



Model of Relationship Marketing and E-Commerce in Improving Marketing Performance of Batik SMEs

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Abstract

Various models of relationship marketing were developed with the aim to create sustainable performance. Old model of marketing is a conventional marketing that only rely on face to face marketing. However, in line with the advances in market information technology, customers should be pampered and served well. E-commerce and E-business is the application of business operations conducted through the Internet so that it can expand product marketing both in national and international markets. The purpose of this study is to develop and test models of relationship marketing, that is, the relationship among determinants of marketing performance increase. Sample in this study is 41 Batik SME owners in Semarang City. The analysis used in this study is the SEM-PLS. Data processing in this study uses the Smart PLS. The results of this study indicate that: (1) social capital has no influence on market capabilities; (2) relationship quality has influence on market capabilities; (3) entrepreneurial orientation has influence on social capital; (4) market capabilities has influence on marketing performance; (5) e-commerce has influence on marketing performance, meaning that a better e-commerce or online marketing will be able to improve the marketing performance of SMEs.

Model Pemasaran Hubungan dan E-Commerce dalam Meningkatkan Kinerja Pemasaran UKM Batik

Abstrak

Berbagai model pemasaran hubungan dikembangkan dengan tujuan untuk menciptakan kinerja yang berkelanjutan. Model pemasaran lama adalah pemasaran konvensional yang hanya mengandalkan tatap muka pemasaran. Namun, seiring dengan kemajuan teknologi informasi pasar, nasabah harus dimanjakan dan terlayani dengan baik. Tujuan dari penelitian ini adalah untuk mengembangkan dan menguji model hubungan pemasaran, yaitu hubungan antara faktor penentu peningkatan kinerja pemasaran. Sampel dalam penelitian ini adalah 41 pemilik UKM Batik di Kota Semarang. Analisis yang digunakan dalam penelitian ini adalah SEM-PLS. Pengolahan data dalam penelitian ini menggunakan Smart PLS. Hasil penelitian ini menunjukkan bahwa: (1) modal sosial tidak berpengaruh terhadap kemampuan pasar; (2) kualitas hubungan berpengaruh terhadap kemampuan pasar; (3) Orientasi kewirausahaan berpengaruh terhadap modal sosial; (4) kemampuan pasar berpengaruh terhadap kinerja pemasaran; (5) e-commerce berpengaruh terhadap kinerja pemasaran.

JEL Classification: M3, M31

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INTRODUCTION

One of the products of creative industry is Batik which is an Indonesian art and cultural product. This is reflected in the unique design and style describing cultural heritage of each region. Semarang has a typical culture that is "Batik Semarang". Today, Batik products are more and more liked by Indonesian consumers as a cultural work that is recognized worldwide by UNESCO. Batik is different from other cultural products since its motif and design is the characteristic and pride of the Indonesian.

Batik products are mostly from artisans or inherited from parents who have a batik business so that the business is passed on from one generation to the next, traditionally. The current Batik small enterprises or small-medium enterprises (SMEs) are still traditional because they have not been managed professionally. Besides, they still use transactional marketing so there needs to be a change into relationship marketing.

Batik experiences a significant growth. Ministry of Industry explained that Batik has a very high economic value that can be seen from the value of batik exports (kemenperin.go.id). Batik export value increased by 10% in 2015 amounted to Rp. 2.1 trillion. The value of exports is what makes batik able to contribute significantly to the economy of Indonesia. The main focus in this study is relationship marketing, e-commerce and marketing performance of SMEs.

Old model of marketing is a conventional marketing that only rely on face to face marketing. However, in line with the advances in market information technology, customers should be pampered and served well so that they do not turn to another company, even become loyal to the company (Syafuruddin, 2003). Other marketing expert's claim that relationship marketing is the same as Customer Relationship marketing, there is also a term Customer Relationship Management (CRM). Customer Relationship marketing is the marketing practices in business that is focused/oriented on customer (Buttle, 2004).

In a global, all-digital era, small and medium enterprises (SMEs) have to adapt to the change through information technology. In business, there is E-commerce and E-business that is the application of business operations conducted through the Internet so that it can expand product marketing both in national and international markets. Business operation that can be run by companies or SMEs include: e-Marketing, e-Promotion, (marketing and interactive promotions). e-schedule, e-tailing (online retail). e-product, e-commerce (online business transactions). e payment and e-Service (Tjiptono et al., 2012).

