



# Journal of Economics and Business

**Yusi, M. Syahirman, and Idris, Umiyati (2018), Marketing Environment and Marketing Mix: The Basic Factors in Increasing Sales Performance (Survey on Agribusiness Small and Medium Enterprises). In: *Journal of Economics and Business*, Vol.1, No.1, 19-33.**

ISSN 2615-3726

DOI: 10.31014/aior.1992.01.01.3

The online version of this article can be found at:  
<https://www.asianinstituteofresearch.org/>

Published by:  
The Asian Institute of Research

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# Marketing Environment and Marketing Mix: The Basic Factors in Increasing Sales Performance (Survey on Agribusiness Small and Medium Enterprises)

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## Abstract

The purpose of this study was to confirm the extent of the marketing environment implications and marketing mix on sales performance in small-medium enterprises (SMEs). SMEs had an important role in absorbing employment, economic services, income distribution, economic growth and national stability. Primary data was collected through survey technique from 155 respondents and taken by random sampling method and was analyzed by path analysis. The result showed that marketing environment, marketing mix, and competitive advantage simultaneously had positive and significant implications toward sales performance in terms of increase of market share and profitability. In an effort to improve sales performance, an understanding of the marketing environment and the application of the marketing mix were a must.

**Keywords:** Marketing Environment, Marketing Mix, Competitive Advantage, Sales Performance, Small and Medium Enterprises (SMEs).

## 1. Introduction

The Flexible Specialization thesis appeared in the 1980s concluded that small-medium enterprises (SMEs) would be more important in the development process. Some Western European countries such as Germany, Italy and the Scandinavian countries have proved that in these countries the number of SMEs is very large and have grown rapidly. When West Europe faced economic instability in the 1980s, SMEs survived; whereas many big enterprises had difficulties. In EU countries, 99.8% of SMEs contributed 56% for GDP and absorbed 67% of the workforce (European Commission, 2008). The empirical facts of SMEs significantly contributed to the economy of a country, both in terms of absorbing workforce and economic growth and development (Turner, *et al.*, 2009).

Small and Medium Enterprises (SMEs) have a very strategic role in improving the welfare of the society, not only in developing countries such as Indonesia but also in countries where SMEs have played a significant role. In Indonesia, the SMEs have important roles either developing economic development or addressing unemployment issues. The growth and development of SMEs make them as sources of growth, job, and income opportunities as well as poverty and unemployment reductions, income distribution, and even entrepreneurial skills (Ayanda & Laraba, 2011; Jasra *et al.*, 2011; Tastan, 2013).

Viewing the role and the existence of SMEs, these developing countries have changed their orientation by empowering SMEs sectors. This is due to the importance of SMEs sectors in strengthening society economy,

income distribution, economic growth, developing and sustaining national competition and even in global level (Muritalla *et al.*, 2012). Considering this, some policies to increase competition power by giving empowerment to either financial or non-financial sectors are necessary.

In Indonesia, SMEs are as people's economic enterprises in the national economy and the existence cannot be ignored, in addition; they have significant roles in the economic life. SMEs are business sectors to absorb a lot of unabsorbed labor force formally so that they reduce government burden in solving unemployment. SMEs are also able to cope with the problems of the population. The expansion of SMEs in rural and suburb areas at least will have impacts on population distribution. In many developed countries, SMEs have roles and importance as a driving force of economic growth, creativity, and innovation in conducting productive business activities (Tastan, 2013).

SMEs sector contribution toward Gross Domestic Product (GDP) of Indonesia increased from 57.84% to 60.34% in the last five years. The workforce absorption of these sectors has increased from 96.99% to 97.22% in the same period (Indonesian Statistic Bureau, 2016). Although the contribution to the GDP has not maximized yet, SMEs have strategic roles in national economic development. In the past economic crisis occurred in the past, most of the big enterprises faced stagnation, even stopped their activities in dealing with the crisis (Hafsah 2004).

SMEs as the object of research is often found in South Sumatera Province as the research areas. With the available potencies and supported by the availability of local resources, SMEs are essential to give a contribution to the investment development and employment absorption. Of the total SMEs noted, 14,623 units of SMEs were with investment value 15 billion IDR and 56,796 workforces were absorbed (South Sumatra Trade Office, 2016); this percentage is important to the growth and economic development of the region, especially in the absorption of unabsorbed labors in the formal sector. This means reducing unemployment and reducing the growing number of poor people directly from year to year.

From the facts above, it shows SMEs have not been completely away from problems or obstacles faced, in addition to existing production problems, SMEs are also lack of accurate information about the marketing environment, especially about market demand. In the business world, the marketing environment is an important and valuable part. An accurate understanding of the marketing environment can help the company in making decisions about which marketing strategy is chosen and determining the steps taken to maintain and grow the business. An understanding of the marketing environment also supports the operational and managerial activities of the organization. For all, it takes a reliable and accurate data processing and can be displayed precisely and easily if needed.

