Comparative Analysis: The Effect of Macro and Micro Environment on Marketing Strategy and Marketing Performance of Small Medium Enterprises (Survey on Group of Small Medium Enterprises of Food and Non-Food Products in Cianjur Regency, West Java, Indonesia)

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ABSTRACT

This study was a comparative analysis about marketing strategy and performance of groups of food and non-food small-micro industries in Cianjur regency, West Java. The problem in this study was to know the effect of macro and micro environment on the formulation of marketing strategy to improve marketing performance. The result showed that the formulation of marketing strategy could be achieved through the consideration of macro and micro environment. It could also improve the marketing performance of food and non-food small medium enterprises (SMEs). There were both different strategy and performance in marketing and performing the food and non-food SMEs.

Keywords: Macro and Micro Marketing Environment, Marketing Strategy Formulation, Marketing Performance
JEL Classification: M31

1. INTRODUCTION

Based on the data from Central Bureau of Statistics, the economic structure of Cianjur Regency in 2014 was dominated by agricultural sector. The dominance of the agricultural sector was reflected in the contribution of gross-added value of agricultural sector to gross regional domestic product of Cianjur regency which was equal to 36.01%. Another major contributor was the trading sector of 28.41% while the industrial sector contributed only 4.08%.

The condition of the past 10 years showed that the agricultural contribution reached 46.95% in 2004 and 36.01 in 2014. It was quite different to the trading sector. Its contribution reached 22.45% in 2004 and 28.41% in 2014. Meanwhile, industrial sector contributred 2.66% in 2004 and 4.08% in 2014.

Graph 1 illustrated that the economic structure in Cianjur Regency began to shift from the primary to tertiary sector. It was interesting to overview that the performance and development of industrial

sector in Cianjur Regency were relatively stable. In other words, it had not taken the share of shift in the economic structure of the decline in the contribution of agricultural sector. It was quite different to the trading sector which had already risen along the structure shifting that occurred.

The number of labors in Cianjur regency in 2014 was as many as 878,215 people. The employment in industrial sector in Cianjur regency was still the lowest, only about 96.923 people or 11.04% of total labors in Cianjur regency. The largest employment was in the agricultural sector. Therefore, based on the economic sector, employment structure in Cianjur Regency still relied on the agricultrural sector, forestry, hunting, and fisheries. The second position that absorbed more labors was big trading sector, retail, restaurant and hotel. These conditions indicated that the industrial sector in Cianjur regency was still not optimally developed.
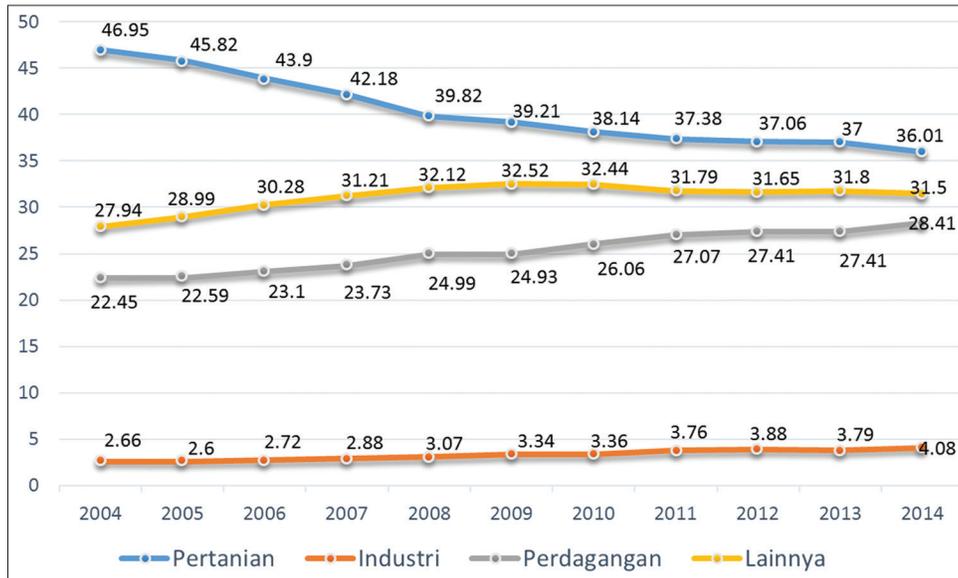
Based on the output Table 1, industrial sector had an important role for other sectors. Table 1 was used to measure the interrelationship