Performance is an important part of a business, in this case is Batik SMEs. There are some important factors that can affect marketing performance. First, innovation. Innovation in services has led to the greatest level of growth and dynamism over the last few years in economic activity (McDermott et al., 2012). Basically the success of SMEs in innovation will be able to improve the performance of SMEs (Ardyan, 2016). McDermott et al., 2012) view innovation into two types of exploratory and exploitation of innovation both of which can improve performance, particularly in SMEs.

Other studies have also found that innovation can influence performance significantly (Otero-Neira et al., 2009; Zheng et al., 2009; Airs et al., 2013). Second, the use of e-commerce. One of the characteristics of e-commerce is a rapid scale of expansion (Yang et al., 2016) so that the use of e-commerce make market reach of SMEs Batik become more widespread. The use of search engine marketing as part of e-commerce can improve the company's performance significantly. Third, market capability. Market capability can be in the form of business environment understanding, changes in design creation, product uniqueness functionality and competition capabilities (Narver et al., 1990).

Market capability will enable SMEs to create maximum performance (Farida, 2016). Fourth, social capital. Social capital is important in the Batik SMEs. One of the significance of so-

cial capital is its impact on the performance of Batik SMEs (Ismail, 2015).

The purpose of this study is to develop and test models of relationship marketing, that is the relationship among determinants of marketing performance increase. The proposed research questions are as follows:

- Q1. Does social capital affect market capability?
- Q2. Does relationship quality affect market capability?
- Q3. Does entrepreneurship orientation affect social capital?
- Q4. Does market capability affect marketing performance?
- Q5. Does e-commerce affect marketing performance?

Hypothesis Development

Social Capital and Market Capability

A success in managing a business, one of which, is influenced by social capital. Cohen et al. (2001) defines social capital as the supply of connections among individuals as well as social networks, and reciprocity norms as well as mutual trusts arising from the connections. Further, Ferdinand (2005) states that the organizational networks built upon norms along with a system of values and a common understanding can strengthen cooperation and long-term organizational cohesion. Next, social capital will work together with both internal and external environment, creation, innovation and product capability.

H1: Social Capital affects Market Capability.

Relationship Quality and Market Capability

The first year of research had been carried out and identified the implementation of marketing relationship between companies or SMEs with distributors. One of the variables used was relationship quality. Relationship quality according to De Wulf et al. (2000) has three indicators: 1) Communication, 2) conflict, 3) commitment to improve the relationship between the company and customers. Relationships quality is related to market ca-

pability that has the resources and conditions underlying the performance of companies or SMEs. According to Barney (1991). the concept of Resource Based View is the basis of market capabilities, thus, it is built the following hypothesis:

H2: Relationship Quality affects Market Capabilities.

Social Capital and Entrepreneurship Orientation

The success of a company is the success of a business, and one of the important factors that determines the success of a business is social capital. Social capital has five indicators: 1) Network relationship, 2) social networking, 3) social cohesion, 4) trust and mutual trust and 5) social norms. Social capital is also affected by entrepreneurial orientation which has the following indicators: 1) business experience, 2) pro active, 3) the ability to take risks, 4) Flexibility, and 5) Anticipative. Social capital owned by SMEs practitioners supported by a strong entrepreneurial orientation will improve marketing performance (Nugroho, 2015). Thus constructed the following hypothesis:

H3: Entrepreneurship Orientation affects Social Capital.

Market Capability and Marketing Performance

According to Barney (1991) concept of Value Based Resources (RBV) is based on company resource-based approach and the conditions underlying the performance of a company. A company is an organization covering a set of resources and unique capabilities as the basis for determining the company's strategy and the key sources of return or income of the company. Further, dynamic capability is inherent in the process and routines of organizational activities to enhance creativity to adapt to the growing demands of market conditions so that it can increase company's ability to win the competition (Pavlou et al., 2011). Dynamic capability development requires the active role of the two factors, that is, knowledge resource and learning mechanisms.