Every business should understand the marketing environment that serves as an information provider for decision making. Marketing environment either micro or macro marketing environments are systems related to the collecting, recording and analyzing of buyers and prospective buyers data (McLeod, 2001). By understanding the marketing environment, the enterprises can gather information in an integrated and reliable way to anticipate market issues, so that it can finally seize market opportunities. Because of the importance of making marketing decision, the understanding of the marketing environment as a source of information is critical to business success.

Accurate information about the marketing environment can be directed towards developing accessibility to the opportunities gained by the environment. It can also be directed to develop adaptability to future threats. The introduction of good environments will have impacts on the gained strategy quality which in turn give an impact on marketing performance. Likewise, the understanding of the marketing environment is one of the factors of competitive advantage source for companies (Hemmatfar and Salehi, 2010; Shaqiri, 2015), competitive advantage will be a basis for success in winning the competition and support sales performance (Hunt and Arnett, 2004; Porter, 2001 in Hameed, 2009).

An understanding of the marketing environment is a foundation key in setting marketing strategies. The marketing strategy consists of the basic principles underlying management to achieve their business and

marketing objectives in a target market; marketing strategy contains basic decisions about marketing, marketing mix, and marketing allocation (Kotler and Keller, 2012).

Marketing mix strategies consisting of product mix, price mix, promotion mix and distribution mix are part of effective marketing strategies (Kotler, 2001). The product is everything that the company tries to offer to its customers; in the product mix, the company tries to adapt the product to the needs of its potential buyers. In the price mix, the setting of price policy is not only based on the willingness of consumers to pay the price of a product but more than that they must also consider the cost set for similar products or competitors products. In the promotion mix, the employer should be able to provide information about products to the consumers, that the product has been available in the market and the product is able to provide adequate benefits and able to satisfy the needs of consumers. Likewise, in the distribution mix, it is how the delivery of products to the hands of consumers. The company considers when and where the product can be obtained by consumers when consumers need it. The company tries to bring its products closer and simplify the consumers in obtaining the product as satisfying their needs whenever they need.

Thus, with information from the marketing environment, management is able to perform marketing mix strategy, a marketing mix strategy is one way of winning competitive advantage. The competitive advantage comes from company-owned resources, this perspective is known as Resource Based View or resource-based perspective initiated by Penrose (1959) in Hameed (2009). According to him, a competitive advantage can be achieved by creating an economic scale and improving management capabilities and technological capacity (Penrose, 1959 in Hameed, 2009).

A sustainable competitive advantage to increase sales performance. Sales performance is the achievement level of the company's sales achievement as measured in the form of results or performance outcome (Rue & Byard, 1997). Based on the research result of Szimansky, *et al.*, (1993) indicators of sales performance measurement and the competitive advantages commonly used are market share and profitability.

From the description above, it would be relevant to conduct research on SMEs marketing strategy as a source in formulating employers' policies to increase sales. This applicative research was expected to provide useful information to create business synergies interrelated with increasing agribusiness SMEs sales better in accordance with the principles of ideal marketing. This increase in sales of the ideal agribusiness SMEs was able to improve yield productivity, increase revenues, and contribute to the development of entrepreneurs' income as economic actors.

From the explanation above, the research hypothesis can be as follow:

- H<sub>1</sub>. The marketing environment both the micro-marketing environment and the macro marketing environment had positive implications for the marketing mix.
- H<sub>2</sub>. Micro and macro marketing environments and marketing mix either product mix, price mix, distribution mix and promotion mix had positive implications for competitive advantage.
- H<sub>3</sub>. Micro and macro marketing environments and marketing mix either product mix, price mix, distribution mix and promotion mix, and competitive advantage in price strategy, differentiation strategy, and focus strategy had positive implications on sales performance.

## 2. Method

### 2.1 Types of Research

This study was to obtain an overview of the marketing environment and marketing mix and to test the hypothesis about the marketing environment implications and marketing mix on sales performance. In accordance with the objectives, the form of descriptive research and verification were used. Descriptive research is a study that aims to obtain a description of the characteristics of variables (marketing environment, marketing mix, and sales performance). Verificative Research is a kind of research that aims to determine the relationship between variables through a hypothesis testing (Sekaran, 2013).

## 2.2 Population and Sample

The population in this study was all the available agribusiness SMEs in South Sumatera Province, 14,623 units from seventeen cities and districts. Samples were taken using Slovin method with 8% error level; the obtained samples were 154,598 or 155 employers. Primary data were collected through a closed questionnaire given to the respondents, while secondary data were obtained from relevant agencies, or from some previous research results that had relevance to the review. The other data were taken through direct observation. The involved observation provided many possibilities for the researchers to know the actual phenomenon. This could provide an overview of the research objects more deeply.

The agribusiness SMEs were selected as the object of research because the number of agribusiness SMEs either business units number or labor absorption was relatively more in number than the other SMEs. Besides, it was equally important that most of the raw and subsidiary materials of the SMEs used in the production process were local products (South Sumatra in Figure, 2017). The increase in sales turnover was expected to directly increase the society economic income as entrepreneurs and the maximum development on the utilization of the local resources; this would directly bring improvements to the society as producers.

