

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic



Eny Endah Pujiastuti¹, Humam Santosa Utomo², Sigit Haryono³

^{1,2,3}Universitas Pembangunan Nasional Veteran Yogyakarta, Indonesia

ABSTRACT: Changes in the business environment have been experienced by SMEs during the COVID-19 pandemic, thus placing strong pressure on business sustainability. This case study aims to describe the changes in market orientation carried out by SMEs during the pandemic. The research was conducted at the Association of Written Batik Banyuripan which consists of 62 SMEs in Central Java Province, Indonesia. Data were collected using interviews with the association's administrators and focus group discussions involving all members of SMEs. Triangulation has been carried out to ensure data quality involving SME group leaders, local government as SME coaches, and distributors. The results of the study show that SMEs respond quickly to environmental changes during the pandemic by changing market orientation by expanding the target market, adjusting products according to needs during the pandemic, using online-based technology to promote products and sales transactions. SMEs still maintain the characteristics of written batik. Changes in market orientation carried out by batik SMEs are proven to be able to prevent SMEs from going bankrupt.

KEYWORDS: Market orientation, Batik SMEs, Written batik, the Covid-19 pandemic, Indonesia

I. INTRODUCTION

The global COVID-19 pandemic has had an impact on changes in the external and internal environment of small and medium-sized businesses. This environment affects the organization, mainly because of the large-scale flow of information, changing internal aspects, the way of doing business and the market as a whole (Ferraresi, Santos, Frega and Pereira, 2012). Small business owners are unprepared for adversity if it lasts for a long time and thus requires cash flow from customers to keep the business alive and pay for expenses (Bartik, et al., 2020).

However, changes in the external environment have a positive impact on the business world as technology has played a special role in the evolution of marketing. New technologies will underpin marketing. Ongoing digitization that complements globalization with sophisticated infrastructure is the most significant trend. Digital technology has changed everything and organizations and people now have capabilities they never had before (Mengerink, 2011). Therefore, the use of digital technology such as the use of the internet in the world of marketing will bring new changes to the business model and marketing mix. The existence of technology provides a solution for the business world to maintain its business during the pandemic because consumers cannot freely buy products directly from producers. Technology can be a solution because it will make it easier for consumers to buy products even from home, starting a new business will be much easier, the ability to reach audiences around the world. Consumers as buyers meet indirectly physically with sellers, visit showrooms or shops, and customers cannot choose and compare goods directly. Technology is also one of the drivers of future marketing trends, innovations, and characteristics of marketing strategies.

Another impact of the pandemic is the existence of government regulations that restrict people from gathering and doing activities outside their homes. This government policy affects changes in consumer behavior and the business world. Consumers experience changes in lifestyle patterns and behavior in consuming. Faster dynamic interactions between people, business and industry enable better adaptation to these changes. In turn, SMEs need to have new business models, commercialization methods, and better marketing paradigms as part of their business strategy. Rapid innovation remains a key requirement for ingenious development. Innovation includes technological innovation, social innovation, organizational innovation, and marketing innovation.

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic

Another challenge that arises during a pandemic is that today's consumers are Generation Z or millennials who have different wants and needs. The millennial generation does not like batik patterns in choosing clothes. In addition, the millennial generation spends their time using gadgets so that the millennial generation will play an active role in creating content about product and service experiences using social media. During the pandemic, consumers prefer to shop via the internet which provides convenience because there is no time limit and provides convenience in ordering, payment and delivery, and two-way communication with customers (Yazdanifard et al., 2011). This will encourage customer perceptions of the benefits of the product and the decision-making process to change from time to time. Changes in customer preferences have an impact on SME offerings that are in line with current customer needs. Therefore, SMEs must ensure a continuous change in customer preferences and adapt their offerings.

This study examines the perception of written batik SMEs on changes in the business environment during the pandemic. This study also aims to explore the ways that SMEs can overcome the tough challenges during the pandemic through changing market orientation. Therefore, the originality of this research is the process of adapting market orientation to SMEs during the pandemic. This study fills the gap in the results of previous research related to market orientation during turbulence experienced by SMEs so as to increase a more specific understanding. The research problem is formulated as follows:

RQ 1. What is the perception of SMEs about the changes in the business environment that have occurred during the covid-19 pandemic?