Then, Chien et al. (2012) explains that knowledge resource is a critical-strategic resource and contributes to achieve comparative advantage and lead to the development of dynamic capabilities. Meanwhile, learning mechanism will improve dynamic capacity. Then, the following hypothesis is built:
 H4: Market Capability affects Marketing Performance.

E- Commerce and Marketing Performance

In the present globalization era, marketing is not only limited to face-to-face, but marketing with the online system via the Internet, or the so-called E-Commerce business. E-Commerce will be able to improve product marketing and expand market both nationally and internationally. E-Commerce has indicators: Online Purchase Prospective, Digital Communication Perspective, Service Perspective and Bussiness Process Perspective. E-Commerce practice will be able to expand SMEs marketing range, increase demand, maintain and develop relationships with distributors, customers and suppliers quickly and on time (Salwani et al., 2009).. Thus, the following hypothesis is built:
 H5: E-commerce affects Marketing Performance

METHOD

The population in this study is all owners of SMEs who have established relationships with artisans from various Batik SMEs in Semarang. This study uses a purposive sampling technique with the criteria: 1) SMEs stand at least 2 years, 2) Owners of SMEs domicile in the city of Semarang, 3) SMEs owners are willing to be interviewed

Before performing the deployment, researchers asked beforehand about the three criteria of sample to the respondent. If the three conditions are met, the researchers asked respondents to fill in the questionnaire. Questionnaires were distributed to 41 respondents (owners of SMEs Batik). All questionnaires were returned and the data obtained can be used for further analysis. Table 1 describes the characteristics of respondents.

Table 1. Characteristics of Respondents

Gender	Frequency (%)
Male	14.6%
Female	85.4%
Age Group	Frequency (%)
36–43 years old	36.6%
44–51 years old	52.2%
52–59 years old	11.2%
Education	Frequency (%)
Senior High School	56.1%
Diploma	29.3%
Bachelor	14.6%
Income	Frequency (%)
<Rp 1.000.000	8.8%
Rp 2.000.000–Rp 3.000.000	43.9%
Rp 4.000.000–5.000.000	17.1%
>Rp5.000.000	34.1%
Length of Cooperation	Frequency (%)
< 1 year	17.1%
2–3 years	43.9%
4–5 years	26.8%
>5 Tahun	12.2%
Length of Working	Frequency (%)
<1 year	7.3%
2–3 years	39.1%
4–5 years	31.7%
>5 years	21.9%
Occupation	Frequency (%)
Entrepreneur	95.1%
Civil Servant	2.4%
Private Employees	0%
Others	2.4%
Reasons for Using Distributors	Frequency (%)
Able to share	9.6%
More Channel	14.4%
Wider Marketing	62.4%
More Salable Products	4.8%
More Popular Products	4.8%
Others	2,4%

Facilities	
Design of Ordered Batik	9.6%
Wider Networking	43.2%
Widespread Customers	36%
Others	7.2%

marang. Respondents represent a range of age, education level, and income. A total of 41 respondents are high school graduates (56.1%). Diploma as much as 29.1%, and Bachelor as much as 14.6%. Respondents are 85.40% of women and 14.60% of men. Age of respondents is divided into three categories namely 36-43 years old as much as 36.60%, 44-51 years old as much as 52.20 and 52-59 years old as much as 11.20%.

A total of 41 respondents participated in this research is batik artisans in the city of Se-

Table 2. Operational Variable

No	Name of Variable	Indicator	Source
1.	Relationship Quality (RQ)	There are 3 indicators : a) Communication b) Conflict c) Commitment	Smith (1998); De wulf-Odeskeben Seroder (2000)
2.	Social Capital (SC)	There are 5 indicators : a) Relationship Networking b) Social Networking c) Social Cohesion d) Trust and Mutual Trust e) Social Norms	Coleman (1988); Cohen et al. (2001); Ferdinand (2005)
3.	Market Capabilities (MC)	There are 4 indicators : a) Environment Understanding b) Innovation Creation c) Uniqueness Function d) Capabilities	Kohli et al. 1990); Narver et al. (1990); Barney (1991)
4.	Entrepreneurship Orientation (EO)	There are 5 indicators : a) Business Experience b) Proactive c) Ability to take risks d)Flexible e) Anticipative	Weerawardana (2003); Griffith et al. (2006); Haroon et al. (2011)
5.	E-Commerce (E)	There are 4 indicators : a) Online Purchasing perspective b) Digital Communication Perspective c) Service Perspective d) Business Process Perspective.	Fandy Tjiptono and Chandra (2012)
6.	Marketing Performance (MP)	There are 4 indicators : a) Sale Growth b) Number of Customers c) Product Demand d) Profit Increase	Wiklund (1999); Ferdinand (2000); Voss et al. 2000)

Techniques of analysis in this study uses Partial Least Square Structural Equation Modeling (PLS-SEM). To process the data, researchers uses Smart PLS software.

