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MARKETING STRATEGY TO IMPROVE SMALL MEDIUM ENTERPRISES SALES PERFORMANCE

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KEYWORDS: SMES, Innovation, marketing strategy, sales performance.

ABSTRACT
This study aims to analyze how innovation to marketing stratgei which aims to improve the performance of SME marketing. This research is an explanatory research that tested hypothesis developed from relevant theory kanjian. The location of this research was conducted in Semarang, Central Java, Indonesia and conducted for 5 months. The sample of this study amounted to 100 SMES. The results showed that innovation for the development of SMES marketing strategy to increase sales of SMES products. This study also has limited because it is only done in Semarang city only. In addition to the variables discussed in this study there are also other variables that can affect the improvement of SMES sales performance.

INTRODUCTION
All content should be written in English and should be in Single column.
Empirical studies show that small and medium enterprises have problems and constraints to improve their performance. According to Hinson & Mahmoud (2011), SMEs have difficulty adapting to market change strategies and competing with big companies. SMEs do not have a structured marketing plan. Business owners do not understand market orientation and focus only on customers. Empirical study results (Kiran et al, 2012) SMEs in India lack competitiveness. Competitiveness explain the ability of small industries (small scale industries, SSIS)to generate income and maintain this level of work output in the face of domestic and global competition.

Currently SMEs are very vulnerable to changes that occur in the world economy and the urgent need for SMEs to increase competitive advantage. Although the development of SMEs both quantitatively and qualitatively quite well, but that does not mean SMEs do not experience problems. Idar and Mahmood (2011), SMEs face enormous pressure affecting external and internal factors that can be found in business environments, such as globalization, technological innovation, and demographic and social change, and innovative capabilities.

Innovative methods applied can enable SMEs to compete and survive in a competitive global environment. (Kiran et al., 2012). Gunday et al, (2009) identified an innovation relationship with firm performance in the manufacturing industry in Turky. The finding that the innovations made in the manufacturing companies has a significant positive relationship on performance. On the other hand that company innovation has a higher market share, total sales and exports. These findings support the fact that innovation strategies are a key driver of importance to corporate performance.

Corporate innovation is the strongest driver of performance. In addition, with the company's innovation occurs higher sales and exports. The innovation process was found to be significantly associated with innovative performance through product innovation and a positive impact on company performance. Direct and positive innovations are influenced by product, organization and marketing. Gunday et al, (2009) four types of innovation ie company innovation, marketing innovation, process innovation, and product innovation affect the company's performance aspect. Innovation mediates the relationship between market orientation and company performance. (Johnson et al, 2009).

Based on this background, the research problem raised is how the influence of innovation on marketing strategy and performance of SMES

METHOD

Location and time of research

This research is a quantitative research where the unit of analysis of this research that is SMES in Semarang region. This research was conducted for 5 months.

Research Samples Research

samples will be selected by simple random sampling, in which all small businesses that have the same opportunity to be sampled are seen from the criteria according to Law Number 20 Year 2008 regarding Micro, Small and Medium Enterprises (MSMEs) .

The sample of this study was randomly selected in which all SMEs have the same opportunity to be a research sample. The number of samples in this study are 100 SMES.

Research and Hypothesis

Model The model used in this research is the development of innovation theory to improve the sales performance of SMES.

Relationship Between Market Orientation and Performance The

Definition of market orientation was popularized by Kohli and Jaworski (1990), as a systematic collection of market information with a major source of customers and competitors. Disseminate the information to all organizational units, and build sensitivity within the organization. While Narver and Slater (1990) define market orientation as the most efficient competitive strategy through behavior (corporate culture) to create the best value for customers who in the long run can create the best performance for the company. it is further explained that market orientation includes customer orientation, competitor orientation, and inter departmental coordination.

The market orientation is conceptualized as the organizational decision-making process starting from the information and proceeding for implementation. In this process there is a strong commitment by management to share information on each department and practice that is open in decision making between functional and divisional employees. (Hinson & Mahmoud, 2011). The implementation of market orientation in industrial companies does not limit the strategy of innovation, but acts as a stimulus and seeks to develop offers that generate superior value for customers, anticipate and develop the most accurate needs of innovation tailored to present and future expectations (Vazquez et al., 2001)

According Jaiyeoba (2011), market orientation as a driver of business performance of SMEs. To compete and survive in a highly competitive global business era, companies must pay more attention to customer needs and continue to innovate in every aspect of the business. Hassim et al. (2011), states that market-linked companies, employees gather information about their customers and competitors, disseminate information to the right decision maker within the company, and then take appropriate action to meet the needs and wants of customers and stakeholders. Idar and Mahmood (2011), measuring market orientation with sub dimensions of customer orientation, competitor orientation, and inter-functional coordination.

