THE INFLUENCE OF CUSTOMER ORIENTATION AND MARKETING INNOVATION TOWARDS SME'S PERFORMANCE IN EAST COAST MALAYSIA: A PROPOSED CONCEPTUAL MODEL

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Abstract: SME is one of the government's initiatives to reduce the poverty rate in Malaysia and reduce the income gap between the rural and urban population. Therefore, entrepreneurs play an important role in managing the business as well as improving business income and performance. There have a few indicators in measuring the business performance. Thus, this study conducted to identify the influence of customer orientation and marketing innovation towards SME's performance. A conceptual framework is developing to give a clear picture on the area study. A set of questionnaires distribute to 300 SMEs entrepreneurs randomly in East Coast Malaysia. Then data collected will analyse using SPSS version 24.

Keywords: SME, customer orientation, marketing innovation, business performance, SPSS
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Introduction

SME Corporation Malaysia (SME Corp. Malaysia) is the central coordinating agency (CCA) under the Ministry of Entrepreneur Development and Cooperatives (MEDAC) that coordinates the implementation of development programmes for small and medium enterprises (SMEs) across all related Ministries and agencies. It acts as the central point of reference for research and data dissemination on SMEs and entrepreneurs, as well as provides business advisory services for SMEs and entrepreneurs throughout the country. It plays a significant role in the development of Malaysian economy represented approximately 99.2% of the entire business formation in Malaysia in 2010 (Siti Mahera, 2016). SMEs can be categorized into three categories which are: (i) microenterprise (ii) small enterprise and (iii)) medium enterprise and it based on the number of employees and sales turnover (SMIDEC, 2013).

Table 1: Definition of SMEs in Malaysia

Category	Microenterprise	Small Enterprise	Medium Enterprise
Manufacturing. -Manufacturing refers to physical or chemical transformation of materials or components into new products.	Sales turnover less than RM300,000 OR full-time employees less than 5.	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services & Other Sectors. Services refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing- related services such as research and development (R&D), logistics, warehouse, engineering. 'Others' refer to the remaining 3 key economic activities, namely:	Sales turnover less than RM300,000 OR full time employees less than 5.	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

Sources: SMIDEC (2013) https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-definition

In this challenging decade, creativity and innovation become more important and are expected to be crucial factors among the firm to sustain their competitive advantage. In underdeveloped and developing countries like Malaysia, innovation is becoming a persistent issue, not only to the whole country in fact to each firm and even everyone. Since creativity and innovation related to knowledge-based capabilities, these flows support the firm towards competencies and practicing new technologies in fulfilling the market demands.

In building marketing innovation, it entails a strong organization abilities and knowledge, at the same time highly focusing on customer orientation as it provides the firm with strategic direction to encourage appropriate behavior towards achieving it. Olimpia (2014) emphasize that customer orientation comprises all the activities that involve in acquiring information about customers in a market, then disseminating it throughout the organization. For example, information about the current and future needs of customers helps the firm in providing and marketing their products. Continuously, information of customer orientation is linked to learning behaviours and innovation capabilities of the firm. Therefore, this study aims to

investigate the influence of customer orientation and marketing innovation towards SMEs performance focusing on East Coast Malaysia.

Problem Statement

Literature in the field of entrepreneurship shows that traditional marketing theory as practiced by large enterprises is not suitable for small enterprises and proposes to introduce a more appropriate marketing approach to be practiced by SME entrepreneurs and new businesses (Sheerad et al, 2015; Hills & Hultman, 2013). Clear theories about marketing in SME are also limited where SME can only adapt a small part of existing marketing theories or practices. Simpson et al. (2017) states that although there are theories and approaches done to identify the concept of marketing in SME but it is still limited to certain aspects only. Thus, this study conducted to identify the suitable marketing theory focusing on consumer orientation and marketing innovation towards SMEs performance in East Coast Malaysia.

Scope of Study

The growth of fashion industry leads to quite exciting figures to the economic development of a country. Like Malaysia, the rapid development of the fashion and clothing industry is gaining positive momentum day by day. In encouraging more entrepreneurs venture into this industry, the government agreed to abolish import duties ranged from 5% to 30% to 328 types of products including 259 products related to clothing, footwear and headwear, as stated in Budget 2011 (MITI, 2011). As a result, the scope of this study comprises those from the small medium business selling fashion products including clothes, handbag, footwear and accessories.

Literature Review

Business Performance

It is crucial for all organization to measure their business performance either quarterly, semi-annually or annually. From this evaluation, the firm knows where they stand, and which parts need to improve and diminish. Further, the firm can track their company goals, objectives, strategies, productivity, financial situation and even can analyse past performance that help firm sustain in the market and compete with others (Lee et al. 2015).