## 2.3 Variable Identification and Variable Operationalization

In this research, there were three types of variables: independent variable, intervening variable, and dependent variable.

- a. The independent variable used was:  
Marketing Environment
- b. Intervening variables  
Marketing Mix and Competitive Advantage
- c. Dependent variable  
Sales Performance

The operational definitions of the variables in this study were as follows:

- Environment Marketing Variable ( $X_1$ ):  
It was a component of powers out of the marketing aspect that could affect management's ability to build and maintain customers relationships consisting of micro and macro marketing environments.
- Marketing Mix Variables ( $X_2$ ):  
It was a set of marketing means that companies use to continuously achieve their marketing objectives in target markets classified into 4 P (Product, Price, place, and Promotion).
- Competitive Advantage ( $X_3$ ):  
It was the ability obtained through the characteristics and resources of a company to have higher performance compared than other companies in the same industry or market that consisted of three types of generic strategies, namely cost leadership, differentiation, and focus.
- Sales Performance ( $X_4$ ):  
It was the achievement level of the company from the result of the product sales within a certain period of time measured with market share and profitability.

## 2.4 Measurement Technique of Research Variable

Measurement of scores for questioned items on the problems investigated was Likert scale. The assessment alternatives in the item measurement consisted of five option alternatives that had very high to very low levels applied variably based on the question categories. For testing purposes in the Path Analysis, it required data requirements that had a measurement level at least intervals. Therefore, data in ordinal scale should be increased to the interval scale through methods of successive intervals (Hays, 1969).

## 2.5 Analysis Methods

The analytical methods used to test all hypotheses in this study were the Analysis Path or the standardized Multiple Regression Analysis and calculated by using SPSS program version 23. The model of research analysis could be seen in Figure 1 below.

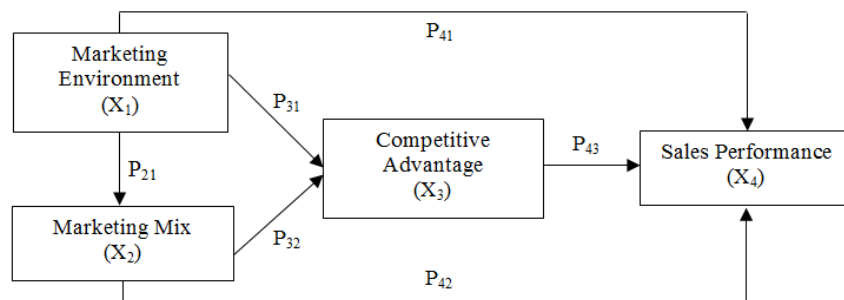


Figure 1: The Influential Model among variables

To find the direct effect, it was obtained through the following equation:

$$X_2 = P_{21} \cdot X_1$$

$$X_3 = P_{31} \cdot X_1 + P_{32} \cdot X_2$$

$$X_4 = P_{41} \cdot X_1 + P_{42} \cdot X_2 + P_{43} \cdot X_3$$

F test (over all tests) was done to test the effect of simultaneously independent variables to dependent variables, while t-test (individual test) was done to test the effect of partial independent variables to the dependent variables.

### 3. Results

#### 3.1 Validity Test and Reliability

The testing of instrument validity was done statistically by using Pearson product-moment coefficient of correlation test with SPSS program version 23. Testing of instrument validity was done by the item analysis; the instruments were valid if the correlation coefficient were higher than  $r_{table}$  product moment (Sekaran, 2013). The testing of instrument reliability was intended to know the how far the measurement results remained statistically consistent by calculating the Cronbach alpha scores. The results were shown in Table 1 which showed that the research instruments were reliable because their alpha value was higher than 0.60 (Nunnally and Bernstein, 1994).

Table 1. The results of Validity Test and Reliability of the Research Instruments

| Variable                                   | Indicator          | Item               | $r_{calc}$         | $r_{table}$<br>(.05; n=30) | Explana-<br>tion | Reliabi-<br>lity | Explana-<br>tion |
|--|--------------------|--------------------|--------------------|----------------------------|------------------|------------------|------------------|
| X <sub>1</sub><br>Marketing<br>Environment | X <sub>1.1</sub>   | X <sub>1.1.1</sub> | .637               | .361                       | Valid            | .718             | Reliable         |
|  |                    | X <sub>1.1.2</sub> | .562               |                            |                  |                  |                  |
|  |                    | X <sub>1.1.3</sub> | .543               |                            |                  |                  |                  |
|  |                    | X <sub>1.1.5</sub> | .584               |                            |                  |                  |                  |
|  |                    | X <sub>1.1.6</sub> | .712               |                            |                  |                  |                  |
|  |                    | X <sub>1.2</sub>   | X <sub>1.2.2</sub> |                            |                  |                  |                  |
|  | X <sub>1.2.3</sub> |                    | .512               |                            |                  |                  |                  |
|  | X <sub>1.2.4</sub> |                    | .385               |                            |                  |                  |                  |
|  | X <sub>1.2.5</sub> |                    | .568               |                            |                  |                  |                  |
|  | X <sub>1.2.6</sub> |                    | .421               |                            |                  |                  |                  |
|  | X <sub>1.2.7</sub> |                    | .569               |                            |                  |                  |                  |

