Analysis of the Effect of External Environment and Marketing Strategy on the Marketing Performance of MSME Fashion

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Abstract
The purpose of this study was to determine the effect of the external environment and marketing strategy on the marketing performance of fashion SMEs in the Bandung area. This research used quantitative methods. Primary and secondary data were analyzed in this study. The study's preliminary results come from questionnaires administered to ten respondents using the Likert scale. Validation tests, reliability tests, and hypothesis testing were used in this study's data analysis. According to the statistics and study findings, external environmental variables have a positive but non-significant effect on marketing performance; and marketing strategy has a positive but non-significant effect on marketing performance.

Keywords: Analysis, Influence, External Environment, Marketing Strategy, Marketing Performance, MSMEs.

Introduction
MSMEs in various developing countries have a significant role, namely being the backbone of the country's economy. The presence of MSMEs has been proven to move the national economy and reduce unemployment on a large scale (Naimah et al., 2020; Waluyo et al., 2019). Although MSME entrepreneurs have several obstacles and limitations in their business processes, MSMEs can still compete in the national market. When economic conditions deteriorate due to this pandemic, many large companies are threatened with declining and bankruptcy. However, at the same time, MSMEs are still able to survive. Many MSMEs that can survive show that they have implemented an entrepreneurial vision so that they are still able to lead their companies to grow and develop and even obtain increasing profitability (Sasongko et al., 2020; Waluyo, 2021). However, in the process, MSMEs are certainly affected by external environmental factors and marketing strategies implemented by companies in their business.

The marketing environment is made up of external (macro) and internal (micro) elements that might affect management's capacity to create and maintain connections with customers (Mandasari et al., 2019). Marketing strategy is also essential to apply in all business areas. This is because the intense competition in the business sector requires
all business people to think creatively and innovatively to attract the attention of many consumers (Waluyo, 2021). To facilitate understanding, the external environment can be understood as follows:

![Figure 1. The External Environment in Business](image)

The marketing environment or the location is located already correct, and some are not right. The marketing process carried out by MSMEs in Bandung, on average, is no longer marketing their products by selling directly to consumers. Most business actors already use technology and information that is currently developing to run their business by selling their products online using social media that is widely known by the public (Siagian & Cahyono, 2021; Waluyo, 2020). Marketing performance measures the company's success measured over a predetermined period. These results can be said as activities that have been prepared and implemented to identify whether the environment and strategies that have been implemented are appropriate or vice versa.

The Office of Cooperatives, Micro, Small and Medium Enterprises noted that MSME growth in September 2021 reached an increase of 3.8% in the last six years. Several commodities included as leading entities in the city of Bandung have been badly affected by the Covid-19 pandemic due to decreased market demand this pandemic. Nur Nuraeni as chairman of the Empowerment and Development of Micro Enterprises and Facilitation of the Bandung City Office, stated that the number of micro-enterprises based on data from the Bandung City Central Bureau of Statistics is 111,627; because of this pandemic, there are several obstacles faced by the majority of MSMEs such as the lack of capital and corporate financial management and the lack of innovation in products. This, of course, resulted in a decrease in turnover, an average decline in turnover of 65%, even business people in the culinary field decreased to a level of 97%. Entrepreneurs in the fashion sector experienced a decrease in turnover of around 79% due to a decline in orders, raw materials that were difficult to obtain, and prices classified as very expensive, which resulted in delays in distribution using delivery services.

This certainly affects the main objective of the company's operations. The primary purpose of the company's functions is to increase profits from one period to the next because increasing revenues will increase the company's sustainability. The increase in profit is highly dependent on the company's performance through its functional performance, such as the performance of marketing, finance, human resources, and others. The combination of operational performance will determine the company's performance. In addition, business performance is strongly influenced by the external and internal environment of the company, as well as the quality of human resources working in the company. The company's external environment is a factor of economic, social, government policy, law, environment, globalization, and the use of technology.
Based on this description, it is clear that marketing strategies can help managers make tactics or strategies to increase profit goals and activities. At the same time, other methods can also be combined to produce more optimal performance.

In the city of Bandung itself, one of the efforts made by the government is to be able to help business actors, including local MSMEs from various types of businesses, such as the food, beverage, and fashion industries, to increase using the adoption of digital platforms such as marketplaces in their business processes. The Bandung city government intensively carries this out to encourage the pace of the regional economy, which has been affected by the pandemic. Furthermore, the governor of West Java, Ridwan Kamil, said that the migration of business actors to digital was mandatory to answer the challenge of the decline in MSME business due to activity restrictions and community mobility. Economic growth in West Java, which has implemented digitalization, has experienced a message growth of 40 per cent during the pandemic.

