

INCREASING MARKETING PERFORMANCE OF MILKFISH PROCESSING MICRO SMALL AND MEDIUM ENTERPRISE (MSMEs) IN EAST JAVA: BOTH PRODUCT INNOVATION AND SUPPLY CHAIN STILL CAN DO?

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ABSTRACT

The purpose of this research is to know 1) influence of product innovation on marketing performance of milkfish processing MSMEs in Gresik Indonesia; 2) the influence of supply chain on marketing performance of milkfish processing, MSMEs in Gresik Indonesia; 3) the effect of product innovation and supply chain on marketing performance of milkfish processing MSMEs in Gresik Indonesia. The design of this study was field research using quantitative research approach. The population is milkfish processing Micro Small and Medium Enterprises (MSMEs) in Gresik district. The data were analyzed using multiple linear regressions. The product innovation can foster marketing performance and to improve marketing performance is influenced by the supply chain. In the supply chain, it can be known how the relationship of suppliers with the company. Thus, combining both product innovation and supply chain will make the product more various and will result in marketing performance improvement. The product innovation significantly influences the marketing performance of milkfish processing MSMEs in Gresik Indonesia. This happens because the performance is influenced by how the condition of the finished goods and product innovation support to perform marketing performance.

Keywords:

Product Innovation, Supply Chain, Marketing Performance, Small and Medium Enterprises.

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INTRODUCTION

Micro Small and Medium Enterprises (MSMEs) have many impacts on development and economic growth in Indonesia. One of MSMEs that has an important role in supporting the economy of Indonesia is fishery sector. The fishery products needs the further processing to produce high value products. The high demand of fish consumption will encourage fish productivity and sustainability of MSMEs in Indonesia and one of them is located in Gresik district, East Java Province.

Gresik district is one of the areas producing milkfish and as a producer of souvenirs typical of Gresik processed. Milkfish is a fishery sub-sector in Gresik district. Milkfish itself is one of the food products that are favored by the community either to be consumed by them selves or used as pieces of hands or souvenirs. The specialty of milkfish lies in its tasty taste. Milkfish in Gresik district itself has a characteristic of not soil smell and its cultivation only use a little fertilizer.

Reality in the field in general SMEs processed milkfish Gresik district offers similar processed milkfish products and has not been innovated processed milkfish products in prove the existence of shops in Gresik district majority sell only 'otak-otak bandeng' as the main product processed milkfish. This makes the perpetrators of SMEs should be able to survive in the competition. In order for SMEs to survive in the midst of intense competition, SMEs should improve its marketing performance. Ferdinand (2002: 23) states that marketing performance related to understanding, creating, communicating, and delivering value to the consumer is the core of modern marketing, so marketing can be said as a process of giving satisfaction to the consumer to provide profit. Marketing performance is

defined as measuring business performance levels include sales turnover, number of customers, profit and sales growth (Voss and Voss, 2000).

The marketing performance of milkfish processing MSMEs in Gresik still uses a simple method that makes its market is limited. To improve the marketing performance, making product innovation is solution. Ahmed and Shepherd (2010) argued that innovation is the process of realizing new ideas, different from those of the past by producing or by making them real, where innovation is the generation of evaluation, new concepts and implementation with the use of new and different methods and technologies to improve quality cost or lower, to meet or exceed the company's target. This is in line with Fontana (2011) which defines product innovation as a new product or system introduction process that brings economic success for the company and social success for consumers and the wider community or environment. Product innovation has a positive and significant impact on competitive advantages, and competitive advantages have a positive and significant impact on marketing performance (Djojjobo, 2014). Product innovation is an important element in survival. If MSMEs is able to innovate their products, the industry is able to respond to the environment and able to develop new capabilities that cause increased marketing performance.

The innovation on milkfish processing among MSMEs has not been performed that results in the same products of milkfish sold in market. The owners are expected to create uniqueness as an effort to create consumer demand for products. Uniqueness can be obtained by adding variety of milkfish processing products, or making little change of the existing products either from the presentation, taste, size and more. After doing both of things, the company can expand its existing mar-

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ket line so that the acquired sales increase.