|                                       |                    |                    |                    |       |      |          |  |                    |       |       |          |
|---------------------------------------|--------------------|--------------------|--------------------|-------|------|----------|--|--------------------|-------|-------|----------|
| X <sub>2</sub><br>Marketing<br>Mix    | X <sub>2.1</sub>   | X <sub>2.1.1</sub> | .736               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.1.2</sub> | .449               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.1.3</sub> | .774               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.1.4</sub> | .721               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.1.5</sub> | .464               |       |      |          |  |                    |       |       |          |
|                                       | X <sub>2.2</sub>   | X <sub>2.2.1</sub> | .613               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.2.2</sub> | .439               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.2.3</sub> | .654               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.2.5</sub> | .449               |       |      |          |  | .361               | Valid | .873  | Reliable |
|                                       |                    | X <sub>2.3</sub>   | X <sub>2.3.1</sub> |       |      |          |  | .542               |       |       |          |
|                                       | X <sub>2.3.2</sub> | .631               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>2.3.4</sub> | .417               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>2.3.5</sub> | .385               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>2.4</sub>   | X <sub>2.4.1</sub> | .392               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.4.2</sub> | .536               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.4.3</sub> | .629               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>2.4.4</sub> | .449               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3</sub>     | X <sub>3.1</sub>   |       |      |          |  | X <sub>3.1.2</sub> | .389  |       |          |
| Competitive<br>Advantage              |                    | X <sub>3.1.3</sub> | .412               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3.1.5</sub> | .536               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3.2</sub>   | X <sub>3.2.1</sub> | .673  |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3.2.2</sub> | .531               |       |      |          |  |                    |       |       |          |
|                                       | X <sub>3.2.3</sub> | .568               | .361               | Valid | .641 | Reliable |  |                    |       |       |          |
|                                       | X <sub>3.2.4</sub> | .427               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>3.3</sub>   | X <sub>3.3.1</sub> | .446               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3.3.2</sub> | .537               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>3.3.3</sub> | .614               |       |      |          |  |                    |       |       |          |
| X <sub>4</sub><br>Sales<br>Performace | X <sub>4.1</sub>   | X <sub>4.1.1</sub> | .563               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>4.1.2</sub> | .417               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>4.1.3</sub> | .384               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>4.1.5</sub> | .618               |       |      |          |  |                    |       |       |          |
|                                       |                    | X <sub>4.2</sub>   | X <sub>4.2.1</sub> |       |      |          |  | .582               | .361  | Valid | .702     |
|                                       | X <sub>4.2.2</sub> | .619               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>4.2.3</sub> | .493               |                    |       |      |          |  |                    |       |       |          |
|                                       | X <sub>4.2.4</sub> | .447               |                    |       |      |          |  |                    |       |       |          |

### Normality test

The Normality test was conducted with the purpose that the model resulted had a residual scores spreading normally. The test could be done by using chi square test to the residual standard value of the equation result. If the probability of chi square results was less than 0.05, it was normally distributed and otherwise not normally distributed. The test results showed the scores of chi square were 4824.641 and probability was 0.000 which meant the residual data were normally distributed.

### Heteroscedasticity Test

Heteroscedasticity was tested using the Spearman rank correlation coefficient test, which correlated between absolute residual regressions results with all independent variables. If the probability of a correlation result was

less than 0.05, the regression equation contained heteroscedasticity, and vice versa. A good regression model should not occur in neutralization or homoscedasticity

Table 2. Results of Heteroscedasticity Test

| Independent Variable  | Correlation Coefficient | Probability | Explanation      |
|-----------------------|-------------------------|-------------|------------------|
| Marketing Environment | .048                    | .558        | Homoscedasticity |
| Markeing Mix          | .024                    | .821        | Homoscedasticity |
| Competitive Advantage | .035                    | .763        | Homoscedasticity |

### Multicollinearity Test

The Multicollinearity test was to test whether the regression model found a correlation between independent variables. The Multicollinearity test could be done through the value of VIF (variance inflation factor) and Tolerance. The data did not contain multicollinearity if  $VIF < 10$  or tolerance  $> 0.10$ . From the result of calculation by using program of SPSS for Windows Version 23, it was obtained the variable value of tolerance as follows.

Table 3 Results of Tolerance and VIF Calculation

| Model                 | Collinearity Statistics |       |
|-----------------------|-------------------------|-------|
|                       | Tolerance               | VIF   |
| Marketing Environment | .867                    | 1.153 |
| Marketing Mix         | .872                    | 1.141 |
| Competitive Advantage | .914                    | 1.094 |

From the above table calculation, the tolerance scores of marketing environment variable were 0.867, marketing mix was 0.877, and competitive advantage was 0.914 meant tolerance value was  $> 0.10$ . The scores of VIF marketing environment was 1.153, marketing mix was 1.141, and competitive advantage was 1.094 meant the value of  $VIF < 10$  could be concluded that the above data did not contain multicollinearity.