Meanwhile, the Bandung city government, through the Bandung City Trade and Industry Office, has appealed to business actors to adopt digital platforms such as Tokopedia immediately. The government calls for collaboration to be the key to the success of this business, for example, through the campaign with food and beverage sellers initiated by Tokopedia. Fashion SMEs also apply this through the Bersebelas Mestepping Together movement; for instance, NOKHA and Brodo stores that participated in the campaign increased 2.5 times in their transactions. Another campaign driven by the Bandung city government is by providing a particular website for the Bandung creative market; this initiative is expected to be able to move the Bandung economy by increasing consumption of locally made products by MSME entrepreneurs so that with this success, the government hopes that collaboration can continue and be widespread.

The environmental problems need to be directed to increase access to the expected opportunities, the results obtained, and the threats that will come. An excellent introduction to the environment will positively impact marketing performance. Environmental changes must be accompanied by adjustments to the company’s strategy, which the company’s resources support. The performance of a system will be determined by how well the quality and environmental management factors that are considered influential participate in the marketing strategy process. Additionally, Claria's (2021) research suggests that macro-environmental aspects, such as political and legal power, economic strength, technological strength, and socio-cultural strength, are taken into account when food SMEs develop business strategies to maximize profits and improve performance. Simultaneously, Mashuri (2019) and Sasongko (2020) argue that the influence of external factors such as government policies, socioeconomic conditions, and the function of relevant organizations, as well as internal elements such as human resources, financial elements, operational techniques and market aspects affect the performance of rattan furniture SMEs in Temanggung.

Based on previous research conducted by Ramadhani (2018) in his study, namely the influence of market orientation and entrepreneurship on marketing performance through marketing capabilities in lanting SMEs, it is necessary to carry out further research by examining other variables such as environmental factors and marketing strategies on marketing performance in SMEs. Based on this gap, the authors want to continue with previous research, examining the influence of environmental factors and marketing strategies on marketing performance in MSMEs and what distinguishes them from earlier researchers, namely MSMEs and different research locations. This
study aims to determine the effect of environmental factors and marketing strategies on the marketing performance of SMEs in the city of Bandung.

**Industrial Performance**

Performance can be defined as a sequence of management operations that provide an overview of the extent to which results have been attained in carrying out the company's obligations and responsibilities, which result in successes or failures. Additionally, performance can relate to a company's level of achievement or achievement during a specified time period (Sugiyanto et al., 2018). The performance of the business is critical to its development. The firm's objectives, which include continuing to stand or exist, earning a profit, and being able to grow, can be met if the organization performs well. The sales, profit margin, return on capital, turnover rate, and market share achieved all indicate the company's performance (Waluyo, 2020; Ediwar et al., 2021).

In assessing effective performance, it can affect two things, namely productivity and work quality which can be assessed by taking the following steps: (1) defining the job, (2) assessing performance, and (3) providing feedback and clear accountability. Meanwhile, according to Kotter and Hesket, there are two types of performance, namely (1) economic performance, producing quality and robust work ethic, and (2) superior performance, producing superior products (Fauzi et al., 2020; Sastra, 2017). Various criteria in measuring the company's performance depend on the performance appraisal itself. Benchmarks are unique for each corporate entity due to the unique characteristics of the business area, history, legal status, financial structure, growth pace, and technology level. These distinctions will have an effect on the business entity's behavior and, in turn, on the performance and benchmarks used.

Previously published study identified sales growth, staff growth, revenue growth, and market share growth as critical small business performance indicators (Kim and Choi, 1994, Lee & Miller, 1996, Luo, 1999, Miles et al. 2000, Hadjimanolis, 2000). Additionally, this is predicated on the assumption that growth is more exact and straightforward to measure than financial performance metrics. Another alternate view is that performance is multidimensional, and that integrating the various characteristics of performance in an empirical study is beneficial. Financial performance and growth should be viewed as distinct components of performance, each of which contains substantial and distinctive data. When growth and financial performance are combined, they provide a more thorough picture of the company's actual success than either metric alone.

