

Relationship Marketing and Digital Marketing on Competitive Advantage in Enhancing SMEs Marketing Performance at Semarang Regency

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ABSTRACT

Purpose: The study is conducted to analyze the effect of Relationship Marketing and Digital Marketing toward Competitive Advantage in Enhancing Marketing Performance at SMEs in Semarang Regency.

Design/Methodology/Approach: The research method used path analysis. The independent variables in this study are relationship marketing and digital marketing, competitive advantage as an intervening or mediating variable, and marketing performance as the dependent variable. Primary data was obtained by questionnaire as the instrument of collecting data. The data was processed with SPSS 23. The population in this study is 11959 SMEs in Semarang Regency, then the number of samples is 100 SMEs, the sample was determined by Slovin formula.

Findings: The study showed that relationship marketing and digital marketing have an effect on competitive advantage in marketing performance improvement. SMEs can increase customer trust and commitment by maintaining the quality of the products sold so that customers are not disappointed with the product when making repeat purchases. In other ways, SMEs must provide good service to customers and prospective customers. SMEs need to compile or create even more attractive promotional programs so that customers become interested in buying products at SMEs, by sharing promotions more frequently on social media so that promotional information can be reached by customers more broadly. Improving good relations with customers, one of which is always ready to be responsive in serving customers when customers need information or services from SMEs. To improve marketing performance, SMEs owners can pay more attention to their relationship with customers and the use of digital marketing in carrying out their business.

Keywords: Relationship Marketing; Digital Marketing; Competitive Advantage; Marketing Performance; SMEs

INTRODUCTION

The presence of SMEs has a very important role in the economy of a country, both in terms of the number of businesses and in terms of job creation (Harini & Rohman, 2020). In Indonesia, SMEs are the largest contributor to the country's GDP. When the Covid-19 pandemic hit Indonesia, a lot of SMEs were affected (Bahri, 2022). In March 2021, in the SME Community survey, 5.4% or 3.5 million SMEs have gone bankrupt and 34.8% of SMEs have the potential to go bankrupt (Michelle Natalia, 2021). Therefore, SMEs need to maintain their existence in the business world even during a pandemic, SMEs must gain a place in the market by intensifying marketing activities (Harini & Rohman, 2020). Marketing activities have undergone an evolution whereas, for a business person, the top priority is not just finding new customers, but how to build good relationships with old and new customers by implementing Relationship Marketing (Masriansyah, 2020). Become a new paradigm in achieving marketing success by establishing and maintaining relationships with customers continuously (Maknuun et al., 2021). The study that is conducted by Maknuun et al., (2021) and (Affran et al., 2019) showed that relationship marketing has a significant effect on the competitive advantage among SMEs.

In the digital global era, SMEs must adapt to changes through information technology. SMEs are required to be able to communicate products intensively by promoting and selling the products using digital marketing so that SMEs can reach the market optimally (Harini & Rohman, 2020). Digital marketing for SMEs plays an important role in improving marketing performance since implementing digital marketing makes it easier to introduce products to customers with a wide range (Zuhdi et al., 2021). Moreover, the tough business competition that occurs requires SMEs to work harder in facing market competition. Competition is a situation where companies in the market will show their respective advantages to attract customers (Unud et al., 2017). SMEs must have the right strategy to face market competition (Indri Murniawaty et al., 2021), including being able to utilize technology for marketing activities (Marbun & Simanjuntak, 2021) and customer orientation to create superior value for customers (Unud et al., 2017). Digital marketing has a significant effect on the competitive advantage of SMEs in Semarang Regency which is in line with previous research, namely (Zuhdi et al., 2021). In other ways, implementing Relationship Marketing and using technology is creating efficiency to be able to create good marketing performance and ultimately produce competitive advantages for SMEs.

Semarang Regency has many SMEs engaged in the creative industry and trade which have the potential to be developed. However, SMEs products in Semarang Regency are not widely known (Harini & Rohman, 2020). According to DKUPP Semarang Regency, the

existence of the Covid 19 pandemic had an impact on SMEs, namely because uncertainty caused a decrease in demand which resulted in a decrease in turnover (Diskumperindang, 2021). Especially in the marketing network, the activities of SMEs in Semarang Regency still don't reach widely because there are still many who have not maximized technology (Harini & Rohman, 2020).

Utilization of Digital Marketing can make it easier for SMEs to introduce and market products to consumers. Reporting from Solopos.com, the Head of the Central Java SME Dinkop said that 4.1 million SMEs in Central Java, around 52.98% of SMEs experienced problems in marketing (Imam Yuda Saputra, 2021). The government through the Ministry of Communication and Information has asked SMEs to start switching to do marketing activity from conventional to digital platforms. The Ministry of Finance has prepared a budget of IDR 3.6 trillion for Bantuan Produksi Usaha Menengah (BPUM). Each SME receives Rp. 1.2 million in funding to revive SME businesses. In this case, SMEs at Semarang Regency will be more productive in running their business, there is intense competition among SMEs that can't be avoided.