### 4. Discussion

The Hypothesis testing was done using statistical analysis of Multiple Regression by using the Path analysis. Here was the explanation of the proposed research hypothesis.

Hypothesis 1: The marketing environment ( $X_1$ ) in both the micro and macro marketing environment had a positive implication on the marketing mix ( $X_2$ ).

After testing through the path analysis of both variables  $X_1$  and  $X_2$ , the variable of marketing environment ( $X_1$ ) both micro and macro environment gave significant effects to the marketing mix variable ( $X_2$ ) where the significance t had value 0.000. While the determination coefficient ( $R^2$ ) was 0.283 or the contribution is given of variable  $X_1$  to variable  $X_2$  was 28.3%, so there was still contribution from other variables 71.7%. Thus, the proposed hypothesis 1 was accepted, the path coefficient recapitulation could be seen in Table 4.



Table 4. The Path Coefficient between Variables  $X_1$  to Variable  $X_2$ 

| Dependent Variable | Independent Variable | B    | Beta | t     | Sign | Explanation |
|--------------------|----------------------|------|------|-------|------|-------------|
| $X_2$              | $X_1$                | .488 | .532 | 5.741 | .000 | Significant |

$$R = .532$$

$$R^2 = .283$$

$$\text{Adjusted } R^2 = .273$$

$$F_{\text{calc}} = 31.842$$

$$\text{Sig } F = .000$$

Hypothesis 2: The marketing environment ( $X_1$ ) and the marketing mix ( $X_2$ ) had positive implications on the competitive advantage ( $X_3$ ).

After being tested through the path analysis it could be seen that hypothesis 2 was accepted, because simultaneously the variables of marketing environment ( $X_1$ ) and marketing mix ( $X_2$ ) had a significant influence on competitive advantage ( $X_3$ ) with significance level  $t = 0.000$  and the determination coefficient ( $R^2_{\text{adjusted}} = 0.254$ ), which meant the contribution to the variable of competitive advantage was 25.4%, while the contribution of other variables out of the model was 74.6%. The simultaneous test results (GF) showed that the value of Sig F  $0.000 < \text{Sig } \alpha = 0.05$ .

From the calculation of  $X_1$  and  $X_2$  to  $X_3$ , the marketing environment ( $X_1$ ) gave a significant influence to the competitive advantage ( $X_3$ ) with (sign  $t = 0.025$ ) and  $\beta = 0.294$  while marketing mix variable ( $X_2$ ) also gave significant influence to competitive advantage ( $X_3$ ) where significance  $t = 0.002$  and  $\beta = 0.316$ . The recapitulation results of the calculation could be seen in Table 5.

Table 5. The Path Coefficient between Variables  $X_1$  and  $X_2$  to Variable  $X_3$ 

| Dependent Variable | Independent Variable | B    | Beta | t     | Sign | Explanation |
|--------------------|----------------------|------|------|-------|------|-------------|
| $X_3$              | $X_1$                | .426 | .294 | 2.283 | .025 | Significant |
|                    | $X_2$                | .484 | .316 | 3.129 | .002 | Significant |

$$R = .514$$

$$R^2 = .278$$

$$\text{Adjusted } R^2 = .254$$

$$F_{\text{calc}} = 18.726$$

$$\text{Sig } F = .000$$

Hypothesis 3: The marketing environment ( $X_1$ ) the marketing mix ( $X_2$ ) and competitive advantage ( $X_3$ ) had a positive impact on sales performance ( $X_4$ ).

After testing through the Path analysis it was seen that hypothesis 3 was accepted, because simultaneously the variables of marketing environment ( $X_1$ ), marketing mix ( $X_2$ ), and competitive advantage ( $X_3$ ) had significant influence on sales variable ( $X_4$ ) with significance level  $t = 0.000$  and the determination coefficient ( $R^2_{\text{adjusted}} =$

0.184, which meant the contribution to the competitive advantage variable was 18.4%, while the contribution of other variables out of the model was 81.6%.

From the calculation to the variables  $X_1$ ,  $X_2$  and  $X_3$ , the marketing environment ( $X_1$ ) had a significant effect on the sales turnover ( $X_4$ ) with (sign  $t = 0.041$ ) and  $\beta = 0.186$ , while the marketing mix variable ( $X_2$ ) gave a significant effect to sales turnover variable ( $X_4$ ) where the significance of  $t = 0.032$  and  $\beta = 0.208$ , and variable of competitive advantage ( $X_3$ ) also gave a significant influence to variable sales turnover ( $X_4$ ) where significance  $t = 0.016$  and  $\beta = 0.221$ . To know the results of the calculation recapitulation, it could be seen in Table 6. The simultaneous test results (GF) showed that the value of  $\text{Sig F } 0.005 < \text{Sig } \alpha = 0.05$ .