**External Environment**

The external environment is the environment that exists outside of the business and must be evaluated in order to ascertain the opportunities and risks that the business will face; this is because the environment is a significant contextual component affecting a business's performance. Because information and decentralized structures are a function of their environment, there must be a match between uncertainty and decentralized structures (Indah et al., 2017). There are two ways to approach the concept of environment, namely: To begin, there is the perspective that regards the external environment as a source of resources. The first perspective is founded on the idea that the external environment serves as a conduit for key resources necessary for the existence of the business. Additionally, this perspective encompasses the significance of external threats posing a threat to the company's internal resources. Strikes, deregulation, and legislative changes can all wreak havoc on a business's internal resources. Second, the perspective considers the external environment to be a
source of data. This perspective establishes a connection between information and environmental unpredictability. Environmental uncertainty refers to unpredictable external conditions (Ediwar et al., 2020).

In addition, this also has a relationship with company members' ability to make decisions. The previous research categorizes the external environment into two parts, namely: 1) Distant Environment, which includes political, economic, social and technological factors; and 2) Industrial Environment, covering aspects contained in the concept of competitive strategy, which includes aspects of barriers to entry, aspects of supplier bargaining power, aspects of buyers' bargaining power, availability of substitute goods and aspects of competition in the industry (Tugenovich et al., 2021). Based on this description, the following hypotheses can be drawn: \( H_1 \): The external environment has a positive and significant influence on the performance of MSME Fashion in the city of Bandung.

**Macro Environment**

The macro-environment is also referred to by other terms: the remote and social environments that can indirectly influence long-term decisions. The social climate is divided into four parts: economic power, technological power, legal and political power, and socio-cultural power. Appiah et al. (2018) state that the company's macro-environment consists of main factors outside and independent of the company. The main factors considered are political and legal, economic, socio-cultural, and technological factors. Besides, Tulgenovich (2021) states this environment as the general environment (general environment) of an organization which is a series of dimensions and forces that are broad and surround the organization that creates the overall organizational context. These dimensions and strengths are not entirely linked to any other particular organization. The general environment of most organizations has economic, technological, socio-cultural, political and legal, and international dimensions.

Based on research conducted by Metha (2020), the macro environment outside the company that can affect the company's viability at large includes the following settings:

1. **Economic Environment**

   Local, regional, national and global economic strength will affect business opportunities. The economic environment heavily influences the company's sales and costs. Economic variables such as inflation rate, interest rate, and foreign currency fluctuations, either directly or indirectly, will affect the company. Inflation or rising prices will make it difficult for entrepreneurs to protect their businesses. Likewise, rising interest rates and fluctuations in foreign currencies will make it difficult for companies to calculate their finances.

2. **Technology Environment**

   The power of technology and the tendency of change significantly affect the company. The drastic technological changes in the last century have expanded the scale of the industry as a whole. New technology has created new products and other product modifications. Likewise, the service business sector has been heavily influenced by technological advances. Technological advances in producing goods and services have quickly met market needs and demands. Therefore, the company must consider the ability of competitors to develop added value quickly through technological changes.

3. **Sociopolitical Environment**

   Social and political forces, trends, and context need to be considered to determine how these changes affect people's behaviour. In some cases, changes in political power
affect changes in government and indirectly have an impact on changes in the economy. For example, political turmoil and unrest always carry the market sentiment. Changes in government investment in technology also significantly affect economic conditions. However, this environment will be very beneficial if entrepreneurs are good at taking advantage of opportunities from that environment.

4. Demographic Environment

The goods and services produced are often influenced by changes in demographics and lifestyles. Community groups, lifestyles, habits, incomes, and community structures can be opportunities. In principle, all of the above environments can create opportunities for entrepreneurs.

Company Marketing Strategy

Marketing includes various activities related to selling the company's products, advertising, promotion, and pricing. Marketing strategy online is all business done to market products through the internet. Despite the changes, marketing cannot be separated from the main components, namely consumers, competitors, and companies. Kotler (Merichova, 2019) defines marketing strategy as "a marketing rationale through which businesses aspire to provide value for customers and establish lucrative connections with them."