Najib et al. (2011), states that market orientation (customer orientation, competitor orientation, and inter-functional coordination) will affect innovation because the market of a cross-border corporation usually monitors customers' "needs and wants". At the same time they have to deal with better competitors. In order to meet customers and compete with competitors, companies must develop innovative product bases on customer needs and wants.

Relationship Between Innovation with Performance

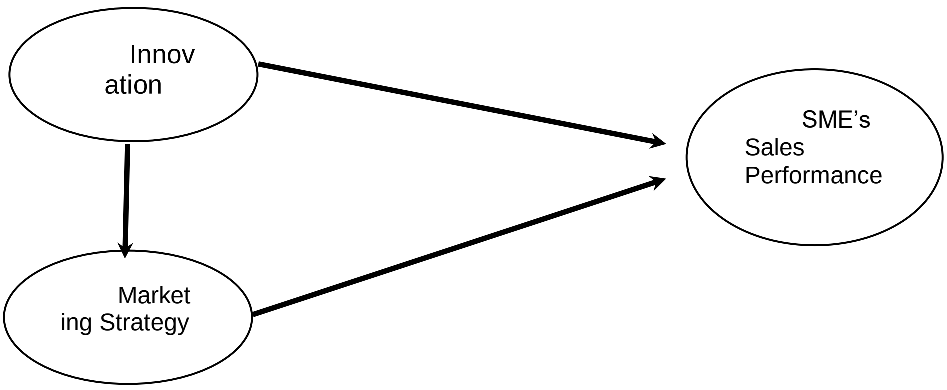
An innovation strategy is a key driver for the performance of small and medium enterprises (SMEs) by applying a culture of innovation in a strategic and structured way. To improve the performance of SMEs through enhancing cultures and innovation strategies that are aligned and closely related to the innovation process (Salim and Sulaiman, 2011; Hoq and Chowdhury 2012). Bodlaj (2010), explains the performance of innovation refers to the sale of new products, new product market share, timely new product launch, new percent of product sales in total sales. New products must provide value for customers therefore market orientation is an important factor in successful new product development. The performance of new products is a changing addition for customers and companies this implies that the impact of market orientation depends on the degree of novelty.

Najib et al. (2011), suggesting that innovation affects the performance of manufacturing SMEs. While (Han et al. (1998), offers the concept of innovation as a missing link that bridges the relationship between market orientation and performance.The relationship between corporate innovation and performance capability implies that innovation becomes a competitive advantage when it is based on a deep understanding of customer needs, competitor action and technological development.Because of the ever-changing competitive environment, companies that fail to implement innovation are difficult to survive on a par with competitors (Salim and Sulaiman, 2011, Andreassi 2003)

Hitt et al. (1997), states that effective innovation produces sustainable competitiveness Small companies are well suited for developing innovations that do not require large amounts of capital Innovation aided by cross-functional teams, fungtional integration can reduce the time it takes companies to introduce innovative products to market, develop product quality, and help companies create the value for the targeted customer.

MARKETING STRATEGY
The main focus of marketing strategy is to effectively allocate and coordinate resources and marketing activities to achieve company goals in particular market products (Walker, Boyd and Larreche, 2003: 12). The chosen marketing strategy must be able to empower the resources or internal strength it possesses optimally in responding to external threats and opportunities. This is reasoned because marketing is a function that directly determines sales and activities that have a wide scope because it not only includes internal activities but also external companies. Best (2000: 359) asserts that marketing strategies directly affect consumers and sales results.

The key issue of marketing strategy is the determination of the target market for a particular product / service, then developing a marketing service mix program to meet consumer needs and wants in the target market (Walker, Boyd and Larreche, 2001: 12). According to Urban and star (1991: 5) the marketing strategy of services is concerned with decisions about where to compete, as well as how benefits and value are created for consumers through the offering of products and services. Basically, service marketing strategy is a service marketing logic with which the organization expects to achieve its marketing objectives.
The research model is depicted in the following figure:
Research model



On the basis of the research model, the hypothesis developed in this research are:
1. Innovation effect on marketing strategy
2. Innovation effect on SMEs
3. Marketing Strategy affects the SMS's Sales Performance

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RESULT

Influence Innovation of marketing strategy and performance of SMEs

Based on result of analysis structural equation modeling which have fulfilled criterion goodness of fit, then tested significance of functional relationship between variables as attached.