Business performance can be measured by linking measures of two indicators: financial performance and product-market performance and have been widely applied in empirical research (Katharina, 2017). Besides, a few past studies used different indicators in measuring business performance such as, financial market, customer performance, customer satisfaction, brand-oriented marketing etc. For small business, Stam et al. (2014) stated that three indicators commonly used in measuring the performance: growth performance, profitability, and non-financial performance. Measuring growth performance comprises of sales growth, profits, employment, and market share, while profitability measurement related to accounting-based indicators such as return on asset (ROA), return on equity (ROE) and return on sales (ROS). Other than that, technical advantage, competitive ability, productivity and export performance are used as indicators in measuring non-financial performance. Hence, this study focusing on customer orientation and marketing innovation as indicators in measuring the business performance of SME in East Coast Malaysia.

Customer Orientation

Olimpia (2014) defines customer orientation as a strategic orientation that reflects the firm's ability to create and deliver superior customer value through the processing of market intelligence. This market intelligence involves the acquisition of customer information, the analyses of this information to create customer knowledge, the dissemination of customer knowledge throughout the firm, and the planning and coordinating of an organization-wide response, such as in solving customer problems. There are a few studies regarding to customer orientation and business performance of SMEs. Ahmed and Md Uzzal (2019) in their study examine the relationship between SME firm performance and market orientation, customer orientation and brand orientation in developing country which is Bangladesh. Data were collected from boutique and clothing-oriented SME business firm entrepreneurs. The results indicate that customer orientation has a positive influence on SME performance. Thus, SME firm owner can speed up their performance through continuing a positive relationship with customers, through focusing on increasing the customer's value.

Further, Brownhilder (2018) explore the relationship between customer orientation and SME performance in South Africa. This study found that customer orientation had a significant positive relationship with SME performance. This finding also delivers empirical support for the remaining marketing literature in South Africa that helps for SMEs to opt a customer-centric approach to doing business.

In addition, Leslier and Francisco (2016) investigate the influence of customer orientation, brand value and business ethics on organizational performance. This study conducted among salespeople, sales supervisors, marketing executives and business executives in companies from Chile. The result states that customer orientation highly influences organizational performance. Thus, it is crucial to increase the value of the customer base, working at a strategic and tactical level to improve the level of job satisfaction, since; customers' commitment to the organization tends to be higher.

Table 2: Summary of Research on Customer Orientation

	Customer orientation		
Researcher(s) & Year	Independent variables	Dependent variables	Finding
Ahmed and Md Uzzal (2019)	Market orientation, customer orientation, brand orientation	SME firm performance	Positive relationship
Brownhilder (2018)	Customer orientation	SME performance	Positively relationship
Leslier and Francisco (2016)	Customer orientation, brand value, business ethics	Organizational performance	Positively relationship

Marketing Innovation

Innovation refers to introduction of a new product, service, or process through a certain business model into the marketplace by commercialization or utilization of existing activities and products, and all contribute to the competitiveness of a firm (Dalia et al., 2011). Therefore, marketing innovation represent implementing new marketing method, create new product or improved existing product, services, processes in business practices (OECD, 2005).

A few researches have done regarding to marketing innovation and business performance. Jamil et al. (2020) study the determinant of innovation capability and their relationship with organizational performance. The respondents in this study are workers from Jordanian bank sector the finding shows that the innovation capability affects both financial and non-financial performance positively. Most banks consider launching new products, concentrate in branding innovation, encourage the innovative culture between the employees and adopt a consistent innovative marketing strategy. Hence, Jordanian banks consider most marketing innovation culture and strategy to support their innovation measurement continuously improve their organizational performance.

Moreover, Canh and Bui (2019) investigate the determinant factors in the organization of a firm's innovative activities, and the impact of these innovation on firm's performance of electronic companies, Vietnam. The result shows that innovation capability is positively influential to business performance of firms. This implies that if R&D activities are properly invested, new technologies are continuously explored and feedback from customers on the quality of products/services are welcomed and collected, the innovation capability of each firm is bound to be enhanced.

Meanwhile, Abdennassar and Germa (2018) analysed marketing innovation as a determinant of innovation success towards business performance. The harmonized survey is done across all industries and types of enterprise focusing on different types of marketing innovation (product, process, organization, and marketing). This study found that innovation in the field of marketing is the most influential variable and has large and significant effects to the business performance. Means that innovation of the 4p's helps increase sales of new products in the market continuously improve performance of that organization.