Table 1: Mapping table of strength and weakness food and non-food of SME in cianjur regency 2015

Description	Group of food SME	Group of non-food SME
Strengths	1. Number of industries were amounted to 15.876 units 2. Number of labors were amounted to 40.968 people 3. Medium average index of attention response on dimension of macro environment 4. Medium average index of attention response on dimension of micro environment 5. Medium average index of attention response on dimension of marketing strategy	1. Number of industries were amounted to 12.547 units 2. Number of labors were amounted to 33.196 people 3. Medium average index of attention response on dimension of marketing performance
Weaknesses	1. Import value percentage of product output on group of food SME towards demand was amounted to 48.73% per year 2. Medium average index on marketing performance	1. Import value percentage of product product output on group of non-food SME towards demand was amounted to 86.73% per year 2. Low average index of attention response on dimension of macro environment 3. Low average index of attention response on dimension of micro marketing environment 4. Medium average index on marketing performance

Source: Research result, 2015. SME: Small medium enterprise

Graph 1: Growth distribution percentage of gross regional domestic product based on the sector Cianjur regency 2004–1014 (in percent)

Source: Central bureau of statistics

between economic activities (better known as impact analysis) consisting of forward linkage and backward linkage. Industrial sector itself had also the highest sensitivity degree of 3.69731 compared to the other sectors. This showed that the industrial sector was economically able to move to other sectors. It meant that: If there was an increase in one output unit of industrial sector, it would also increase other sectors which used industrial sector's output of 3.69731 units.

Based on its spreading capacity, industrial sector ranked third out of the other nine economic sectors. The deployment capacity of the industrial sector of 2.40116 was defined as an increase of one output unit of industrial sector. It would also require the output of other sectors as inputs of 2.40116. Therefore, this condition showed that the industrial sector in Cianjur Regency was very potential.

The number of imports of non-food products industry in Cianjur regency was very high: 86.62%, while the imports of food products industry was 48.73%. This condition illustrated that the provision of domestic output for food industry was better than the provision for non-food industry.

As seen in Graph 2, Most of the small-micro industries in Cianjur regency were engaged in food industry. The number of industries operating in food industry were 15.876 units while 12.547 units in non-food industry. Based on the number itself, food industry seemed higher in number than non-food industry.

Those who were involved and interested in small medium enterprises (SMEs) in Cianjur Regency should be able to make use of higher potential of market, especially to fulfill the needs of food and beverages products. However, what happened in the

field was still far from what was expected before. The condition of the small-micro industries in Cianjur Regency itself was one of the reflections of people's economy that had not been as what was expected. There were still many obstacles facing the growth of those industries in Cianjur Regency. One of the obstacles was human resources who had not been optimally able to apply marketing strategy.

It empirically illustrated that domestic demand for goods of food industry was Rp. 7.5 trillion which was fulfilled only by food industry in Cianjur for Rp. 3.8 trillion. The rest of it was fulfilled by imports. Similarly, domestic demand for goods of non-food industry was Rp. 9.1 trillion which was fulfilled only by domestic output of Rp. 1.2 trillion. The rest of it was fulfilled by imports.

Based on the description above, the problem in this study could be formulated as followed; How the effect of macro and micro environment gave influence towards marketing strategy of food and non-food SMEs in Cianjur Regency, how the effect of marketing strategy gave influence towards marketing performance of food and non-food SMEs in Cianjur Regency, differences between marketing strategy and performance in food SMEs and in non-food SME in Cianjur regency, different marketing performance both in food and non-food SMEs.

