Components of Social Media Marketing Capabilities That Support MSME (UMKM) Marketing Performance

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\begin{ARTICLEINFO}

\textbf{ARTICLE INFO}

DOI: 10.32832/jm-uika.v15i1.16150

Article history:
Received: 6 Februari 2024
Accepted: 6 Februari 2024
Available online: 7 Februari 2024

Keywords:
Social Media, Marketing performance, Marketing Capabilities, Resource-based view theory, Small Medium Enterprises

\textbf{ABSTRACT}

This paper aims to understand the importance of marketing capabilities in using social media on business performance. The conceptualization was developed based on Morgan’s marketing capabilities framework. Data collected from SMEs in food sector who just received a certificate for food safety, which means they have had the opportunity to market their product widely. Partial least squares structural equation modeling will be used to analyze data. Result of this study will have some limitation/implication: First: The data collected using a non-probability sampling method, commonly known as convenience sampling. Second: Perceptual measures used on performance variable in this analysis. Third: This study neglect data changes from time to time, in other words, this study obtains cross sectional data collection. Finally, the study only conducted in Tasikmalaya’s food sector therefore do not lend itself to any general applicability. Originality of this study lies in fact that this research is the first research that provides a complete view of social media application in supporting SMEs in the food sector marketing performance.

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1. INTRODUCTION

Social media has changed markets, business environments and marketing communications at an incredible speed in recent years. From year to year, the time people spend on social media platforms is increasing. For MSMEs that operate with limited funds and do not have a budget for advertising, using social media is considered ideal because it is easy and cheap. Social media allows MSMEs to introduce products and communicate with consumers. Social media also allows them to see what competitors are doing so they can get ideas for improvements.

The increasing use of social media for marketing purposes has attracted the attention of many researchers to research social media marketing. Social media platforms are seen as providing new opportunities for business people to improve their competitive position, but how to use social media for marketing activities and what capabilities are needed to be able to make maximum use of social media for marketing still need to be researched.

Previous research results show that many social media marketing initiatives implemented by MSMEs tend to be unsuccessful. Several studies have examined the problems of MSMEs in adopting social media marketing such as lack of well-defined strategies, problems in dealing with technology, lack of understanding of the opportunities provided by social media and how social media can be used (Tarsakoo & Charoensukmongkol, 2019b). Applying social media to marketing requires a deep understanding of the strategic capabilities involved in this process, but many managers do not have this specialized knowledge (Garrido-Moreno et al., 2020). MSMEs must understand how and what impact the use of social media has and what capabilities they must have to manage it.

Based on the gap explained above, on the one hand, social media provides new marketing opportunities, on the other hand, MSMEs often fail to take advantage of them. This research aims to explore what social media marketing capabilities MSMEs must have. This research was conducted in Tasikmalaya, Indonesia, based on Morgan's marketing capability framework. Tarsakoo and Charoensukmongkol conducted similar research in Thailand but used Day's strategic framework, which is a comprehensive framework that has been widely applied in marketing research (Tarsakoo & Charoensukmongkol, 2019a). Currently, there are two main frameworks of marketing capabilities in the literature. Day's conceptual framework examines how a market-based orientation can be developed and maintained in organizations (Day, 1994). Meanwhile, Morgan's conceptual framework links marketing with business performance. Morgan defines marketing capability as the dynamic ability to convert resources into value offerings for target markets. Morgan proposed six aspects of capabilities, including product management, pricing, channel management, communications, sales, and market research capabilities.
The theoretical background used in this research is resource-based view theory and dynamic capabilities theory. This research tries to explore whether MSME players in Tasikmalaya have the same view about the importance of having high social media marketing capabilities in the six aspects mentioned by Morgan. These six aspects of capability will be associated with two different marketing performance results, namely: marketing effectiveness and marketing efficiency as proposed by Vorhies & Morgan (Vorhies & Morgan, 2003). Marketing effectiveness is measured based on the extent to which the company achieves market share growth, sales growth and market position targets. Meanwhile, marketing efficiency is measured as a comparison between marketing costs and sales costs to the company's gross income.