RQ 2. How is the change in market orientation made by SMEs during the covid-19 pandemic?

II. LITERATURE REVIEW

Market Orientation

Market orientation has been a foundation of corporate marketing strategy since the middle of the last century (Mitchell et al., 2010). Market orientation is a business perspective that focuses on the activities of the company as a whole (Cravens et al., 2009; Raju et al., 2011). Uncles (2000) states that market orientation is a process of company activities to meet customer needs and satisfaction. Customer orientation emphasizes sufficient understanding of target customers so that they can continue to create superior value for them (Zhou et al, 2009). Market orientation is useful for companies in choosing a variety of products that attract customers, increase intelligence in serving customer markets, and is positively related to company performance (Verhees, and Meulenber, 2004). Market orientation is needed in every organization as a strategy that can be used to build marketing capabilities to meet customer needs and satisfaction and outperform competitors (C.H. Chin, Lo, & Ramayah, 2013; Liu & Wang, 2009; Martin & Grbac, 2003). Market orientation can be considered as the main marketing strategy that can improve organizational performance (Julian, Mohamad, Ahmed, and Sefnedi, 2014). Thus, market orientation is recognized as part of the company's business strategy and is considered an important strategic orientation (Hunt and Lambe 2000).

Environmental Change and Market Orientation Adaptation

Changes in the business environment have a relationship with the existence of a company. Environmental changes have a positive impact on the company if these changes provide many opportunities for the company. However, environmental changes are not always beneficial for the company. In certain conditions, the company is harmed by drastic environmental changes that cause uncertainty. Environmental uncertainty can have implications for the survival of the company. Kotler (2003) reveals that companies must respond to market changes with market orientation. Market orientation is an important strategy or ability of a company to remain competitive in a simple business environment or an uncertain business environment (Goldman & Grinstein, 2010). Companies must be agile to adapt to a changing environment. The company's speed in capturing very limited opportunities is very important to do at critical times.

III. RESEARCH METHOD

This type of research is descriptive qualitative which aims to explain the phenomena that occur in the SMEs group based on qualitative data. The subject of this research is the Association of Banyuripan Written Batik in Central Java, Indonesia, which consists of 62 SMEs producing batik typical of Klaten. Data were collected using in-depth interviews and focus group discussions. Interviews were conducted with the Management of the Banyuripan Batik Society. The FGD was conducted with all SMEs who are members of the Association of Banyuripan Written Batik. Triangulation has been carried out to ensure the quality of the data collected. Triangulation involves elements of the batik SME association management, local government, and batik resellers. The research results are based on qualitative data and supported by quantitative data.

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic

IV. RESULT AND DISCUSSION

Table 1 shows that most of the respondents are women. The age of respondents is dominated by the age group of 36-45 years. Meanwhile, most of the company's age group is 11-15 years old.

Table 1. Respondent Participants

Gender	%
Male	17.7
Female	82.3
Participants age	%
<25 years old	8.1
25-35 years old	29.0
36-45 years old	50.0
>45 years old	12.9
Firm age	%
<5 years old	11.3
5-10 years old	24.2
11-15 years old	48.4
>15 years old	16.1

The results of this study consist of two important things. First, the results showed that Batik Banyuripan SMEs felt a very rapid change in the external environment of SMEs during the COVID-19 pandemic. Changes in the external environment felt by SMEs include: 1) limited physical contact; 2) people's purchasing power is getting lower; 3) consumer behavior that prioritizes primary needs (food); 4) increased use of online media; 5) increasingly diverse consumer choices from the market place; and 6) changing buying behavior patterns. SMEs perceive environmental change as an unavoidable challenge for entrepreneurs. SMEs feel that environmental changes are happening very quickly and can potentially paralyze their businesses. However, they have high optimism to find a solution in order to maintain the business.