Table 3: Summary of Research on Marketing Innovation

	Marketing innovation		
Researcher(s) & Year	Independent variables	Dependent variables	Finding
Jamil et al. (2020)	Innovation capability	Organizational performance	Positive relationship
Canh and Bui (2019)	Innovation capability	Firms performance	Positively relationship
Abdennassar and Germa (2018)	Marketing innovation	Business performance	Positively relationship

Conceptual Framework
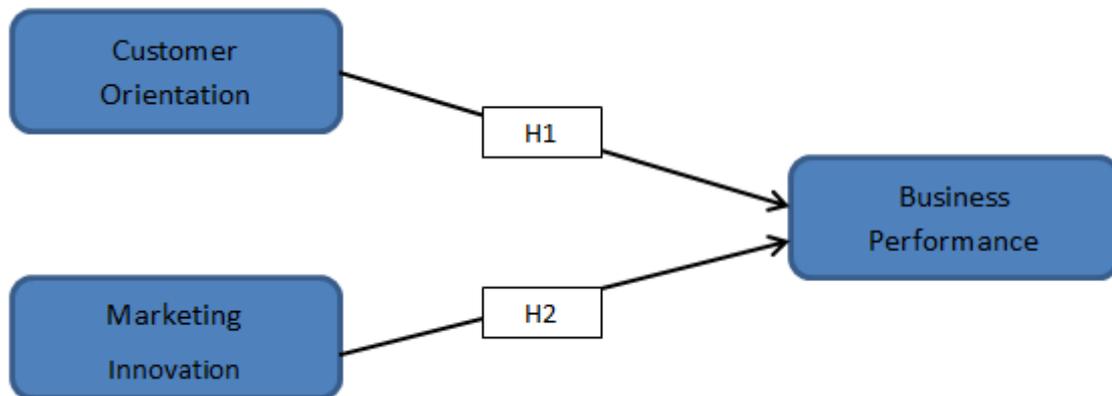
Hyp*othesis*

H1: Customer orientation has a positive relationship with business performance.

H2: Marketing innovation has a positive relationship with business performance

Materials and Methods

Population

Population refers to the entire group of people, events, and things of interest that the researcher wishes to investigate. For this study, the population refers to SMEs in East Coast Malaysia.

Sampling Technique and Sample Size

Sampling is the process of using a small number of items or a part of a larger population to make conclusions about the whole population (Zikmund, 2010). For this study, non-probability persuasive sampling was used due to simplicity and convenience. The sample for this study is a small medium business in fashion industry. Fashion is well defined as a value driven by demands in the market related to the modern lifestyle needs of a group of people who advantageously competitive in interconnecting the relationships. Based on the current economic mainstream, the flow of fashion industry also grows consistently. Therefore, the dynamic growth has driven the demands for luxury goods especially when Malaysia Gross Domestic Product (GDP) increase of 5% in 2014 compared to previous year (Siti Fatimah et. al. (2015). Thus, the sample size is 300 and data was collected through distributing a set of questionnaires at East Coast Malaysia as the studies on it are scarce at that region.

Instruments

The questions were divided into five sections which are demographic profile, company profile, business performance, customer orientation and marketing innovation. All the questions in each section except demographic profile were measured by using a 5-point Likert Scale as a scaled response of this type takes no more values, the error introduced by assuming that differences between the discrete points are equal become smaller. In addition, it is a simple method to administer (Zikmund et. al., 2010).

Table 4: Summary of Instruments

Section	No of items	Sources
Business Performance	5	Taleghani et al. (2013); Morgan (2012)
Customer Orientation	7	Morgan et al. (2009)
Marketing Innovation	8	Morgan et al. (2009)

Data Analysis

In this study, SPSS Version 24 was used to analyse the data. SPSS is a sophisticated piece of software used by social scientists and related professionals for statistical analysis. It can perform variety of data analysis including statistical analysis and graphical presentation of data. Other than that, it is also used to identify correlation between two or more variables. Meaning that, it involves the process of hypothesis testing.

Conclusion

Initially, this study investigates the influence of customer orientation and marketing innovation towards business performance, specifically SME. This study contributes to the strategy and marketing literature that has identified customer orientation and marketing innovation as indicators to boost the performance of business. SMEs today, more than ever need to increasingly find ways to ensure their sustainability in marketplace as sometimes they had constrained resources. Thus, manager must understand that while pursuit of fostering a creative organization may generate more ideas to differentiate, to change, or to improve a firm's business process and market offers, it is innovation. SMEs need to put effort in enhancing their customer orientation and marketing innovation strategy as they affect their business performance.

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