**Resource-Based View Theory.** Resource-based View (RBV) theory is an internal approach that explains how an organization can outperform the competition. The premise of RBV theory is that heterogeneity and imperfect mobility of resources between companies is the cause of some companies being able to provide better value and/or achieve relatively lower costs, which leads to market share dominance and superior financial performance. This theory states that what makes the most significant contribution to sustainable competitive advantage is the company's internal elements. Included in this internal element is organizational capability, namely the ability to utilize resources and carry out company operations systematically and efficiently. The company's three main capabilities influence the company's revenue growth and profit growth over time, namely: marketing, research and development, and operations. However, this research will focus on marketing capabilities. Marketing capabilities are defined as the skills, knowledge, and coordinated activities through which a company converts available resources into output (Kaleka & Morgan, 2017).

**Social Media Marketing Capabilities.** Social media is media created by users. Nowadays social media has become an important source of information and has changed the way of communicating. The low costs required to communicate via social media are an important reason why people are willing to use it. For companies, the large number of people accessing social media is a reason to create a social media website to improve brand image and increase audience coverage. Through the use of social media, business organizations can build relationships with customers and potential customers, as well as identify problems and find solutions through collaborative interactions between online communities (Tsimonis & Dimitriadis, 2014).

Social media marketing capabilities help companies understand changes occurring in the market so they can operate more efficiently by adapting to the changes that occur. This capability provides wider opportunities for MSMEs even with a limited budget. In this research, social media marketing capabilities are conceptualized based on specific marketing capabilities proposed by Morgan, which include: product management, price management, channel management, marketing communications, sales, and marketing research (Kaleka & Morgan, 2017).
Product Management Capabilities in Marketing Using Social Media. There are several opinions regarding what is meant by product management. Some only talk about developing new products, but there are also those who talk about developing existing products. For this research, product management is defined as the development of new products and the development of existing products. Product management capabilities are viewed as a company's ability to create new value offerings through new products and services for target markets. This includes product design, product mix, label development, and managing product returns. Therefore, marketing skills with social media regarding product management refer to product development and the marketing team's knowledge of product advantages and disadvantages and their relationship to what customers need so that effective marketing and sales can occur.

Since almost 15 years ago, Ramaswami has been talking about marketing with social media. He stated companies can apply social media marketing to interact with customers not only to gather new product ideas but also to evaluate the actual design of current products (Ramaswami et al., 2009). Even though it has been expressed for a long time, this opinion is increasingly felt now, when more and more business people are trying to market via social media.

Price Management Capabilities in Marketing Using Social Media. Pricing is an important means by which companies adjust value through market-based exchange. If a company sets prices too low, then the company will lose the value it should receive. On the other hand, if a company sets prices too high, there is a possibility that consumers will leave it so that the quantity sold will fall. This of course has an important influence on the company's level of profitability.

Pricing capability refers to the ability to price a company's products or services competitively as well as monitor competitors' pricing strategies and price changes in the market. With social media, marketers can access competitor price information and monitor customer satisfaction to determine customer value perceptions of product and service prices. Marketers can also communicate, reassure customers and handle price changes, thereby allowing the company to develop prices according to market changes.

Channel Management Capabilities in Marketing Using Social Media. In his various writings on marketing, Morgan states that channel management is the marketer's ability to maintain good relationships with consumers effectively and efficiently. This is not only about how to influence customers to make purchases and use products/services but also about how to maintain relationships with customers over time.

In this research, channel management capability in the context of social media is the company's ability to manage customer value perceptions by using social media applications effectively in marketing communications. Conversations via social media channels allow businesses to share information and change customer perceptions about a product, brand, or company. Therefore, utilizing social media will be an effective step to increase brand awareness, brand recognition and brand loyalty.
To combine traditional ways of managing relationships with consumers with new technology-based ways, the ability to adapt a hybrid strategy is needed so that both can work in the same direction and support each other (Do Vale et al., 2022). This opinion is in line with what Lars-Erik Gadde conveyed. They argue that channel management should be adjusted over time according to the most relevant distribution perspective (Gadde, 2020). This transformation is carried out through changes in business realities where the relationship between producers and consumers becomes increasingly collaborative. It must be acknowledged that technology has emerged as a significant driving force in enhancing information exchange and cooperation.