METHODS

The study used a quantitative approach and primary data obtained through questionnaires as a research instrument. Respondents in this study were SMEs in Semarang Regency, where the population was 11,959 and the sample size was 100 respondents. The number of samples obtained was based on the Slovin formula with a tolerance error value of about 10%. This study had been tested with research instruments namely the validity test and reliability test. The data that has been collected from all samples is processed using SPSS with the path analysis method. The variables in this study consist of independent variables, mediating variables, and dependent variables. Relationship Marketing and Digital Marketing as independent variables. Competitive advantage is an intervening/mediating variable, and marketing performance is the dependent variable. Relationship marketing indicators include commitment, trust, communication, and conflict handling. Digital Marketing indicators are interactive, incentive programs, site design, and costs. Competitive advantage uses indicators of quality, flexibility, customer relations, and customer satisfaction. As well as marketing performance indicators namely sales growth, customer growth, and profit increase.

RESULTS

Respondent Demographic Profile

Respondents from this study are the owners and employees of SMEs in Semarang Regency. Following are the profiles of the respondents:

Table 1. SMEs Demographic Profile

Demography		Frequency	
Gender	Male	55	55%
	Female	45	45%
Education	Senior High School	78	78%
	Diploma	2	2%
	Undergraduate	20	20%
Position	Owner/leader	93	93%
	Staff	7	7%
Length of Work	<1 year	6	6%
	1-5 years	41	41%
	>5 years	53	53%
Age	< 30 years old	23	23%
	31-40 years old	35	35%
	41-50 years old	34	34%
	>50 years old	8	8%
Field of Business	Electronic	3	3%
	Furniture	2	2%
	Tourism	15	15%
	Handicraft	13	13%
	Food and Beverage	27	27%
	Agriculture	6	6%
	Textile	12	12%
	Others	22	22%

Source. Primary data, 2022

As shown in the table above, about 55% gender of SME actors are male and the rest is female. For education level, 78% SME actors were in Senior High School, 2% Diploma, and 20% undergraduate level. Position in SMEs about 93% were owners. Then, 53% of SMEs have been existing more than 5 years. The age of respondents, the highest SMEs actors was 31-40 years old. In the field of business among SMEs, the highest field is food and beverage and the lowest is furniture. This demographic profile can represent the condition of SMEs to survive the business.

Path Analysis

Path analysis in this study is used to determine the effect of relationship marketing and digital marketing on competitive advantage, then the effect of relationship marketing, digital marketing, and competitive advantage on marketing performance.

Table 2. Path Analysis Results for the Effect of Relationship Marketing and Digital Marketing on Competitive Advantage

Variables	Standardized Coefficients (Beta)	Sign Value
Relationship Marketing	0.644	0.000
Digital Marketing	0.196	0.015

Dependent Variable: Competitive Advantage

Source: SPSS 23.0 Output, 2022

Table 3. The Result of Determinant Coefficient of the Result Given in Table 2

Model	R	R Square
1	0.743	0.552

Source: SPSS 23.0 Output, 2022

Based on the results from table 3 above, the relationship marketing and digital marketing variables had R square value of 0.552, so that can be stated that these variables contribute to a competitive advantage of 55.2%, and the rest is affected by other variables. Furthermore, the value of the path analysis coefficient is searched by the following calculation:

$$(1) e1 = \sqrt{1 - R^2} = \sqrt{1 - 0.552} = 0.669$$

Meanwhile, structural equation 1 can be written as follows,

$$(2) Y = 0.644 X1 + 0.186 X2 + 0.669$$

Structural equation 2 is used to determine the effect of relationship marketing, digital marketing, and competitive advantage on marketing performance.

Table 4. Path Analysis Result for the Effect of Relationship Marketing, Digital Marketing, and Competitive Advantage on Marketing Performance

Variables	Standardized Coefficients (Beta)	Sign Value
Relationship Marketing	0.266	0.023
Digital Marketing	0.227	0.012
Competitive Advantage	0.274	0.021
Dependent Variable: Marketing Performance		

Source: SPSS 23.0 Output, 2022

Table 5. The Result of Determinant Coefficient of the Result Given in Table 4

Model	R	R Square
2	.643	.413

Source: SPSS 23.0 Output, 2022

Based on the results from table 5 above, the relationship marketing, digital marketing, and competitive advantage variables have an R square value of 0.413, namely, these variables contribute 41.3% to marketing performance, and the rest is affected by other variables. Furthermore, the value of the path analysis coefficient is searched by the following calculation:

$$(1) e2 = \sqrt{1 - R^2} = \sqrt{1 - 0.413} = 0.766$$

Meanwhile, structural equation 2 can be written as follows

$$(2) Z = 0.266X1 + 0.227X2 + 0.274Y + 0.766$$

The results of the path analysis coefficient values above can be illustrated by the following path analysis structural model:

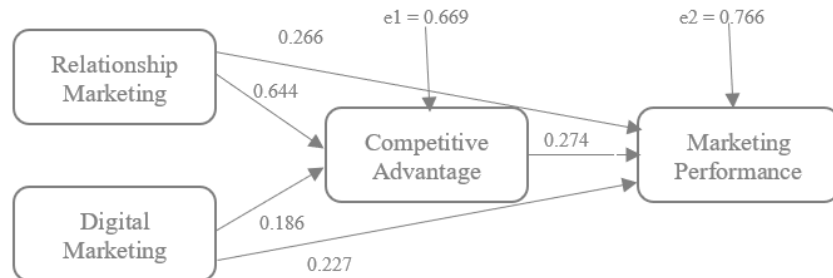


Figure 1. The Structural Model of Path Analysis Result
Source; Processed primary data, 2022

Furthermore, to determine the direct effect, indirect effect and path coefficient of each variable can be seen in the following table:

Table 6. Direct and Indirect Effects

Variable	Path Coefficient	Direct Effect	Indirect Effect	Total
X1 to Y		0.644		0.644
X2 to Y		0.186		0.186
Y to Z		0.774		0.774
X1 to Z		0.226	0.644 x 0.774 = 0.498456	0.764456
X2 to Z		0.227	0.186 x 0.774 = 0.143964	0.370964
e1	0.669			0.669
e2	0.766			0.766

Source; Processed primary data, 2022

Hypothesis Test

The hypothesis test carried out in the study used a significance value, the hypothesis would be accepted if the significant value is less than 0.05.

Table 7. Hypothesis Test Results

Hypothesis	Statement	Sign value	Result
H1 (X1 to Y)	Relationship marketing has positive effect on competitive	0.000	Accepted

	advantage in SMEs at Semarang Regency		
H2 (X2 to Y)	Digital marketing has a positive effect on competitive advantage in SMEs at Semarang Regency	0.015	Accepted
H3 (X1 to Z)	Relationship marketing has a positive effect on marketing performance in SMEs at Semarang Regency	0.023	Accepted
H4 (X2 to Z)	Digital marketing has a positive effect on marketing performance in SMEs at Semarang Regency	0.012	Accepted
H5 (Y to Z)	Competitive advantage has a positive effect on marketing performance in SMEs at Semarang Regency	0.021	Accepted

Source; Processed primary data, 2022

DISCUSSION

The effect of relationship marketing and digital marketing on competitive advantage is 54.3%. The effect of relationship marketing, digital marketing, and competitive advantage on marketing performance is 39.5%. The results of the study showed that relationship marketing has a significant effect on the competitive advantage of SMEs in Semarang Regency. These results are in line with research conducted by Maknuun et al., (2021) and (Affran et al., 2019). Four indicators in the relationship marketing variable, the indicators of trust and commitment have a low score compared to the other two indicators, namely communication and complaint handling. Therefore, SMEs in Semarang Regency can increase customer trust and commitment by maintaining the quality of the products sold so that customers are not disappointed with the product when making repeat purchases. In addition, SMEs can improve the quality of services provided, SMEs must provide good service to customers and prospective customers. Furthermore, two other indicators, namely communication and problem solving, also still need attention and improvement to attract new customers and retain old customers.

Digital marketing has a significant effect on the competitive advantage of SMEs in Semarang Regency which is in line with previous research, namely (Zuhdi et al., 2021). The incentive program indicator on the digital marketing variable has the lowest value compared to the other three indicators, namely cost, interaction, and site design. Therefore, SMEs need to compile or create even more attractive promotional programs so that customers become interested in buying products at SMEs, by sharing promotions more frequently

on social media so that promotional information can be reached by customers more broadly.

The competitive advantage variable as a mediating variable has a positive and significant effect on the marketing performance of SMEs in Semarang Regency. These results were in line with research conducted by (Unud et al., 2017), (Yuliana & Filatrovi, 2019). The flexibility indicator on the competitive advantage variable has the lowest value compared to the other three variables namely quality, customer relations, and customer satisfaction. SMEs need to improve good relations with customers, one of which is always ready to be responsive in serving customers when customers need information or services from SMEs.

In terms of its effect on marketing performance, relationship marketing has a positive and significant effect, directly or indirectly mediated by competitive advantage. This result is in line with (Farida et al., 2017), (Maknuun et al., 2021). Digital marketing also has a positive and significant effect on marketing performance, both directly and indirectly mediated by competitive advantage. This research is also in line with research from (Marbun & Simanjuntak, 2021) and (Sidi & Yogatama, 2019). To improve marketing performance, SMEs owners can pay more attention to their relationship with customers and the use of digital marketing in carrying out their business.

CONCLUSION

This study showed the results that Relationship Marketing and Digital Marketing have a positive and significant effect on marketing performance through the competitive advantage of SMEs in Semarang Regency. SMEs can optimize good relations with customers and use digital marketing to have a competitive advantage to improve marketing performance. The study still has limitations in the analysis, it is necessary to carry out further or more comprehensive research to improve marketing performance. Furthermore, this study is expected to provide benefits for related parties, which can generate knowledge or insight regarding the effect of relationship marketing and digital marketing on marketing performance through the competitive advantage of SMEs in Semarang Regency and can encourage SMEs to make improvements and optimize good relations with customers and the use of digital marketing to have a competitive advantage to enhance marketing performance.

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