Makini et al. (2021) define marketing strategy as a collection of goals and objectives, regulations and rules that guide the company's marketing operations at various levels of reference and allocation, most notably as a response to the environment and ever-changing competitive conditions. Meanwhile, according to Onyshchenko et al. (2020), a marketing strategy is a plan that marketing managers want to follow. This action plan is based on an analysis of the situation and the company's goals and achieves these goals. Based on this description, the following hypotheses can be drawn: H2: Marketing Strategy has a positive and significant influence on the performance of MSME Fashion in the city of Bandung

Method

The type of research used in this research is quantitative research. The types of data used in this research are primary and secondary data. The preliminary data used in this study came from questionnaires distributed to ten respondents using a Likert scale. Ten respondents were selected using a random purposive sampling method, namely MSME entrepreneurs in the city of Bandung. At the same time, secondary data comes from previous literature studies. Data analysis in this study used validation tests, reliability tests and hypothesis testing.

Result and Discussion

Validity Test Results

A validity test is used to measure whether or not a research questionnaire is valid and reveal something that is frequently measured by the questionnaire. Based on the tests carried out, some items fell out because they did not meet the standard factor loading limits. Only three things remain in the environmental factor construct consisting of 6 items. In comparison, the marketing strategy variable of the seven items only has four remaining items. In contrast, the last variable, namely marketing performance which consists of five things, only has four items left. The results of validity testing in this study are presented in the following table:
Table 1. Validity Test Results

<table>
<thead>
<tr>
<th>Item</th>
<th>External Environment</th>
<th>Marketing Strategy</th>
<th>Marketing Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE4</td>
<td>.836</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE5</td>
<td>.724</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE6</td>
<td>.727</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MS2</td>
<td></td>
<td>.751</td>
<td></td>
</tr>
<tr>
<td>MS3</td>
<td></td>
<td>.759</td>
<td></td>
</tr>
<tr>
<td>MS4</td>
<td></td>
<td>.783</td>
<td></td>
</tr>
<tr>
<td>MS5</td>
<td></td>
<td>.757</td>
<td></td>
</tr>
<tr>
<td>MP1</td>
<td></td>
<td></td>
<td>.692</td>
</tr>
<tr>
<td>MP2</td>
<td></td>
<td></td>
<td>.827</td>
</tr>
<tr>
<td>MP3</td>
<td></td>
<td></td>
<td>.687</td>
</tr>
<tr>
<td>MP4</td>
<td></td>
<td></td>
<td>.798</td>
</tr>
</tbody>
</table>

Source: Data Proceed

Based on retesting of construct validity, all indicator items are above the standard loading factor value of more than 0.6, which is considered valid. The final result is calculated if the r count is greater than the r table, then the questionnaire is valid. Based on this, it is stated that all the questions in this study are accurate.

Reliability Test Results

Reliability testing is used to measure a questionnaire which is an indicator of change. A questionnaire can be reliable if a person's answer to the questions asked is constant and stable from time to time. The reliability of a test refers to the degree of stability, consistency, predictability, and accuracy. Measurements that can produce reliable data. The results of reliability testing in this study are presented in the following table:

Table 2. Reliability Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Rho_A</th>
<th>Composite Reliable</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE</td>
<td>.627</td>
<td>.621</td>
<td>.786</td>
<td>.576</td>
</tr>
<tr>
<td>MS</td>
<td>.767</td>
<td>.758</td>
<td>.865</td>
<td>.588</td>
</tr>
<tr>
<td>MP</td>
<td>.743</td>
<td>.758</td>
<td>.844</td>
<td>.568</td>
</tr>
</tbody>
</table>

Source: Data Proceed

Based on the results of the tests carried out, it can be seen that from the questionnaire data, the Cronbach alpha value is 0.6, the study uses Cronbach Alpha to test the level of reliability of the measure where an instrument is declared reliable if the coefficient value is 0.6 or more.

Hypothesis Test Results

The hypotheses were tested using an inner model composed of the r-square output, parameter coefficients, and t-statistics. One way to determine whether a study hypothesis should be accepted or rejected is to examine the significant value between constructs, t-statistics, and p-values. Hypothesis testing is carried out in this study with the use of the Smart PLS 3.0 program. This number can be determined by bootstrapping results with a significance level of 5% and a positive p-value. The following table summarizes the findings of this study's hypothesis testing:

Table 3. Hypothesis Test Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample</th>
<th>Sample Mean (M)</th>
<th>Standard Deviations</th>
<th>T-statistic</th>
<th>P-values</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM → MP</td>
<td>0.265</td>
<td>0.265</td>
<td>0.145</td>
<td>1.756</td>
<td>0.079</td>
</tr>
<tr>
<td>MS → MP</td>
<td>0.531</td>
<td>0.558</td>
<td>0.118</td>
<td>4.465</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Data Proceed
Influence of Environmental Factors on the Marketing Performance of MSME Fashion in the City of Bandung