RESULT AND DISCUSSION

In the research process, after the data is collected, Measurement Model or Outer Model testing is done to measure the reliability and validity of research variable with 3 ways 1) convergent validity,) 2) discriminate validity and 3) composite reliability. Outer model result shows profit reliability and validity of each variable in Table. 3, Table 4 and Table 5. According to Ghazali (2008) another test to see Average Variance Extracted (AVE) value of each construct worths 0.50. AVE Table describes that all variables in the estimated model meet the criteria of discriminant validity.

Table 3. Value of AVE (Average Variance Extracted) Square Root

	AVE
E-Commerce (E)	0.6293
Relationship Quality (RQ)	0.7255
Market Capability (MC)	0.7896
Social Capital (SC)	0.8333
Entrepreneurship Orientation (EO)	0.7014
Marketing (M)	0.6429

Composite Reliability

Composite reliability value is conducted to test variables, while good variables have a value shown by the composite reliability and Cronbach > 70. listed in Table 4.

Table 4. Composite Reliability

	Composite Reliability
E-Commerce	0.8714
Relationship Quality	0.9588
Market Capabilities	0.9375

Social Capital	0.9615
Entrepreneurship Orientation	0.9209
Marketing	0.8736

Cronbachs alpha

Cronbachs alpha value in Table 5 shows that all variables have exceeded 0.50. Table 4 of Composite reliability and Table 5 of Cronbachs alpha show that all variables have good reliability and are qualified.

Table 5. Cronbach’s Alpha

	Cronbach’s Alpha
E-Commerce	0.8034
Relationship Quality	0.9506
Market Capabilities	0.9125
Social Capital	0.9498
Entrepreneurship Orientation	0.8913
Marketing	0.8077

Structural Model Testing (Inner Model)

The testing result of structural model is done by looking at the value of R-square which is a test for goodness-fit model, that is to look at the relationship between variables, significance value and R-square of research model. Using PLS analysis, R-square for each research variable influenced by other variables can be seen in Table 6.

Table 6. R Square

	R Square
E-Commerce	0
Relationship Quality	0
Market Capabilities	0.764
Social Capital	0.7283
Entrepreneurship Orientation	0
Marketing	0.8353

Table 6 can be interpreted as follow: (1) construct variable of Market Capability can be explained by construct variability of Relation-

ship Quality and Social Capital amounted to 76.40%, while the remaining 23.60% is explained by other variables outside the research model, 2) construct variable of Social Capital is explained by construct variability of Entrepreneurship Orientation, Market Capability and Marketing Performance amounted to 72.83%, while the remaining 27.17% is explained by other variables outside the research model. 3) construct variable of Marketing Performance can be explained by construct variability of Market Capability and E-commerce (E) amounted to 87.36% and the remaining 12.64% is explained by other variables outside the research model.

Table 7 of Coefficient Path shows that the highest value of original sample is on the relationship between Relationship Quality and Market Capability that is 0.8667. The lowest value of original sample is on the relationship bet-

ween social capital and Market Capability that is 0.008. The highest value of Mean sample is on the relationship between Entrepreneurship Orientation and Social Capital, while the lowest value of mean sample is on the relationship between Social Capital and Market capability that is 0.0604.