In addition SMEs have a supply chain where they are able to provide the necessary materials for the production process so that in performing its marketing performance can run well. Supply chain is the basis of the activities of a MSMEs. With the existence of a good supply chain, MSMEs can continue to innovate well so as to improve its marketing performance. Irawan (2008: 1) explains that the supply chain is an activity of managing activities in order to obtain raw materials, transforming the raw material into goods in process and finished goods, and delivering the product to consumers through distribution system. Rahmasari (2011) shows that the supply chain has a positive and significant impact on the company's performance. Supply chain becomes an important element in survival. If MSMEs are able to create a strong supply chain means the industry is able to develop new capabilities that cause increased marketing performance. The problem that often occurs in SMEs processed Gresik milkfish is the existence of the same supplier that provides the main raw material needs in the form of milkfish to some similar SMEs so that there is often a scarcity of raw material supply. Owners of SMEs should be able to find alternative options as one of the efforts to be able to meet the performance of its marketing. In addition, many suppliers terminated the contract unilaterally because suppliers transferred their land functions as paddy fields to plant rice and no longer ponds as fish-producing pond.

The purpose of this research is to know 1) the influence of product innovation on marketing performance of milkfish processing MSMEs in Gresik, 2) the influence of supply chain on marketing performance of milkfish processing MSMEs in Gresik, 3) the effect of product innovation and supply chain

on marketing performance of milkfish processing MSMEs in Gresik.

LITERATURE REVIEW

Product Innovation

According to Ahmed and Shepherd (2010) innovation is the process of realizing new ideas, which are different from those used by producing or by making them real, where innovation is a generation of evaluation, new concepts and implementation with the use of new and different methods and technologies to improve the quality of costs or lower, to meet or exceed the company's target. Fontana (2011) defines product innovation as a new product or system introduction process that brings economic success for the company and social success for consumers and the wider community or environment.

It is concluded that product innovation is a description of various processes ranging from the concept of a new idea, a new discovery and a development of a new market that interplay between one another.

Supply chain

Heizer (2008) defines supply chain as a procurement activities of materials and services, the conversion into semi-finished materials and end products, and delivery of products through the distribution system. According to Irawan (2008: 1) supply chain management is an activity of managing activities in order to obtain raw materials, transforming the raw material into goods in process and finished goods, and sending the product to the consumer through distribution system. These activities include traditional purchasing functions on other activities that are important to the relationship between supplier and distributor.

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Based on the definition, it can be concluded that supply chain management (SCM) is related to the management / management of raw material and service flow, production process, and delivery process along the supply chain.

Marketing Performance

Ferdinand (2000: 23) states that marketing performance is concerned with understanding, creating, communicating, and delivering value to the consumer is the essence of modern marketing, so marketing can be said as a process of giving satisfaction to the consumer to provide profit. Marketing performance is defined as measuring business performance levels include sales turnover, number of customers, profit and sales growth (Voss and Voss, 2000). Marketing performance is also said to be an organizational ability to transform itself in the face of challenges from the environment with a long-term perspective. According to Bakti and Harun (2011) marketing performance is a measure of achievement gained from the overall marketing process activities of a company or organization. Marketing performance can also be viewed as a concept used to measure the extent to which market achievements have been achieved by a product produced by the company.

From the above definitions, it can be concluded that marketing performance is a concept to measure market performance of a product. Every company is concerned to know the market achievements of its product, the success of marketing performance is reflected in the success of its business in

the world of business competition. Besides, the measure of the success of marketing performance can also be seen from the success rate of new products that show that

Hypothesis of this research is:

- H1 : Product innovation affects marketing performance of milkfish processing MSMEs in Gresik.
- H2 : The supply chain affects marketing performance of milkfish processing MSMEs in Gresik.
- H3 : Product innovation and supply chain affects marketing performance of milkfish processing MSMEs in Gresik.

METHODOLOGY

The design of this study was field research using quantitative research approach. The population is milkfish processing Micro Small and Medium Enterprises (MSMEs) in Gresik district, East Java province in Indonesia. The sampling technique used in this study is saturated sampling with the number of respondents as much as 30 SMEs processed milkfish. The independent variables (product innovation and supply chain) are seen from the statement items in the questionnaire. While on the dependent variable (marketing performance) seen from the results of the amount of sales made by SMEs processed Gresik milkfish. The data were analyzed using multiple linear regression.

Result

The result of data analysis by using multiple regression is following:

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Table 1: Multiple linear regression test results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	16.688	6.858		5.433	.000		
product innovation	.284	.074	.397	2.168	.001	.976	1.025
supply chain	.337	.063	.469	2.716	.000	.976	1.025

a. Dependent Variable: marketing performance

Source: Processed data (2017)

The equation of multiple linear regressions can be described as follows:

Constant value of 16.688 (positive value) states that if the value of product innovation (X1) and supply chain (X2) is equal to zero (0), so that the marketing performance is 16.688. This constraint value also states that if there is a change in product innovation (X1) and supply chain (X2) then marketing performance will exist.