To facilitate in analyzing the functional relationship between variables then coefficient value is arranged in the form of Table below:

Table 5.3. Functional Relationships between Variables

Independent Variable	Dependent Variable		estimate	T Value	Prob
Innovation (X1)	1	Marketing Strategy	0.079	2.168	0.030
	2	Sales Performance(Y2)	0.085	3.309	0.000
Marketing Strategy (X2)	1	Sales Performance(Y2)	0.338	3.734	0.000

Influence of innovation on Marketing Strategy

Coefficient of influence variable Innovation (X1) to Innovation (Y1) equal to 0.079 with t value equal to 2,168 at significance level 0,030. The coefficient shows that the variable Innovation (X1) has a positive effect on Marketing Strategy (Y1). This means that the increase of Innovation (X1), will be followed by the marketing strategy (Y1) with the assumption that other factors affecting the size of the marketing strategy (Y1) are considered constant. Statistical value t arithmetic influence of Innovation (X1) to Innovation (Y1) of 2,168 with significance 0.030 or below 0.05. This means Innovation (X1) has a positive and significant impact on marketing strategy (Y1).

Effect of innovation on SMEs sales performance

The coefficient of influence of variable Innovation (X1) on sales performance of Small Business (Y2) amounted to 0.085 with a t value of 3.309 at a significance level of 0.000. The coefficient shows that variable Innovation (X1) has a positive effect on Sales Performance of Small Business (Y2). This means that the increase in Innovation (X1), will be followed by an increase in Small Business Sales Performance (Y2) assuming other factors that affect the size of Small Business Sales Performance (Y2) is considered constant. Statistical value t influence Innovation (X1) of the Small Business Sales Performance (Y2) amounted to 3,309 with significance 0.000 or below 0.05. This means Innovation (X1) has a positive and significant effect on Sales Performance of Small Business (Y2).

Influence Marketing Strategy on sales performance of SMEs

Coefficient of influence variable Marketing strategy (Y1) on Sales Performance Small Business (Y2) amounted to 0.338 with a t value of 3.734 at a significance level of 0.000. The coefficient shows that marketing strategy variables (Y1) have a positive effect on Sales Performance of Small Business (Y2). This means that the increase in marketing strategy (Y1), will be followed by an increase in Small Business Sales Performance (Y2)assuming other factors that affect the size of Small Business Performance (Y2)is considered constant. Statistical value t arithmetic influence marketing strategy (Y1) on Small Business Marketing Performance (Y2) amounted to 3.734 with a significance of 0.000 or below 0.05. This means marketing strategy (Y1) positive and significant effect on the performance of Small Business Sales (Y2).

Influence of innovation variable on performance Sales of small business is positive. this means that increased innovation will be followed by improvements in small business performance with the assumption that other factors affecting the size of innovation are considered constant.

The test results show that innovation has a significant effect on the performance of small-scale enterprises, this result in accordance with Amabile (1996) in Prakosa (2005) said that innovation as a successful application of creative ideas within the company. Innovation is a corporate mechanism to adapt in a dynamic environment.

Therefore the company is required to be able to create new assessments and ideas and offer innovative products. Innovation positively and significantly affects the company's performance, (Han et al, 1998, in Prakosa, 2005).

Innovation is a way to continue to build and develop organizations that can be achieved through the introduction of new technologies, new applications in the forms of products and services, the development of new markets and introducing new forms of organization that blend various aspects of innovation which in turn form the arena of innovation (Leonard, 1995 in Prakosa, 2005). Hurley Hult (1998) in his research says that there is a positive influence between innovation and company performance.

Innovation also influences marketing strategy. With the development of etknologi as well as the existence of new ideas will multiply options for SMEs to determine marketing strategy.

DISCUSSION

The results of this study indicate the importance of innovation for SMEs to increase sales through marketing strategy. With the innovation, SMEs is able to arrange the right marketing strategy to increase SMEs sales.

The results of this study are expected to contribute to SMEs in memnyusun marketing and innovation strategies to increase sales of SMEs products. In addition, the results of research also diharaopkan able to provide input or enrich the empirical evidence related to theories of innovation, and marketing strategy.

This study also has limited because it is only done in Semarang city only. In addition to the variables discussed in this study there are also other variables that can affect the improvement of SMEs sales performance.

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