The highest value of Standard Error (Sterr) is on the relationship between social capital and the Market capability that is 0.1595; while the lowest value of Sterr is on the relationship between Market capability and Marketing performance that is 0.773. The highest value of t-statistic is 0.83858 on the relationship between Entrepreneurship orientation and Social Capital; while the lowest value of t-statistic is 0.0503, on the relationship between Social Capital and Market Capability. KH: relationship quality (RQ). E: e-commerce (E). KP: market

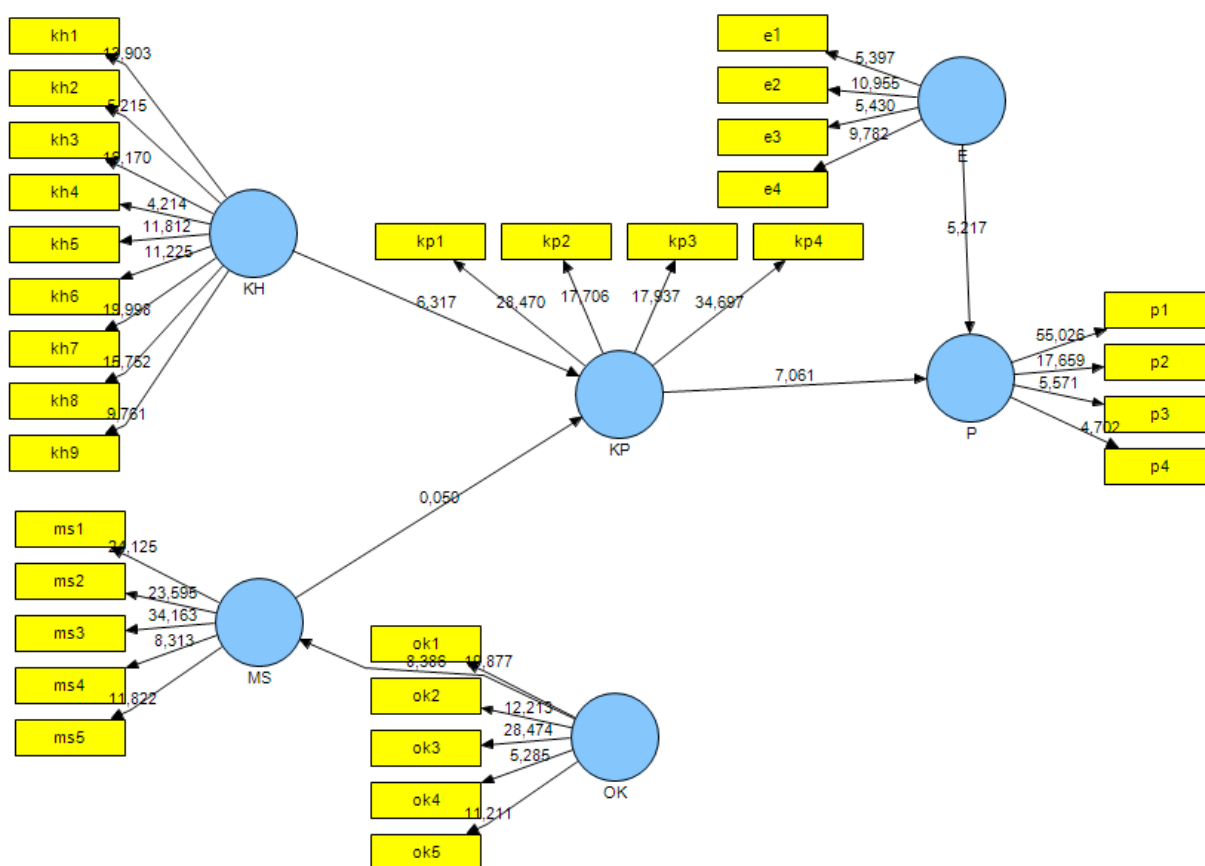


Figure 1. Path Diagram of Model Fit PLS Output

Table 7. Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
E -> P	0.528	0.5225	0.1012	0.1012	5,217
KH ->KP	0.8667	0.7971	0.1372	0.1372	6,3167
KP -> P	0.546	0.5296	0.0773	0.0773	7,0607
MS -> KP	0.008	0.0604	0.1595	0.1595	0.0503
OK -> MS	0.8534	0.8173	0.1018	0.1018	8,3858

Table 8. Hypothesis Testing Results

Hypothesis	Coefficient	Significance Rate	t-table	t-statistic	Results
H1	0.008	5%	1.683	0.0503	H1 rejected
H2	0.8667	5%	1.683	6.3167	H2 accepted
H3	0.8534	5%	1.683	8.3858	H3 accepted
H4	0.546	5%	1.683	7.0607	H4 accepted
H5	0.528	5%	1.683	5.217	H5 accepted

capability (MC). P: marketing (M). OK: Entrepreneurship Orientation (EO)