Table 6. The Path Coefficient among Variables  $X_1$ ,  $X_2$ , and  $X_3$  on Variable  $X_4$

| Dependent Variable | Independent Variable | B    | Beta | t     | Sign | Explanation |
|--------------------|----------------------|------|------|-------|------|-------------|
| $X_4$              | $X_1$                | .309 | .186 | 1.836 | .041 | Significant |
|                    | $X_2$                | .341 | .208 | 2.180 | .032 | Significant |
|                    | $X_3$                | .382 | .221 | 2.563 | .016 | Significant |

$$R = .446$$

$$R^2 = .201$$

$$\text{Adjusted } R^2 = .184$$

$$F_{\text{calc}} = 5.268$$

$$\text{Sig F} = .005$$

### Model Testing

The following section would explain about the model test formulated through the identification of the path coefficients at each stage to complete the explanation of the hypotheses testing that had been done previously.

#### The Path analysis test phase 1 ( $p_{21}$ )

The path of marketing environment variable ( $X_1$ ) to marketing mix variable ( $X_2$ ) as the path  $p_{21}$ , with direction coefficient value  $\beta = 0.532$ , sign  $F = 0.000$  and sign  $t = 0.000$ . This indicated that the SMEs' marketing environment had a significant influence on the SMEs' marketing mix, because the  $t_{\text{test}}$  was  $t$  significance  $< 0.05$ .

#### The Path analysis test phase 2 ( $p_{31}$ and $p_{32}$ )

The path of the marketing environment variable ( $X_1$ ) to the competitive advantage variable ( $X_3$ ) was as the path  $p_{31}$ , with the direction coefficient value  $\beta = 0.294$ , and the sign  $t = 0.025$ . This indicated that the marketing environment had a significant influence on SMEs' competitive advantage in the research object, because of the result of  $t_{\text{test}}$  (sign  $t < 0.05$ ).

While the path of marketing mix variables consisting of product mix, price mix, distribution mix, and promotion mix ( $X_2$ ) to competitive advantage variable was as path  $p_{32}$ , with direction coefficient value  $\beta = 0.316$  and sign  $t = 0.002$ . This also indicated that the marketing mix had a significant influence on the SMEs competitive advantage in the research object, because of the result of  $t_{\text{test}}$  (sign  $t < 0.05$ ).

#### The Path analysis test phase 3 ( $p_{41}$ , $p_{42}$ , and $p_{43}$ )

The path of the marketing environment variable ( $X_1$ ) to the sales turnover variable ( $X_4$ ) was as the path  $p_{41}$ , with the direction coefficient value  $\beta = 0.186$ , and the sign  $t = 0.041$ , and the marketing mix ( $X_2$ ) to sales turnover ( $X_4$ ) as the path  $p_{42}$ , with value 0.208 and sign  $t = 0.032$ . This showed that both the marketing environment and the marketing mix variables had a direct influence on sales turnover variable achieved by SMEs.

While the path of the competitive advantage variable ( $X_3$ ) to the sales turnover variable ( $X_4$ ) was the path  $p_{43}$ , with the direction coefficient value  $\beta = 0.221$  and sign  $t = 0.016$ . The results above showed that the competitive advantage achieved by SMEs had a significant effect on sales turnover. The result of the influential model among research variables could be seen in Figure 2.

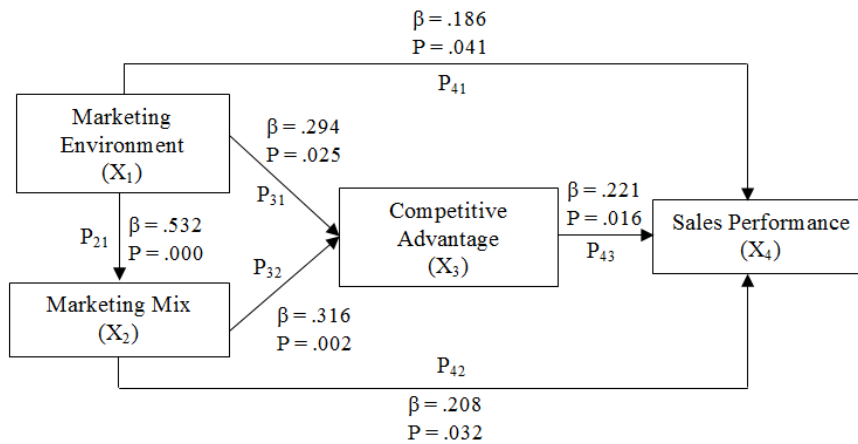


Figure 2. The Results of Influential Model among Research variables

### The Implications of Variable $X_1$ on Variable $X_2$

According to Bird (2009), the marketing environment is an arrangement of events, surrounding circumstances, situations, environmental arrangements surrounding events in a business, where in a large-scale marketing environment it consists of micro and macro environments. The success of an industry depends on how industry relation with its environment (Porter, 2001). Elements of the marketing environment should be studied more deeply because one of the business failures in achieving sales growth from the management inability in analyzing the changes occurred in the marketing environment. Knowledge about the marketing environment can encourage creativity because knowledge about the marketing environment highlights the opportunities shown and the weaknesses taken into account (Menon *et al.*, 1999).