**Communication Skills in Marketing Using Social Media.** Marketing communications is about communication between companies and customers to develop and maintain customer value perceptions. Research conducted by Alwi, et al states that in the current internet era, MSMEs need to take a new approach in designing their communication strategies. MSMEs need to develop a strategic approach that includes product and company introduction by sending more comprehensive messages to become well-known in national and international markets. MSME managers also need to recognize, utilize and combine various communication tools according to the message they want to convey (Syed Alwi et al., 2022).

This research views marketing communications capabilities in the context of social media as the ability to manage customer value perceptions by using social media applications effectively because conversations via social media channels are considered an efficient way.

**Selling Ability in Marketing Using Social Media.** Selling ability refers to the extent to which a company can manage the sale of the various products it produces to customers. This means that selling ability is related to how the company develops strong relationships with customers and targets potential customers effectively. Included in selling ability is the ability to receive and fulfill product orders such as preparing sales plans, communicating prices, managing operational procedures with customers (ordering, payment, replacement), returning goods, handling customer complaints and shipping to customers (Carnelley, 2018).

In marketing with social media, companies have the opportunity to build strong relationships with consumers because they can carry out reciprocal communication easily. This can be done as long as MSMEs can translate social media marketing strategies and coordinate resources effectively.

Based on this perspective, social media sales capability is the ability to translate social media marketing strategies into effective actions to achieve marketing goals, respond to the competitive environment, and evaluate marketing performance and marketing effectiveness.

**Ability to Conduct Market Research in Marketing Using Social Media.** The ability to conduct market research refers to the marketing team's ability to use customer data to know and understand customers. In marketing with social media, market research can be carried out more easily, because information about what consumers and competitors are doing is easier to obtain (Carnelley, 2018).
Social Media market research can influence organizations positively as it can reduce costs in marketing activities and lead companies to provide better customer service, increase customer loyalty and improve customer relationships.

Performance Related to Social Media Marketing Capabilities. This research considers two aspects of marketing performance proposed by Vorhies & Morgan, namely marketing effectiveness and marketing efficiency (Vorhies & Morgan, 2003). This is done because even though this opinion has been expressed for a long time, it is still relevant as a measure of marketing performance today. Marketing efficiency is the ratio of marketing performance results achieved to the resource input consumed. Marketing efficiency refers to the ratio of marketing and sales costs to a company's gross operating income using objective secondary financial data. Theory shows that businesses that maximize efficiency in each type of strategy will have superior marketing performance (Vorhies & Morgan, 2003).

Marketing effectiveness refers to the extent to which desired market-based objectives are achieved. Marketing effectiveness is assessed using a perception measure with items indicating the extent to which the company achieves market share growth, sales growth, and market position targets.

2. RESEARCH METHODS

Sample Selection and Data Collection Methods. The first stage of data collection was carried out by distributing questionnaires via Google Form to groups of MSME entrepreneurs. Respondents are allowed to fill out the questionnaire and send it. To ensure the sample was valid, they were screened first by being asked whether they used social media as a marketing tool. Only SMEs that stated they carried out marketing activities on social media were selected.

The number of respondents involved in this research were 70 MSME entrepreneurs in the food sector who had received food safety certificates. Having a certificate is considered important because by having a food safety certificate, they have the opportunity to sell their products throughout Indonesia.

Measurement. The measurement of each aspect of social media marketing capability was developed based on a scale adapted from Chahal & Kaur, which states that product management capability is about developing and launching new products/services, ensuring product/service development efforts are responsive to customer needs. (Chahal & Kaur, 2014). Pricing management capability is measured using a scale adapted from Murray et al., that pricing capability allows companies to use pricing tactics to respond quickly to changes and enjoy higher revenues in the market (Murray et al., 2011).

Social media channel management ability is measured using a scale adapted from Morgan, which states that channel management is the ability to manage relationships with customers effectively and efficiently (Morgan, 2012). Social media marketing communication capabilities are measured using a scale adapted from Murray et al., that marketing communication capabilities enable companies to manage customer value perceptions. Companies with
marketing communication capabilities can persuade consumers to have positive perceptions of their products and brand image (Murray et al., 2011).

Social media sales management capabilities were measured using a scale adapted from Morgan, which states that channel management is the system and structure needed to ensure sales management takes place effectively and efficiently (Morgan, 2012). Social media market research capability is measured using a scale adapted from Morgan which states that market research capability is about the company's ability to provide answers to research summaries, design appropriate research plans, collect the necessary data, analyze the collected data, and communicate research results. necessary answers (Morgan, 2012).

