The objectives of this study are: (a) to determine whether entrepreneurial orientation affects competitive advantage and marketing performance; (b) to determine whether product innovation affects competitive advantage and marketing performance; (c) to determine whether competitive advantage affects marketing performance.

LITERATURE REVIEW

Marketing Performance

Marketing performance according to Bhargava et al [14] is the result of the company's performance in the field of marketing which can be measured in the form of work results in the form of effectiveness, efficiency and adaptability.

Competitive Advantage

Comparative advantage according to Porter [15] is the company's ability to practice generic strategies.

Entrepreneurial Orientation

Lumkin and Dess [16] define entrepreneurial orientation as the process of applying creativity and innovation in decision-making activities that lead to something new.

Product Innovation

Product innovation is an innovation that refers to the introduction of new goods and services or can also be interpreted as a product that has significantly improved its use including in terms of: technical specifications, components and materials, software or other characteristics embedded in it [17]. Lukas and Ferrell [18] explain that there are several indicators of product innovation, namely: Product Expansion (line extensions); Product Imitation (me-too products); New Products (new-to-the-world products).

Brand Trust

According to Tjiptono Brand trust is an effort from business actors that can have a positive impact on creating trust in brands that grow in the minds of consumers Brand is a combination of elements of images, names, words, letters, numbers, arrangements that have uniqueness or differentiating power used in trading activities for goods or services [19]. Guèvremont and Grohmann [20] revealed in their research that brand trust can increase in brands that are considered authentic. Build and maintain trust over the long term. Customer relationships are critical to the success of brands in today's highly competitive global marketplace. Because of its importance, trust in brands has attracted the attention of practitioners and researchers recently. Trust is defined by Moorman et al. "as the willingness to trust an exchange partner who possesses confidence" [21].

METHODOLOGY

The object of research is MSME players who produce coffee for more than 1 year. The population data of MSME players engaged in coffee processing is not known with certainty. Therefore, data is taken based on minimum criteria when the population is not known. So the sample used was 100 coffee entrepreneurs in Central Java who produce coffee and have their own brands. This exploratory research collected primary data using questionnaires from micro and small entrepreneurs. The model feasibility test uses the Exogenous Constructive Model and hypothesis testing techniques using SEM-Amos. The research conceptual framework is presented in Figure 1 below

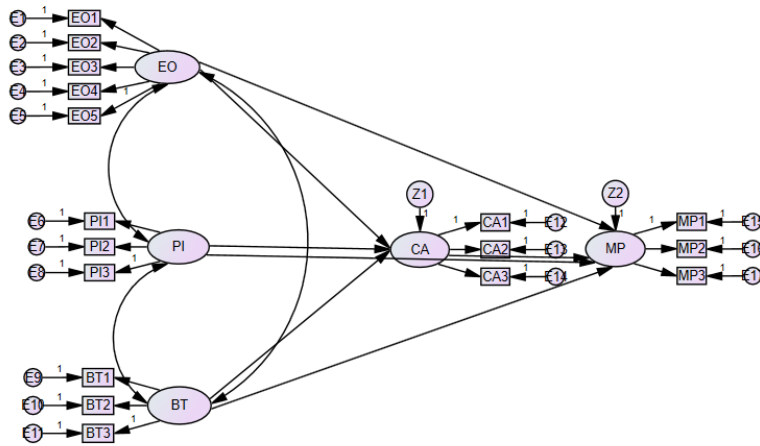


Figure 1. Conceptualisation Research Model

This research was conducted based on the following seven hypotheses:

- Hypothesis 1: Entrepreneurial orientation affects the competitive advantage of MSMEs
- Hypothesis 2: Product innovation affects the competitive advantage of MSMEs
- Hypothesis 3: brand trust affects the competitive advantage of MSMEs
- Hypothesis 4: Entrepreneurial orientation affects the marketing performance of MSMEs
- Hypothesis 5: Product innovation affects the marketing performance of MSMEs;
- Hypothesis 6: brand trust affects the marketing performance of MSMEs
- Hypothesis 7: Competitive Advantage affects the marketing performance of MSMEs
- Hypothesis 8: Entrepreneurial orientation, product innovation, and brand trust affect marketing performance through the competitive advantage of MSMEs.

RESULT

The result of this confirmatory factor analysis is the measurement of the dimensions that make up the latent construct and its relationship with other latent constructs. The exogenous construct of the relationship in this study consists of 3 exogenous variables, namely entrepreneurial orientation, product innovation and brand trust with 17 indicators. The results of data processing for confirmatory factor analysis of exogenous constructs are shown in the following table.