In Table 8, based on *bootstrapping* hypothesis testing of PLS analysis, it can be concluded that Hypothesis 1 is not supported and Hypothes: 2, 3, 4, and 5 are supported. H1 is rejected. It means that a good social capital does not affect market capability. This indicates that social capital, that is networking, relationship, cooperation, trust and social cohesion, owned by SMEs are not enough to face market competitors so it is necessary to understand environment by doing creation, innovation of the product so as to have market capability that can compete with other products.

H2 is accepted. It means that relationship quality has positive and significant influence on market capability. H3 is accepted. It means that there is a positive and significant influence of Entrepreneurship Orientation on Social Capital with the t-stastics > t table, 8.3858 > 1.978 and the value of mean sample is 0.8173. There is a positive influence of Entrepreneurship Orientation on Social Capital. Batik artisans or SMEs businessman assume that dealer has perspective

that the higher the dealer’s skill, the better the dealer’s entrepreneurship orientation including experience, pro-active attitude, the ability to take risks, and being flexible (means that the dealer can market 2 or 3 SMEs as well). While the research findings of Nugroho et al. (2015) showed that social capital, that is structural, relational and cognitive dimensions affect entrepreneurship orientation and organizational performance.

H4, there is a positive and significant influence of Market Capability on Marketing Performance t-statistics > t table 7.0607 > 1.978 and the value of sample mean is 0.5296, so H4 is accepted. This is in line with the findings of Power (2005) showing that there is positive and significant influence of Market Capability on marketing performance in companies in Australia using the sample of as many as 553 members of the EAN organization.

H5, there is a positive and significant influence of E-Commerce on Marketing Performance, t-statistics > t table 5.217 > 1,978 and the value of mean sample is 0.5225 so H5 is accepted.

This study has two implications, that is theoretical and managerial implications. First, theoretical implication. In this research, it is found that social capital has no effect on market capability. Social capital in this study tends to be associated with the network owned by Batik businessman. Networks used are still very simple networking. The simplicity in network causes a significant increase in SMEs market capabilities. Second, managerial implication. SME owners are expected to be able to build a more modern network. There is a concept called Quarteple Helix. It is expected there is a networking connection among SMEs owners, universities, governments, and communities. By having such a network, market capabilities will increase significantly.

CONCLUSION AND RECOMMENDATION

Based on the analysis and discussion, it can be concluded that (1) Social Capital does not affect Market Capability. A good social capital is not able to guarantee market capability to compete with similar products. 2) Relationship Quality has positive and significant effect on Market Capability, which means the better the quality of the relationship built between SMEs crafters with suppliers and customers, the better the ability of environment understanding about product information given by suppliers to SMEs, foster innovation creation, uniqueness function and market capabilities of the product.

(3) Entrepreneurship Orientation has a positive and significant impact on Social Capital, meaning that if SMEs have business experience, pro-actively inform the product, have the courage to take risks, being flexible and participative, they will be able to improve relationship networking, social networking, social cohesion, and mutual trust between suppliers and consumers.

(4) Market Capability has a positive and significant effect on Marketing Performance, meaning that the higher SMEs market capabilities, the higher their marketing performance, that is the increased growth in sales volume, an increase in the number of customers, and inc-

rease of profits for SMEs. 5) E-commerce has a positive and significant effect on Marketing Performance, meaning that a better e-commerce or online marketing will be able to improve the marketing performance of SMEs

Recommendations of this study (1) SMEs craftsmen or businessman can build a better marketing relationship between SMEs and resellers to realize a long-term cooperation. It can be done by improving relationship quality that is communication and commitment with distributors and consumers. 2) SMEs craftsmen or businessman can expand product marketing via e-commerce or online sales.

Limitations of this study is the population in this study is only in urban areas with the number of respondents is limited so it cannot be generalized. For future research study, the population can be expanded to include batik SMEs in Central Java or Indonesia. Research model can be developed by adding variables of market sensing and performance. Analysis techniques for future studies can use Structural Equation Modeling (SEM) and CFI to be more comprehensive.

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