Second, changes in market orientation when dealing with a changing environment. SMEs responds to external changes that are changing rapidly by adapting. Batik Banyuripan SMEs are changing their market orientation, especially in serving changing market segments. Several things related to the change in market orientation carried out are as follows:

1. Market orientation adaptation

So far, batik SMEs are targeting high-end consumers because the products they make are hand-drawn batik with natural dyes. Most consumers are tourists who visit tourist attractions in Klaten and pass through their showrooms. Batik SMEs during the pandemic have changed their market orientation. Therefore, currently, if SMEs only serve the needs or desires of the targeted segment, there will be fewer potential buyers. The results of the analysis of consumer preferences show that written batik is also favored by the middle class.

2. Product Development

The growing market orientation causes SMEs to develop product innovations in the form of product quality differentiation and functionality that should attract more customers. Product quality differentiation means that SMEs make batik products that are affordable by the middle class with quality not as good as their premium products. Batik innovations that can be done are batik design innovations to be liked by millennials. Another batik innovation is making batik with non-natural dyes so that SMEs can offer various types of batik at various prices that are affordable for consumers. The results of the analysis of consumer preferences also show that batik is favored by the lower, middle and upper classes either in the form of clothing or in other forms such as sheets, pillowcases, etc. These consumer needs cannot be met with written batik products, so SMEs must create new products such as stamped batik. With a market orientation strategy, SMEs can choose a variety of attractive products according to their needs and consumers.

3. Utilization of technology

During the pandemic, consumers cannot access products directly to outlet locations due to restrictions imposed by the government. SMEs utilize marketing technology and financial technology to respond to consumer demand. Online-based marketing technology is intended to promote their batik products. Despite experiencing problems at the beginning of implementation, in the end SMEs can implement online marketing. In addition, SMEs also use financial technology for the purpose of financial transactions, making it easier for consumers to make purchases. SMEs have taken advantage of existing marketplaces in Indonesia such as Tokopedia, Shopee, and others.

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic

The crisis during the pandemic experienced by SMEs can be overcome through a change in market orientation. The strategy to change market orientation is taken because market orientation is one way to achieve successful marketing performance (Puspaningrum, 2020). This is supported by the results of research conducted by Asashi and Sukaatmadja (2017), Baker and Sinkula (1999), and Protcko & Dornberger (2014) that market orientation contributes to improving marketing performance. Marketing performance can be measured by increasing the number of sales, number of customers, total revenue, market share, and the popularity of the product (Ferdinand, 2005). In addition, SMEs change market orientation to become the right solution because with market orientation, SMEs will have an advantage in customer knowledge, which can later become a competitive advantage. Application of customer orientation based on innovation and market differentiation (Matsuo, 2006; Zhou et al., 2009). With a market orientation strategy, SMEs will win the competition to overcome increasing competition and changing consumer needs, companies must focus on market needs, so that SMEs can survive.

Market orientation helps to gain superior information and understanding of current and future markets, which can reduce uncertainty and increase the ability to respond appropriately to market changes (Hilman and Kaliappen, 2014). After understanding the needs and desires of consumers during the pandemic, the next step for SMEs is to innovate both product innovation and sales strategy innovation. The ability to innovate, differentiate from competitors, sensitivity to changes occurring in their environment and consumer markets have been characterized as important aspects for the survival and growth of companies (Arthur, 1999; Grossman, 2006; Hooley, Saunders & Piercy, 2001).

New technologies can help by improving not only the flow of information, but by shortening distribution channels and by lowering distribution costs (Czinkota, Ronkainen, 2004). The findings of this study are consistent with Kotler and Armstrong (2012) that online marketing is useful in exploring potential market potential, marketing products and building customer relationships. For consumers, online marketing is useful in providing price information, a service that allows users to check merchandise in stores and still shop electronically for the best prices and better interactive relationships (Hollensen, 2012). Because the marketing technology that has been applied by SMEs is able to support access to information about places of sale, products available at points of sale, prices, and so on.