The first hypothesis is that external environmental factors have a positive but not significant effect on marketing performance. Based on the tests carried out, the results show that external environmental factors have a positive but not significant impact on marketing performance because they produce an original value of 0.265, while the T-Statistic value is 1.756 and the p-values are 0.079. It can be proven that the hypothesis of external environmental factors as the X1 variable affects marketing performance is not supported. This is in line with previous research conducted by Dwiastanti & Mustapa (2020) in researching the effect of marketing strategy and entrepreneurial orientation on marketing performance which is moderated by the competitive environment in the Sokaraja batik industry, Banyumas district, stating that competitive environmental factors as moderators are not supported or rejected.

Considering the influence of political and legal risks on Small and Medium industries organizations doing business. This is worth considering because changes in an action or political and legal policy in an area can significantly impact the financial sector and the economy of the site. Political and legal risks are generally closely related to governance and the political and security situation in the region (Majid, 2021). The change in political power in the city of Bandung, where the evolution of the mayor occurred, because the previous mayor passed away, certainly had an impact on the development of the overall industrial performance in general and the fashion industry in particular. Because the new leadership will implement new policies, the new leaders pay attention to the development of small and medium enterprises by making new legal regulations (guidelines) or vice versa (Shmatko et al., 2018).

This is reinforced by research conducted by Antamoskina & Zinia (2019), which states that if the new government leadership pays more attention to small and medium industries, legal regulations will be made to provide policies that pay more attention assist the development of small and medium enterprises. Thus, the political and legal aspects are important and determine the success of developing the performance of MSMEs; However, the political and legal aspects have less stable conditions; these aspects determine the performance of MSMEs in the city of Bandung. Socio-cultural changes in society significantly affect in carrying out business or business activities. Where these changes, UMKMK actors in carrying out their business activities must pay attention to socio-cultural changes in their community. In this business, socio-cultural changes are shown by people expecting the models and fashion styles produced by business people to adapt to market tastes. Thus, aspects of the external environment are fundamental and determine the success of the development of MSME Fashion in the city of Bandung.

Effect of Marketing Strategy on Marketing Performance of Fashion SMEs in Bandung

In this study, the second hypothesis is that a marketing strategy exists; this variable has a positive and statistically significant effect on marketing performance. According to the findings of the tests, the marketing strategy has a positive and significant effect on marketing performance since it generates an original value of 0.531, a T-statistic of 4.465, and a p-value of 0.000. This can be used to demonstrate that the marketing plan hypothesis has a positive and statistically significant effect on marketing performance. This is consistent with Nainggolan’s 2018 research, which concluded that the application of marketing strategies, creative product innovation, and market orientation to improve the marketing performance of MSMEs indicated that the
marketing strategies employed by MSMEs had a positive effect on business development.

The development of information technology has changed the scope of the marketing world in recent years. Marketing communication methods that were previously traditional have now been integrated into the digital world. Marketing activities that utilize the sophistication of digital technology are often referred to as digital marketing. Digital marketing is a form of integrated marketing that enables interaction between producers, market intermediaries, and potential consumers (Aulia et al., 2021). In the modern day, fashion MSME players in Bandung have incorporated digital media into their product marketing activities in order to increase consumer awareness of the products produced by these MSMEs. MSMEs that have online access, are involved in social media, and develop their e-commerce capabilities, will usually enjoy significant business benefits in terms of income, job opportunities, innovation, and competitiveness. Maximally, especially using digital media, do not understand how important the benefits and role of digital media are (Riyanto, 2018). Media that is also often used by business actors in digital marketing is social media, one of which is Instagram. Instagram has a Business Account feature that makes it easy for business people to create business profiles on Instagram and optimize business activities by utilizing social media. With this feature, companies of all sizes can introduce their business profiles, gain insight into followers and posts, and promote posts to drive business objectives and seek market demand in Bandung city and surrounding areas as a company's market share.

Conclusion

Based on the results of data and research analysis, it can be concluded that: 1) External environmental variables have a positive but not significant effect on marketing performance because they produce an original value of 0.265, while the T-Statistic value is 1.756 and the p-values are 0.079; and 2) The marketing strategy has a positive and significant impact on marketing performance because it produces an original value of 0.531, the T-statistic value is 4.465, while the p-value is 0.000.

References