Respondents were asked to indicate the extent to which they were satisfied with six aspects of social media sales performance, including product management capabilities, pricing management capabilities, social media channel management capabilities, social media marketing communications capabilities, social media sales management capabilities, as well as social media sales management capabilities. as a social media market research medium. All items are rated on a five-point Likert scale ranging from 1 (very dissatisfied) to 5 (very satisfied).

Control variables. To ensure data accuracy, this research includes three control variables, namely: company size, company age, and social media marketing experience. The size of the company is measured based on the number of permanent employees. Company age is measured by the number of years since the company was founded. Meanwhile, social media marketing experience is measured based on the number of years the company has used social media for its marketing activities. Sample characteristics are reported in Appendix 1. A list of questions asked to measure six aspects of Morgan's specific marketing capabilities is shown in Appendix 2.

Estimation Method. Research data processing was carried out using descriptive analysis and Partial Least Square Structural Equation Modeling (PLS-SEM) analysis with SmartPLS 3.0. Descriptive analysis is carried out by collecting data, then the data is compiled, processed and analyzed so that it can provide an overview of existing problems.

In this research, descriptive analysis is used to analyze the characteristics of MSMEs that help researchers or respondents. PLS-SEM was used because: first, PLS requires a smaller sample size than other SEM techniques (Chin, 1998). Second, PLS requires fewer statistical specifications than covariance-based strategies because it does not require normally distributed data (Chin, 1998).

3. RESULTS & DISCUSSION

Product Management Capabilities in Marketing Using Social Media and Marketing Performance. As mentioned earlier, companies implement social media marketing to interact with customers not only to gather new product ideas but also to evaluate current product designs. Product development capabilities in the context of social media marketing represent a company's ability to use social media to obtain and gather customer insights and market
information to develop new products, serve customer needs, or improve existing products. Success in meeting consumer needs shows marketing efficiency and effectiveness.

**Price Management Capabilities in Marketing Using Social Media and Marketing Performance.** Price has a strong influence on customer value perceptions, and influences customer satisfaction and loyalty. Through social media, marketers can access competitor price information and monitor customer satisfaction and the perceived value of product and service prices. Marketers can also communicate, reassure customers and handle price changes, thereby allowing the company to develop prices according to market changes.

**Channel Management Capabilities in Marketing Using Social Media and Marketing Performance.** The success of marketers in maintaining good relations and maintaining relationships with customers over time will influence customers to make purchases and use products/services. In this research, we will see whether new technology-based ways of managing relationships with consumers have a relationship with marketing performance.

**Communication Skills in Marketing Using Social Media and Marketing Performance.** The company's ability to utilize social media to influence customer value perceptions will form a positive and differentiated brand image. Social media makes it easier for companies to build strong relationships with consumers because they can carry out reciprocal communication easily. In line with that, through social media platforms, consumers can convey their interest in their favorite brands.

**Selling Ability in Marketing Using Social Media and Marketing Performance.** This research examines social media sales capabilities which are associated with the ability to translate social media marketing plans into action so that marketing performance can increase. This capability involves adaptive mechanisms that allow companies to make adjustments when unexpected obstacles and opportunities occur.

**Ability to Conduct Market Research in Marketing Using Social Media and Marketing Performance.** Digital technology has dramatically changed markets, the business environment, the way organizations and customers interact, and exchange rates. Digital technology has also created new avenues for interacting and collaborating with markets.

Social media can help companies reinvent relationships with customers, and encourage the development of relevant capabilities because it makes it easier for businesses to obtain data and process it. All of this will of course be able to support better marketing performance.

Data collection using the Google Form questionnaire only received 8% of responses from the target MSME entrepreneurs, so in the next stage data collection was carried out through the active role of researchers by asking questions directly based on the list of questions that had been prepared.
**Results of data processing with SmartPLS.** In the first stage, the validity and reliability of the multi-item measurements were examined. The research results show that all factor loadings are above the minimum requirement for convergent validity according to Heir, namely 0.5 (Hair et al., 2011). This convergent validity shows that the questions in each research latent variable can be understood by the respondent as intended by the researcher.