The marketing environment includes: (a) the micro-marketing environments (suppliers, competitors, the public, intermediaries, and customers), and (b) macroeconomic environments (economy, technology, socio-cultural, government, regulatory and legal policies and demography). Both environments have a strong influence on the company's marketing mix (Pinddiche, 2013). The environment is often challenging and complex because its effect on company performance, a company must develop its ability to identify opportunities and existing threats in its external environment. The external environments have two parts (Michael *et al.*, 1995) they are the general environment (elements in the broader society affecting industry and companies within it) and the industrial environment (the threatening factors of participants, suppliers, buyers, replacement products and competition intensity that affects companies, actions, and competitive responses).

Based on the results of hypothesis testing had been done, hypothesis 1 was accepted, meaning that the marketing environment had a significant influence on the marketing mix variable. The better the entrepreneurs understood the environment around the business both the micro and the macro environments the better they set the marketing mix strategy.

The determination of the ideal marketing mix strategy could not be separated from the condition of micro marketing environment. Research data showed that among the factors of suppliers, competitors, public, intermediaries, and customers as elements of the micro-marketing environment, the most considered factors were competitors and costumers factors; this was because the main competitors for the products of small and medium enterprises the large businesses that produced similar goods from the import sector were processed with more advanced technology and attractive appearance. This factor was also the reason why customers were less interested in small and medium business products that the shape and looks were less attractive and sometimes potluck.

For the macro marketing environment among factors of economy, technology, socio-culture, government policy, regulatory and legal factors, as well as demography as the elements of the macro marketing environment, the most widely considered was the government policy factor. This was due to the existence of SMEs still in urgent need of attention and government support to develop. A conducive business climate should be pursued by the government in the setting of legislation and policies in various aspects of economic life so that SMEs entrepreneurs obtain the same certainty, equal opportunity, and wide business support so that they develop into strong and independent businesses. Legislation and policies for a conducive business climate for SMEs business development might include financing aspect competitive aspect, business infrastructure aspect, business information aspect, business licensing aspect, and business protection aspect. Governments at various levels of support and facilitate opportunities for business ventures (Mwobobia, 2012).

### **The implications of Variables $X_1$ and $X_2$ on Variable $X_3$**

With information from the marketing environment, management is able to perform marketing mix strategy; a marketing mix strategy is one way of winning sustainable competitive advantage. A competitive advantage is a function of identifying right market product dimensions for the company's positioning (Ansoff, 1965 in Hameed, 2009). Similarly, Porter (2001) states that competitive advantage as an effort to create customer value better than its competitors by performing specific activities economically or with superior quality or combination of both compared with its competitors.

Marketing mix strategy can be viewed as one of the foundations used in preparing a company's overall planning. Viewed from the extent of existing problems within the company, it is necessary to have a comprehensive plan to serve as a guideline for the company segment in carrying out its activities, another reason that indicates the importance of marketing strategy is the increasingly tough competition of companies in general. Abell and Hammond (1985) argue that marketing mix strategies are primarily concerned with portraying target segments and product policies, communications, marketing channels and prices or being referred to as a marketing mix to reach and serve targeted market segments.

Based on the results of hypothesis testing had been done, hypothesis 2 was accepted, meaning that the variables of marketing environment variables and marketing mix had a significant influence on the competitive advantage variable. The better the entrepreneurs understood the environment around the business, both the micro and the macro environments, the determination of the marketing mix either product mix, price mix, distribution mix or promotion mix the better they generated to achieve the company's competitive advantage in winning the competition.

In business activities, the competition can be viewed as resource management in such a way that it exceeds the competitor performance. To implement it, a company needs to have competitive advantages that are a core of the company performance in a competitive market (Porter, 2001). Competitive advantages will be achieved if the company is able to provide a higher customer value than competitors for the same cost or same customer value for lower costs. Therefore, a proper understanding of the marketing environment is a must to do, because an industry's success depends on how it relates to its environment (Porter, 2001). Elements of the marketing environment should be studied more deeply because one of the business failures in achieving sales growth starts from the management inability in analyzing the changes that occur in the marketing environment. Knowledge of the marketing environment can encourage creativity because knowledge of the marketing environment highlights the opportunities that can be highlighted and the weaknesses are to be taken into account (Menon *et al.*, 1999).

In addition to the marketing environment, the marketing function in the form of the marketing mix is the key for the company in winning the competition (Blanch and Christele, 2006). The marketing strategy is primarily concerned with portraying target segments and product policies, communications, marketing channels and prices or called as the marketing mix to achieve and serve targeted market segments (Abell and Hammond, 1985). Kotler (2001) states that marketing mix strategies consisting of product mix, price mix, promotion mix and distribution mix are parts of effective marketing strategies.

From the opinions and theories above, an understanding of the marketing environment generally changes, and the setting of the marketing mix is the basic capital for SMEs entrepreneurs to enhance their competitive advantages. This is because in facing the increasingly complex competition both coming from large companies and imports that produce relatively similar goods; it is time for SMEs to pay attention to this so that they are able to face increasingly keen competitions. The statistical results showed that both the marketing environment and the marketing mix significantly influenced the SMEs' competitive advantage.