2. LITERATURE REVIEW

2.1. Macro Environment Affecting Marketing
According to the opinion of Kotler and Keller (2009), components of macro environment consisted of:
1. Economic environment which maintained the change of material, money, energy and information.
2. Political environment which provided power and gave insistence and protection of laws.
3. Social-cultural environment which regulated values and customs of the people.
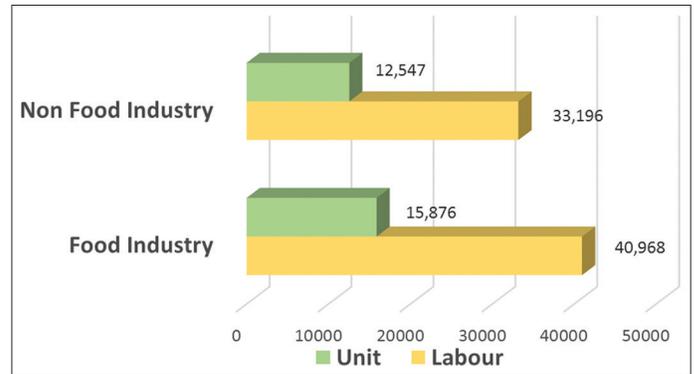4. Technological environment which generated the findings to solve problems.

Wheelen and David (2000) stated that economic aspects could give significant impacts to industrial activity. These aspects included national income, interest rate increase and control of wage and unemployment. Meanwhile, Kotler and Amstrong (2009, p. 96) stated that the changing in economic variables including income, living cost, interest rate, savings and borrowing patterns had a major impact on the market.

Hitt et al. (2001) stated that a set of elements within the wider society would affect an industry and its existing companies, incluing its economic, socio-cultural, technological, government policy and demographic environments.

2.2. Micro Environment affecting Marketing
Micro environment consisted of those people who directly involved and linked to the companies affecting their capabilities to serve the market (Kotler dan Amstrong, 2009); they were suppliers, marketing intermediaries, customers, competitors and the public themselves.

Graph 2: Comparison between the number of business unit and labors of small medium enterprises based on the industry category Cianjur regency 2013

Source: Central bureau of statistics

Suppliers were companies and an individual who provided the sources needed by companies to produce certain goods and services. Developments in these supplier environment could greatly affect marketing activity whose manager needed to always review on material prices. This should be further maintained because the increase of raw material prices could give influence to the product's selling price itself which would also ultimately reduce the marketing owned by the company.

Marketing intemediaries were companies which helped to promote, sell and distribute its goods to the last customers. These last customers included intermediaries, distributors, marketing service institutions and financial intermediaries.

Intermediaries were trading companies which helped a company to find customers. Intermediaries were divided into two: Intermediary agent and trader. This intermediary company was able to give several advantages for customers. It was also cheaper for the companies themselves.

Customers were the main object which needed to be paid attention on. The success of increasing the number of goods sold was determined by the customer. Good relationships with customers could create a target market to buy the product. Customers could also both expedite and hamper the company's ability to achieve its goals.

The effort to build an efficient system to serve the market was also competed with efforts from the other party. Marketing system was surrounded and influenced by a group of competitors. These competitors needed to be identified, monitored and defeated to gain and preserve customer's loyalty to the concerned company. The companies had to provide greater value and customer satisfaction than their competitors.

2.3. Marketing Strategy
According to the opinion of Kotler and Keller (2009), marketing strategy was a number of integrated activity aimed at achieving sustainable competitive advantage. The core of modern strategic marketing consisted of three key steps, namely segmentation, target market determination, and positioning. These three steps were often called segmenting, targeting, positioning.

The first step was market segmentation. It identified and formed a separated group of customers that needed their own marketing. The second step was market targeting. It chose one or more market segments to be served. The third step was positioning. It built and communicated the benefit of special product sold in the market.

Craven (2000) stated that instead of analyzing market segmentation and choosing the target, it was important for the company to determine the positioning strategy. It meant that the companies themselves had to determine their product's position in the market: Of how the product and the brand they had created would be perceived and positioned by the consumer.