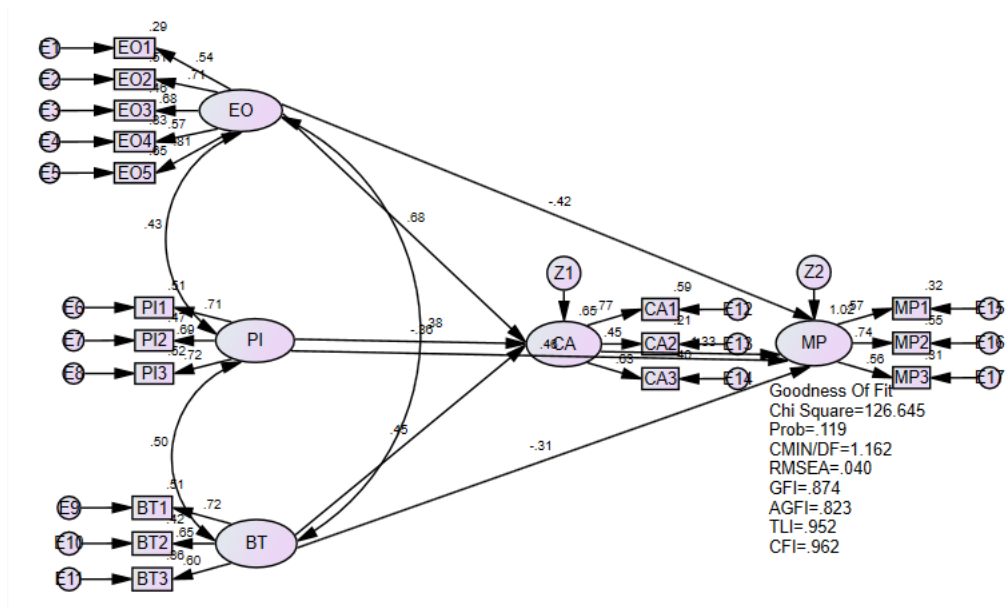


Figure 2. Results Conceptualisation Research Model

Table 1. Model Testing Results Exogenous Model Feasibility

Goodness Of Fit Index	Cut off Nilai	Result	Decision
Chi-Square	< 152.094	126,645	Fit
Probabilitas	≥ 0,05	0,119	Fit
CMIN/DF	≤ 2,00	1,162	Fit
GFI	≥ 0,90	0,874	Marginal Fit
AGFI	≥ 0,90	0,823	Marginal Fit
RMSEA	≤ 0,08	0,040	Fit
CFI	≥ 0,95	0,952	Fit
TLI	≥ 0,95	0,962	Fit

Table 1 shows that the constructs can be processed with the full model. The results can be analysed without the need for modification

Table 2. Regression Weight of Structural Equation Modelling (SEM) Empirical Model

Causal Relationship	Estimate	SE	CR	P	Decision
EO→CA	.492	.111	4.442	***	Accepted
PI→CA	-.294	.142	-2.071	.038	Accepted
BT→CA	.447	.174	2.568	.010	Accepted
EO→MP	-.235	.226	-1.041	.298	Rejected
PI→MP	.290	.199	1.458	.145	Rejected
BT→MP	-.236	.252	-.938	.348	Rejected
CA→MP	1.020	.432	2.360	.018	Accepted

The statistical test results on the first hypothesis show a parameter estimate value of 0.492, with a standard error of 0.111, with an error rate probability value of 0.000. By using an alpha significance level of 0.05, it can be concluded that the first hypothesis which states that entrepreneurial orientation affects competitive advantage, the higher the entrepreneurial orientation, the higher the competitive advantage, can be accepted. This shows that the entrepreneurial orientation variable of coffee entrepreneurs in Central Java can increase the competitive advantage of Micro, Small and Medium Enterprises (MSMEs).

The statistical test results on the second hypothesis show a parameter estimate value of -0.294 with a standard error of estimated parameter of 0.142, a critical ratio value of -2.071, with an error rate probability value of 0.038. By using an alpha significance level of 0.05, it can be concluded that the second hypothesis which states that the higher the product innovation, the higher the competitive advantage can be accepted. This shows that the product innovation variable can increase competitive advantage in Coffee MSME players in Central Java.

The statistical test results on the third hypothesis show a parameter estimate value of 0.447 with a standard error of parameter estimation of 0.174, a critical ratio value of 2.568, with an error rate probability value of 0.010. By using an alpha significance level of 0.05, it can be concluded that the third hypothesis which states that the higher the brand trust, the higher the competitive advantage, is acceptable. This shows that the brand trust variable can increase competitive advantage in Coffee MSMEs..