Our findings have significant implications for the market orientation and distribution strategy literature, particularly in the context of SMEs. This study uses market orientation as an important dynamic capability in practices that affect SMEs in maintaining their business viability. Market orientation helps to gain superior information and understanding of current and future consumer preferences, which can also reduce uncertainty and increase the ability to respond appropriately to market changes. Therefore, market orientation is a vital capability of SMEs in high-speed markets. This is an important development in expanding market orientation studies. In addition, the use of the marketplace as a distribution strategy is currently the right way to expand market coverage and be able to reach potential markets in all corners. Overall, this research enriches the literature, especially with regard to the application of market orientation strategies and digital distribution strategies for SMEs in times of crisis.

The results of the current study will benefit SMEs in Indonesia as they prove the importance of market orientation as a key element of maintaining business viability in times of crisis. The results show that business viability and superior performance can be achieved through the application of an effective market orientation and using technology to expand market coverage. Therefore, SMEs must collect information about the desires of current and potential consumers (potential buyers) on an ongoing basis. In addition, SMEs must evaluate customer satisfaction regularly and offer special attention to the quality of the products offered and the process of delivering products to consumers. SMEs should also be able to identify the short-term strengths and weaknesses as well as the long-term strategies and capabilities of their potential competitors. This helps SMEs react quickly to competitor actions to achieve better performance. In short, SMEs need to respond to market changes quickly and appropriately.

This study was based on a cross-sectional survey method. Therefore, further studies need to conduct a longitudinal survey by continuously monitoring the impact of implementing a market orientation strategy on batik SME income and survival during the pandemic and in the post-pandemic period. Similar problems can be replicated by other researchers in different countries or industries with different conditions to validate research instruments and findings. This study has a relatively small sample size, so further studies with a larger sample size are needed. This study only focused on batik SMEs, future studies may investigate other SMEs that can help in generalizing the results.

V. CONCLUSION

The results of this study indicate that SMEs feel that changes in the business environment have occurred rapidly and fundamentally during the COVID-19 pandemic so that it becomes a real challenge for SMEs. SMEs are able to respond quickly to

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic

environmental changes with changes in market orientation by expanding the target market, adjusting products according to needs during a pandemic, utilizing technology to promote products and sales transactions. Current research has expanded the market orientation literature in times of uncertainty to maintain business continuity.

ACKNOWLEDGMENT

The authors would like to thank the Ministry of Education and Culture, Research, Higher Education of the Republic of Indonesia and the Institute for Research and Community Service at Universitas Pembangunan Nasional Veteran Yogyakarta.