When the company had already set the marketing strategy entirely, it had been ready to begin and plan the detail of marketing mix, one of main concepts of modern marketing. Kotler dan Armstrong (2004) stated in their book entitled "principles of marketing" that "*marketing mix is a set of controllable, tactical tools, product, price, place and promotion, that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product.*"

2.4. Marketing Performance

Marketing performance was a factor often used to measure the impact of company's strategy. It was basically directed to generate an outstanding marketing performance. According to the opinion of Pelham (1997), marketing performance also gave three dimensions; they were: (1) company's effectiveness; (2) sales growth; (3) profitability.

Ferdinand (2000) also stated that it was rare for a company to spend so much resource to implement its strategy. This company's strategy was always directed to maintain good performance in the form of marketing, including: (1) sales target; (2) sales growth rate; (3) market share/an increase in the number of customers.

According to the opinion of Voss and Glenn (2000), marketing performance was also defined as the effort of performance level measurement which consisted of: (1) sales turnover; (2) number of customers; (3) profit; (4) sales growth.

To improve the marketing performance, a proper and precise marketing strategy was needed. The decision making of appropriate marketing strategy required observation of macro environment and micro marketing environment. This linkage was indeed the focus of this study on small-micro industries in Cianjur regency by grouping the food products industry and non-food products industry. The grouping is intended to examine the presence or absence of differences in marketing strategies and performance among these groups.

Based on the description above, a research paradigm model could be formed, as followed, as Figure 1:

3. METHODOLOGY

There were four main variables studied in this study; they were (1) macro marketing environment, including economic environment, local government policy, technology and socio-cultural development; (2) micro marketing environment, including suppliers, marketing intermediaries, customers, competitors and public; (3) marketing strategy, including product strategy and marketing mix; and (4) marketing performance, including sales growth rate, sales target and an increase in number of customers.

1. Exogenous Variable was a variable which was not predicted by other variable in the model (Ferdinand, 2000). Exogenous variable was also known as source variable or independent variable.

In this study, exogenous variable consisted of:
   a. Macro environment which consisted of four dimensions: Economic environment, local government policy, technology and socio-cultural development.
   b. Micro environment which consisted of five dimensions: Suppliers, marketing intermediaries, customers, competitors and public.

2. Endogenous variable was a varibale which was predicted by one or few other variables in the model (Ferdinand, 2002).

There were two types of endogenous variable in this study:
   a. Intervening endogenous variable was an effected variable when exogenous varible gave influence to endogenous variable (Sekaran, 2003).

In this study, intervening variable was a marketing strategy which consisted of two dimensions: Market product strategy and marketing mix strategy.
   b. Linked endogenous variable (dependent variable)

In this study, dependent variable was a marketing strategy which consisted of three dimensions: Sales target, sales growth rate and an increase in number of customers.

4. ECONOMETRIC MODELLING

In accordance with the research paradigm above, a model specification was considered relevant to the frame of thought of this study. A structural model (structural theory) could be described as followed:

Marketing strategy $(\eta_1) = \gamma_{1.1}$ macro environment $(\xi) + \gamma_{2.1}$ micro environment $(\xi_2) + \zeta_1$ (1)

Marketing performance $(\eta_2) = \beta$ Marketing strategy $(\eta_1) + \zeta_2$ (2)

Mann–Whitney U-test was also being taken and tested. It was a non-parametric test used to determine the median difference of two dependent groups.

4.1. Population and Sample Determination

In this study, population were those who involved and worked in the small-micro industries in Cianjur regency amounted to 28.423 business units consisting of 15.876 units of group food-product industry and 12.547 units of non-food product industry. There were respondents who were chosen as samples in this study; they were the leaders of small-micro industries themselves, by taking Slovin formula and 10% of mistakes. Samples that were being taken were amounted to 200 units: 100 units for food industry and 100 for non-food industry.