The competitive advantage comes from company-owned resources, this perspective is known as Resource Based View or resource-based perspective initiated by Penrose (1959) in Hameed (2009). According to him, a competitive advantage can be achieved by creating an economic scale and improving management capabilities and technological capacity (Penrose, 1959 in Hameed, 2009).

This concept is later redefined by Barney (1991) who explains that valuable resource characteristics for competitive advantage are those related to valuable, complex, exclusive, easy to generalizable resources and elusive for competitors. In that perspective, the strategic competitive advantage is derived from core sources and core competences which are valuable, rare, hard to imitate, and no substitutability. Ability and resources are said to be substitutability in two meanings. First it cannot be replicated, and second, it can instead replace competitor's similar resources (Barney, 1991), so it is important for a company to make its products difficult to imitate or shift its competitors.

In SMEs the competitive advantage requires an involvement or roles of business actors, company resources (Hannon and Atherton, 1998 in Hameed 2009), capabilities (Collis and Montgomery, 1995), support of related partners (Kettunen, 2002), branding (Anarnkaporn, 2007), and clustering (Guzey and Tasseven, 2011). Other important factors in building SMEs' competitive advantage include the marketing environment supports from both government and private sectors in providing various facilities for SMEs. According to Kettunen (2002), government and industry associations, training centers, financial institutions, educational and training institutions play important roles in facilitating SMEs in improving their competitive advantages.

The competitive advantage is the heart of a company's performance that operates in a competitive market. A company advantage basically grows from the value or benefits created by the company or organization to its buyers. If then the company is able to create advantage through one of the three available generic strategies (price strategy, differentiation strategy, and focus strategy), it will gain a competitive advantage (Aaker and Fournier, 1995). The competitive advantage can be understood by looking at the company as a whole and entirely, coming from many different activities undertaken by the company in designing, producing, marketing, giving and supporting sales (Porter, 2001 in Hameed, 2009), so that the competitive advantage is a position of the company in order to win the competition in the form of cost advantage strategy, differentiation strategy and focus strategy.

#### **The Implications of Variables $X_1$ , $X_2$ , and $X_3$ on Variable $X_4$**

Based on the result of hypothesis test had been done, hypothesis 3 could also be accepted, meaning that the variables of the marketing environment, marketing mix, and competitive advantage had significant influences to the variable of sales performance.

The rapid and dramatic developments and changes in the environment, including changes in consumer passions, technological advances, and socio-economic changes, have resulted in business competition in various tight industries and will directly affect sales performance. Such conditions require companies to be able to explore and develop sources of competitive advantage in order to survive. Sources of competitive advantage can be found from management ability in exploring competences of the company's functional fields that is competence in the marketing field, product development, and design as well as production (Porter, 2001; Heene & Sanches, 1997).

Efforts to increase sales performance can be done by improving the performance of competitive advantage factors, by first understanding the condition of the marketing environment as the basis for determining the

marketing mix strategy. In this study several sources of competitive advantages in the field of marketing recognized by the respondents were the main responsibility of the marketing function, they were as follows (viewed from what the percentage of responsibility was): how to create a company reputation and to build a good brand image, to identify market appropriately and able to meet the demands of the target market, to promote advertising, to expand the distribution scope and to perform selective distribution. Services before and after sales, setting price, and distribution costs were the responsibility of the marketing function for less than 50%. In other words, the sources of the advantages became the responsibility of other functions in the company of more than 50%. Although the responsibility of the marketing function was less than 50% of services before and after sales, setting price and distribution costs, the marketing functions remained to be responsible for improving the sources of the company's competitive advantage so that directly affect the product results. If a product is produced by a good reputation company, then the product will get more consumers than products produced by not good reputation companies. According to some management experts, this good company reputation is in turn expected to increase company profitability, one of which can be through the market share expansion and high profitability.

## 5. Conclusion

The results of this research indicated that marketing environment both micro and macro environment had positive implication to the marketing mix. Because information about marketing environment influenced to the marketing mix, hence reliable information was a determinant to choose a great strategy in reaching competitive advantages in reaching the market.

The marketing strategies focused on marketing mix strategies (product mix strategy, price mix strategy, promotion mix strategy, and distribution mix strategy) had significant effects on competitive advantages. The impacts of competitive advantage strategies focused on generic strategies (cost strategy, differentiation strategy, and strategy focus), they also significantly influenced to sales. Competitive advantages could be created if the entrepreneurs could implement the marketing mix strategy appropriately by first anticipating the always changing marketing environment. Competitive advantages were the heart of the company performance operating in a competitive market which existence was determined by the powers of the company.

From the above results, it meant that the increase of understanding of the marketing environment would be the basis for determining the marketing mix strategy that would affect the competitive advantages and would end on the improvement of sales performance. The findings were consistent with the results of the previous studies that had proven a positive relationship between the marketing environments and the marketing mix to sales performance.

## Acknowledgments

The authors are thankful to the Director of State Polytechnic of Sriwijaya and the Head of Candradimuka Social Sciences and Politics Academy for supporting this research. Sincere thanks are due to the employers of small and medium agribusiness enterprises (SMEs) in South Sumatera involved as respondents in this research for their cooperation.

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