Discriminant validity, which proves that questions about a variable are not confounded with other variables, is assessed by comparing the average variance extracted (AVE) with the squared correlation coefficient. Fornell and Larcker suggested that the square root of AVE should be greater than the correlation between constructs (Fornell, C., & Larcker, 2016). The results met these requirements, in the sense of showing a satisfactory level of discriminant validity.

Reliability testing to determine whether research items can measure relatively consistent results is assessed using Cronbach's alpha coefficient and composite reliability coefficient. The research results show that the reliability indicators for all latent variables exceed the minimum requirement, namely 0.7, meaning that reliability is on a sufficient scale (Nunnally & Bernstein, 1994).

Multicollinearity is detected with the help of tolerance and reciprocity variables which are usually called variance inflation factors (VIF). In multicollinearity conditions, the intercorrelation or association between independent variables is very high. This is a type of noise, and if it is present in the data, statistical conclusions made about the data may not be reliable. In this study, the tolerance value was more than 0.1 and the VIF was less than 5, so it can be concluded that there was no multicollinearity problem. The results of the SmartPLS analysis are shown in Figure 1.
Figure 1 shows that H1a and H1b indicate that social media product management capabilities are related to marketing efficiency and effectiveness performance. The research results show that social media product management capabilities have a positive but not significant relationship to marketing efficiency performance. Regarding marketing effectiveness, the research results show that social media product management capabilities have a positive and significant effect.

H2a and H2b propose that social media price management capabilities are related to marketing efficiency and effectiveness performance. The research results show that social media price management capability is positively related to marketing efficiency and marketing effectiveness performance, but is not statistically significant.

H3a and H3b propose that social media channel management capabilities are related to marketing efficiency and effectiveness performance. The research results show that social
media channel management capability is positively related to marketing efficiency and marketing effectiveness performance, but is not statistically significant.

H4a and H4b propose that social media marketing communication capabilities are related to marketing efficiency and effectiveness performance. The research results show that social media marketing communication capabilities have a positive effect on efficiency performance but are not significant. Meanwhile, marketing communication capabilities show a positive and statistically significant relationship to marketing effectiveness.

H5a and H5b propose that social media sales capabilities are related to marketing efficiency and marketing effectiveness performance. The results show that social media sales capability has a positive effect on marketing efficiency and effectiveness performance, but is not statistically significant.

H6a and H6b propose that social media market research is positively related to marketing efficiency and marketing effectiveness performance. The results show that social media market research capabilities have a positive effect on marketing efficiency and are statistically significant. To marketing effectiveness performance, social media market research is positively related, but not statistically significant.

4. CONCLUSION & SUGGESTION

This paper aims to explore the importance of social media marketing capabilities on business performance based on the conceptualization of social media marketing capabilities developed by Morgan. The results of the SmartPLS analysis consistently support all six aspects of Morgan's marketing capabilities framework, but each aspect has a different level of significance. The positive contribution of these six capability components to both aspects of company performance has several important implications.

First, the ability to use social media for market research means companies can use information obtained from social media to describe customer desires, build strong relationships, reassure customers and deal with price changes, thereby enabling companies to develop prices according to market changes. Second, companies can also utilize information obtained from social media to create new products that meet customer expectations, this is expected to increase customer satisfaction and retention. Third, companies can utilize social media to increase customers' positive perceptions of the company's products or services, thereby enabling the company to build a positive and different brand image as stated by Murray. Social media can help companies reinvent customer relationships, encourage the development of company capabilities, make it easier for companies to obtain data and process it so they can obtain information to develop better marketing performance.

The results of this research are still consistent with marketing research conducted by Vorhies & Morgan in 2003. In their research it was stated that companies need to develop marketing capabilities to produce two different marketing performance results, namely marketing effectiveness and marketing efficiency (Vorhies & Morgan, 2003).
This research also supports Sasatanun and Charoensukmongkol's research which states that social media marketing activities help companies increase their competitiveness so that developing marketing capabilities is also important to encourage and obtain a competitive advantage compared to competitors (Sasatanun & Charoensukmongkol, 2016).

Although the overall analysis of the results is in accordance with previous marketing research, it should be remembered that this research was conducted involving small MSMEs in Tasikmalaya with an average education level of high school and limited ability to use social media, therefore this is true. does not provide general applicability. Future research should have a broader sample size and more diverse industries.

REFERENCES