REFERENCES

- 1) Arthur, L. 1999. *Managing in organizations that learn/organizational learning: the competitive advantage of the future*. Management Learning, Thousand Oaks.
- 2) Asashi, T. & Sukaatmadja, I. P. G. 2017. Peran Inovasi Produk Dalam Memediasi Pengaruh Orientasi Pasar Terhadap Kinerja Pemasaran. *E-Jurnal Manajemen*, 6(4), 1816-1845.
- 3) Baker, W. E. & Sinkula, J. M. 1999. The synergistic effect of market orientation and learning orientation on organizational performance. *Journal of the academy of marketing science*, 27(4), 411-427.
- 4) Bartik, A. W., Bertrand, M., Cullen, Z., Glaeser, E. L., Luca, M., & Stanton, C. 2020. The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences*, 17656- 17666
- 5) Chin, C. H., Lo, M. C., & Ramayah, T. 2013. Market orientation and organizational performance: The moderating role of service quality. *SAGE Open*, 3, 1-14
- 6) Cravens, D. W., Piercy, N. F., & Baldauf, A. 2009. Management framework guiding strategic thinking in rapidly changing markets. *Journal of Marketing Management*, 25(1-2): 31-49.
- 7) Czinkota, M. and Ronkainen, I.A. 2004. *International Marketing*. Edition: 10th. Publisher: CENGAGE
- 8) Ferdinand, A. 2005. *Manajemen Pemasaran: Sebuah Pendekatan Strategi*. Research Paper Series No. 1. Program Magister Manajemen Undip, Semarang: Badan Penerbit Undip.
- 9) Ferraresi, A.A., Santos, S.A., Frega, J.R., and Pereira, H.J. 2012 Knowledge Management, Market Orientation, Innovativeness and Organizational Outcomes: A Study On Companies Operating In Brazil, *JISTEM - Journal of Information Systems and Technology Management Revista de Gestão da Tecnologia e Sistemas de Informação* Vol. 9, No. 1, Jan/Apr. pp.89-108
- 10) Goldman, A., & Grinstein, A. 2010. Stages in the development of market orientation publication activity. *European Journal of Marketing*, 44, 1384-1409
- 11) Grossman, M 2006 An overview of knowledge management assessment approaches. *Journal of American Academy of Business*, Cambridge, 8(2), 242-247.
- 12) Hilman, H. and Kaliappen, N. 2014. Market Orientation Practices and Effects on Organizational Performance: Empirical Insight From Malaysian Hotel Industry, *SAGE Open*, October-December pp 1-8
- 13) Hollensen, S. 2012. *Essentials of Global Marketing*. Edition: 2nd. Publisher: Pearson Education, Editor: Pearson, ISBN: 978-0-273-75654
- 14) Hooley, G. J., Saunders, J. & Piercy, N. F. 2001. *Estratégia de marketing e posicionamento competitivo*. 2nd. Ed. São Paulo: Prentice-Hall.
- 15) Hunt, S. and Lambe, J. 2000, Marketing's contribution to business strategy: market orientation, relationship marketing and resource-advantage theory, *International Journal of Management Reviews*, 2, 1, 17-43
- 16) Julian, C. C., Mohamad, O., Ahmed, Z. U., & Sefnedi, S. 2014. The market orientation-performance relationship: The empirical link in export ventures. *Thunderbird International Business Review*, 56, 97-110
- 17) Kotler, P. 2003. *Marketing management*, 11th ed. Englewood Cliffs, NJ: Prentice Hall, 2003
- 18) Liu, Q. H., & Wang, T. 2009. Market orientation and corporate performance: The mediated effect of marketing capability. *16th International Conference on Industrial Engineering and Engineering Management*, (21-23 October). Beijing, China
- 19) Martin, J. H., & Grbac, B. 2003. Using supply chain management to leverage a firm's market orientation. *Industrial Marketing Management*, 32, 25-38.
- 20) Matsuo, M. 2006. Customer orientation, conflict, and innovativeness in Japanese sales departments. *Journal of Business Research*, 59(2), 242-250.
- 21) Mengerink, M. 2011. *Four mega-trends shaping the future of commerce*, www.gigabm.com/mobile/

Changes in Market Orientation of Batik SMES During the Covid-19 Pandemic

- 22) Protcko, E. & Dornberger, U. 2014. The impact of market orientation on business performance– the case of Tatarstan knowledge-intensive companies (Russia). *Problems and Perspectives in Management*, 12(4), 225-231.
- 23) Puspaningrum, A. 2020. Market Orientation, Competitive Advantage and Marketing Performance of Small Medium Enterprises (SMEs), *Journal of Economics, Business, and Accountancy Ventura* Vol. 23, No. 1, April – July, pages 19 – 27
- 24) Raju, P., Lonial, S. C., & Crum, M. D. 2011. Market orientation in the context of SMEs: A conceptual framework. *Journal of Business Research*, 64(12), 1320-1326.
- 25) Uncles, M. 2000. Market Orientation. *Australian Journal of Management*, 25(2), 119-127
- 26) Verhees, F.J.H.M. and Meulenber, M.T.G. 2004. Innovativeness, produce innovation and performance in small firms, *Journal of Small Business Management*, 2004, 42(2), p.134–54
- 27) Yazdanifard, R., Venpin, M., Yusoff, W.F.W., Islam, M.R. 2011. Internet Marketing: The New Era of Innovation in E-Commerce. *International Conference of Software and Computer Application*, IACSIT Press, Singapore, Vol. 9, pp. 192-197
- 28) Zhou, K. Z., Brown, J. R., & Dev, C. S. 2009. Market orientation, competitive advantage, and performance: A demand-based perspective. *Journal of Business Research*, 62(11), 1063-1070