The regression coefficient value of product innovation (X1) is 0.284 indicating that there is a direct relationship with marketing performance (Y), meaning that if product innovation has one unit increase, thus it results in a marketing performance improvement of 0.284. In other words, marketing

performance on milkfish processing MSMEs in Gresik will increase when product innovation increases as well.

The supply chain value of regression coefficient coefficient (X2) is 0.337 indicates that there is a unidirectional relationship with marketing performance (Y) which means the marketing performance activity. If the supply chain increases one unit, the marketing performance will increase of 0.337. This means that the marketing performance of milkfish processing MSMEs in Gresik will increase when the supply chain also increases.

The effect of product innovation variables (X1) and supply chain (X2) on marketing performance (Y) partially was measured by using t-test.

Table 2: t-test result

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	16.688	6.858		5.433	.000
product innovation	.284	.074	.397	2.168	.001
supply chain	.337	.063	.469	2.716	.000

The value of t table is described as follows:

T table value shows that t observed for product innovation (X1) is 2.168 with significance value of $0.001 < 0.05$ or 5%, meaning that product innovation influences partially to marketing performance (Y).

T table value shows that t observed for chain supply (X2) is 2.716 with significant value of $0.000 < 0.005$ or 5%, mean-

ing that chain supply influences partially to marketing performance (Y)

The results of F test (Simultaneous) in this study can be seen in table 3 as follows:

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Table 3: F test results (Simultaneous)
 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.720	2	13.860	3.725	.000 ^b
	Residual	100.447	27	6.720		
	Total	128.167	29			

a. Dependent Variable: marketing performance

b. Predictors: (Constant), supply chain, product innovation

Source: Processed data (2017)

From table 3, it can be seen that the value of F arithmetic was 3.725 supported with a significance level of 0.000 whose value is smaller than 0.05 or 5%. Thus it means that product innovation (X1), and supply chain (X2) have a positive and significant effect on marketing performance of milkfish processing MSMEs in Gresik.

Discussion

From the results of data analysis conducted, then the influence between product innovation variables (X1) and supply chain (X2) on marketing performance (Y) SMEs processed milkfish in Gresik can be explained as follows:

a. The influence of product innovation on marketing performance of milkfish processing MSMEs in Gresik

The product innovation is positively and significantly connected. This means that if product innovation increases then the performance of marketing will increase as well and vice versa when the product innovation is down then the marketing performance will also decrease. Ahmed and Charles (2010) states that innovation is the process of realizing new and different ideas from those of the past by producing or by making them real, or it can be meant that innovation is the generation of evaluation, new concepts and implementation of using new and different methods and technologies to improve the quality of costs or lower, to meet or exceed the company's target.

Product innovation conducted by all SMEs generally use seasonal cycles, every 3 months or once every 6 months. Product innovation undertaken by SMEs processed milkfish in Gresik among others through the change of packaging appearance. Packaging has considerable influence to attract consumers because with attractive packaging then consumers will be interested to buy it. Besides SMEs processed milkfish in Gresik also innovate other products among which are the heavy renewal following the tastes of consumers, using materials that are not used in processed milk into the material that can be resold as a good offal milkfish processed back into abon offal milkfish or fish scales and bone milk is processed into fodder.

Overall product innovation has a positive and significant impact on the marketing performance of SMEs processed milkfish in Gresik. This is in accordance with research conducted Dwiyono (2006) which states that the expansion of line, counterfeit products and new products is an element of product innovation that affects marketing performance. Djobobo (2014) also stated that the expansion of product lines is an influential factor in product innovation, in addition to counterfeit products and new products is a factor of product innovation that has a positive effect on marketing performance. This opinion is also reinforced by the Swasta (2008: 181) which explains that product innovation is a factor that affects the

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marketing performance.

In this study respondents on indicators of product innovation average respondents agreed and strongly agree on the statement that measures product innovation such as the addition to variations of products made such as flavor, packaging, weight, design and model. In addition, the selected product innovation is also tailored to the market by using three types of product innovation. The expansion of the product line is used to introduce additional products with the same product and use the same brand. In addition to line extensions there are also artificial products, artificial products are used to imitate other products that already exist in the market and there are also new products that are used to see the target market for potential and also know the desires of consumers.

b. Influence of supply chain on marketing performance of milkfish processing MSMEs in Gresik

The results show that the supply chain has a positive and significant effect on marketing performance. According to Heizer and Render (2008) supply chain is a network that describes the flow of raw materials from suppliers into products to be delivered to the distributor center and ultimately down to the final consumer.