5. RESULTS AND DISCUSSION

5.1 The Effect of Macro and Micro Environment towards Marketing Strategy and Marketing Performance

The result of data processing on the small-micro industries in Cianjur Regency illustrated that macro environment had positive influence towards marketing performance and was relatively higher compared to micro environment. This was shown by the significant hypothesis for the influence of macro marketing environment on marketing strategy. Meanwhile the influence of micro environment on marketing strategy was not significant. The structural equation model of the study was described as followed:

Marketing strategy $(\eta 1)$=0.56 macro environment $(\xi 1)$+0.18 micro environment $(\xi 2)$+$\zeta 1$ (3)

Based on the structural equation model above, the coefficient value of marketing strategy for the relation between endogenous latent variable on exogenous variable of macro environment was amounted to 0.56 and of micro environment was amounted to 0.18. These values reflected the relation between the two variables. In executing their marketing strategy, the small-micro industries in Cianjur regency generally still lacked in paying attention on micro marketing environment and less optimal in reconsidering macro environment.

There were dimensions which were still underestimated by entrepeneurs of small-micro industries as a whole in the macro environment. They were the attention of public purchasing capability and new technology invention. Meanwhile, in micro environment, the dimensions which were still underestimated were the presence of intermediary companies, customers' needs and the public themselves.

5.2. The Effect of Marketing Strategy towards Marketing Performance

The study result for the effect of marketing strategy towards marketing performance on small-micro industries in Cianjur Regency was described as a structural model as followed:

Marketing performance (η_2)=0.77 marketing strategy (η_1)+ζ_2 (4)

A path coefficient amounted to 0,77 illustrated that there were solid relation between marketing strategy on marketing performance. This meant that the precise formulation of marketing strategy would improve a maximum marketing performance. It was also strengthened by the hypothesis test on marketing strategy towards marketing performance which was significant.

However, the condition faced in the industries was quite different. The formulation of marketing strategy was considered less maximal. The index result of respondents' responses for small-micro industries on marketing strategy variables had not shown and reconsidered the entire facility of promotion. Meanwhile, the other items were considered and categorized medium.

The empirircal result in research background described a less-productive marketing performance in Cianjur Regency. This

was supported and shown by the research result showing that entrepeneurs of small-micro industries in Cianjur regency had not yet inoptimally paid attention at dimensions of marketing strategy. Therefore, it is needed for stakeholders to conduct guidance on small-micro industries in formulating the marketing strategy in order to boost the performance of small-micro industries in Cianjur regency.

5.3. Differential Average Test of Marketing Strategy and Marketing Performance on SME (Food and Non-food)

Based on the result of differential test calculated by SPSS program in the previous hypothesis, there were different averages in marketing strategy and performance. This differential average test did not indicate which small-micro industries were better than the other one. However, the description result showed us that the marketing strategy of food-product SME was relatively better than non-food-product SME. As for marketing performance, the food product SME was also better than the non-food product SME.

The food SME in Cianjur Regency was able to compete in the market better than non-food industry. This was reflected from the number of food industry which was more than non-food industry. In term of imported goods, imports of food product outside Cianjur were fewer than imports of non-food products. In other words, the demand for food products from Cianjur's society was still largely fulfilled by the production in Cianjur Regency itself.

Another thing that encouraged the performance of food industry was its better market share. For example, there were lot of tourists visiting Cianjur, who, by the end of their visit did not forget to buy one of Cianjur's famous souvenirs, including tauco, sweets and palm sugar. Meanwhile, the non-food industry had not had its own characteristics. These were what caused several different performances of small-micro industries in Cianjur regency. To emphasize the differeences between food and non-food industries, the following table mapped us about strengths and weaknesses, opportunities and threats of each group. This mapping table was taken based on dimension results and equipped with current conditions in the field.