The statistical test results on the fourth hypothesis show a parameter estimate value of -0.235, a critical ratio value of -1.041, with a probability of error level of 0.298. By using an alpha significance level of 0.05, it can be concluded that the fourth hypothesis which states that entrepreneurial orientation affects marketing performance, the higher the entrepreneurial orientation, the higher the marketing performance, is rejected. This shows that entrepreneurial orientation has no effect on marketing performance.

The statistical test results on the fifth hypothesis show a parameter estimate value of 0.290, with a standard error of parameter estimation of 0.199, a critical ratio value of 1.458, with a probability of error level of 0.145. By using an alpha significance level of 0.05, it can be concluded that the fifth hypothesis which states that the higher the innovation, the higher the marketing performance cannot be accepted. This shows that the product innovation variable has no effect on marketing performance..

The statistical test results on the sixth hypothesis show a parameter estimate value of -0.236, with a standard error of parameter estimation of 0.252, a critical ratio value of -0.938, with an error rate probability value of 0.348. By using an alpha significance level of 0.05, it can be concluded that the sixth hypothesis which states that brand trust has no effect on marketing performance, the higher the brand trust, the higher the marketing performance cannot be accepted. This shows that the brand trust variable can improve marketing performance in coffee MSMEs in Central Java..

The statistical test results on the seventh hypothesis show a parameter estimate value of 1.020 with a standard error of parameter estimation of 0.432, a critical ratio value of 2.360, with a probability of error level of 0.018. By using an alpha significance level of 0.05, it can be concluded that the seventh hypothesis which states that the competitive advantage the higher the marketing performance can be accepted. This shows that competitive advantage variables can improve marketing performance in coffee MSMEs in Central Java.

Table 3 shows the direct and indirect effects and the total effect of entrepreneurial orientation, product innovation and brand trust on marketing performance..

Table 3. Direct and Indirect Effect Table

	Variabel	Entrepreneurial Orientation	Product Innovation	Brand Trust	Competitive Advantage
Direct Effect	Competitive Advantage	0.492	-0.294	0.447	0
	Marketing Performance	-0.235	0.290	-0.236	1.020
Indirect Effect	Competitive Advantage	0	0	0	0
	Marketing Performance	0.502	-0.300	0.457	0
Total Effect	Competitive Advantage	0.677	-0.357	0.452	0
	Marketing Performance	0.478	-0.016	0.016	0

Table 3 shows that entrepreneurial orientation, product innovation, and brand trust do not directly affect marketing performance. The influence of the two variables turns out to be through competitive advantage first and then on marketing performance. This condition actually shows that coffee MSME managers need to improve their entrepreneurial orientation, product innovation, and brand trust to be ready to enter the competition. The readiness of coffee MSMEs shows that the marketing performance of coffee MSMEs is getting better. Thus, hypothesis 8 which states that entrepreneurial orientation, product innovation, and brand trust affect marketing performance through competitive advantage can be accepted.

Discussion

The findings in this study are that marketing performance is influenced by competitive advantage. This means that competitive advantage as measured by indicators of product uniqueness, product quality and competitive prices can improve the marketing performance of Coffee MSMEs in Central Java. MSMEs realise that increasing competitive advantage can be done by producing unique products, quality and competitive prices so that it will improve the marketing performance of MSMEs. The results of this study found that entrepreneurial orientation, product innovation, and brand trust affect competitive advantage. This condition actually indicates that coffee MSME players in Central Java need to improve their entrepreneurial orientation, product innovation and brand trust in order to compete in the global market. Meanwhile, entrepreneurial orientation, product innovation, and brand trust were found to have no significant effect on marketing performance. Competitive advantage in Coffee players in Central Java was found to have a significant influence on marketing performance. The results showed that marketing performance is influenced by entrepreneurial orientation, product innovation, and brand trust when through competitive advantage. So coffee MSMEs players in Central Java should improve showing that the marketing performance of MSMEs is getting better if the coffee MSMEs actors.

Managerial Implications

The results of this study found that entrepreneurial orientation, product innovation, and brand trust on marketing performance through competitive advantage. This condition shows that managers of Coffee MSMEs need to increase entrepreneurial orientation, product innovation, and brand trust to be ready to enter competition. The readiness of

Coffee MSMEs shows that the marketing performance of Coffee MSMEs cannot be measured directly only by looking at their marketing performance but first need to increase their competitive advantage by increasing entrepreneurial orientation, product innovation and brand trust. This study produces recommendations to further research this issue by using other indicators in measuring marketing performance. Coffee MSMEs in Central Java need to make efforts to innovate products, and build brand trust by always introducing and improving the quality of coffee in Central Java.

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