Overall the supply chain had a positive and significant impact on the marketing performance of SMEs processed milkfish in Gresik. In essence, the performance of MSMEs marketing will not work without a supply chain network. Suppliers have an important role in supporting the marketing performance of an MSMEs. The suppliers of MSMEs in milkfish processing in Gresik distrik in Indonesia were very much in the beginning and able to meet the basic needs of SMEs processed milkfish. However, the current conditions, many suppliers are beginning to

switch professions to other fields, resulting in the supply of fish for the perpetrators of MSMEs processed milkfish is reduced. To get around this, the owners of SMEs looking for other suppliers who are willing to supply raw materials coming from outside the city of Gresik.

Overall, the supply chain has had a positive and significant impact on the performance of SME marketing in Gresik because the relationship with supplier, customer relationship, and supply chain management strategy has a positive and significant impact on the performance of SME marketing in Gresik. This is reinforced by the results of research Dwiyanto (2013) which shows that the variable information sharing, long term relationship, cooperation, and process integration positive and significant effect on the implementation of supply chain management on corporate performance. Rahmasari (2011) shows that quality, time, cost and flexibility are elements of the supply chain that affect marketing performance.

The supply chain on milkfish processing is very influential on marketing performance. The results of respondents on the indicator of the average supply chain shows that respondents agree and strongly agree on the statement which measures the supply chain as acquired by the price the cheap, expected quality, and in sufficient quantities.

Supply chain is a reference whether the company has a good performance or not a good relationship will make a chain needs to run well. With a good relationship with suppliers, the company's performance can run optimally. For instance, good relationships with customers will make customers give a positive situation of the company and also can improve its marketing performance in the presence of criticism and input from customers.

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c. The influence of product innovation and supply chain on marketing performance of milkfish processing MSMEs in Gresik

The results show that product innovation and supply chain together affect the marketing performance of SMEs processed milkfish in Gresik Indonesia. These results are in line with Mutaheer's (2014) pointed out that technological innovation significantly influences supply chain partnerships, and supply chain partnerships have a significant effect on the performance and competitiveness of MSMEs.

The development and technology of processed milkfish manufacture increasingly sophisticated. The process of making which initially used human power is now turning to the engine power that makes the production process is increasing. The types of milkfish are more diverse ranging from processed types that do not change the original shape of milkfish such as brains, smoke bandeng, presto, pepes and also raw milkfish are generally all without thorns. Besides, there are also processed types that change the shape of milkfish such as milkfish nugget, milkfish shrimp, milkfish and milkfish crackers. Although everything changed the original form of milkfish but still using basic ingredients form of milkfish.

A product must be created and designed creatively and innovatively which should pay attention to the design of the brand, packaging, complementary services and warranties to be in accordance with the products being marketed. In addition, the existing supply chain must maximally to sustain the needs of SMEs to produce. Hubunan with customers also need to be considered so that the future can get input from customers and make product innovation based on what consumers want.

Overall marketing performance of MSMEs processed milkfish in Gresik influenced by product innovation and supply chain company. This can be evidenced by the increasing volume of sales from each company. The written question submitted by the writer to the owners of SMEs in Gresik milkfish processing on how done by SMEs to increase sales volume to get the conclusion that by arranging products to look attractive, add outlets to sell, give discounts, hold exhibitions and determine potential buyers becomes the most important thing to increase sales volume. This is evidenced by the answers given by respondents who stated that all that makes the sales volume increase.

Conclusion

Based on the results and discussion above, it can be concluded that 1) Product innovation has an effect on marketing performance of milkfish processing MSMEs in Gresik, 2) Supply chain also influences the marketing performance of milkfish processing MSMEs in Gresik, 3) Product innovation and supply chain have an effect on marketing performance of milkfish processing MSMEs in Gresik.

Suggestions for the next research, researcher doing the same research are 1) to improve the maximal marketing performance, milkfish processing MSMEs in Gresik can find more new idea, make partnership for raw material procurement, 3) the further similar research is expected to add or replace the other variable influencing the marketing performance not explained by the variables of product innovation and supply chain

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