Table 2 showed that based on the study result, group of food SME had more opportunities than the group of non-food SME. The group of food SME generally had more power from the aspect of attention on several dimensions, including macro and micro environment and also marketing strategy, as well as in term of number of business unit and labor. The most prominent weakness was still on the import for non-food industry product which was amounted to 86.73% of total output of non-food production in Cianjur regency within a year. Meanwhile, the import of food industry product was amounted to 48.73%.
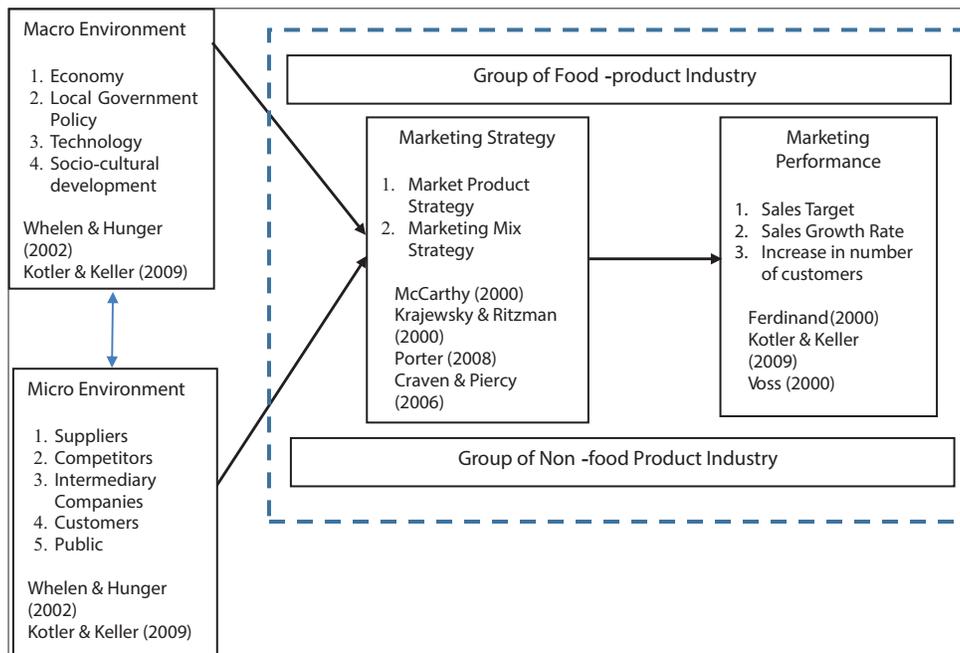
The opportunities owned by the small-micro industries in Cianjur Regency were really high, both for group of food and non-food industry. Within a year, the output product demands of food industry in Cianjur were amounted to Rp 7.5 trillion and Rp 9.1 trillion for non-food industry. However, both food and non-food industries in Cianjur Regency were also threathened by number

Table 2: Mapping table of opportunity and threat food and non-food SME in cianjur regency 2015

Description	Group of food SME	Group of non-food SME
Opportunities	1. Demand value of output product on group of food SME in Cianjur regency was amounted to Rp 7.5 trillion within a year 1. Stocks of local raw materials in Cianjur	1. Demand value of output product on group of non-food SME in Cianjur Regency was amounted to Rp 9.1 trillion within a year 2. Stocks of raw material in Cianjur
Threats	1. There were lot of similar products whose quality was better 2. There were lot of substitution products that were also easily obtained 3. Group of fast food restaurant that had not been produced in Cianjur	1. There were lot of similar products whose quality was better 2. There were lot of substitution products that were also easily obtained 3. There were lot of group of non-food industry that had not been produced in Cianjur

Source: Reseeach result, 2015. SME: Small medium enterprise

Figure 1: Research paradigm

of similar imported product entered from outside Cianjur. Other than that, there were also lot of products which had not already been able to be produced in Cianjur regency.

6. CONCLUSION

Macro and micro environment simultanously (altogether) and partially had positive and significant effect towards marketing strategy, both for food and non-food industry in Cianjur Regency, West Java, Indonesia.

Marketing strategy had positive and significant effect on marketing performance, both for food and non-food industry in Cianjur Regency, West Java, Indonesia.

Based on differential average test, there were several differences on marketing strategy and performance between food SME and non-food SME in Cianjur Regency.

Based on the conclusion, several variable aspects related to the product marketing of SME in Cianjur Regency were still low.

There, it was better for enterpreneurs in Cianjur Regency to reconsider its macro environment aspect in formulating their marketing strategy they were running on, especially on the aspect of public purchasing capability and new technology invention. Therefore, the production cost efficiency would be created and expected in line with segmentation and market target that also fit to the public purchasing capability.

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