

## Craft MSE Performance in Batu City: The Impact of Ecopreneurship, Digital Marketing, and Artistic Orientation through Competitive Advantage



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**ABSTRACT:** This research aims to determine the influence of artistic orientation, digital marketing, and ecopreneurship on the performance of craft MSEs in Batu City through competitive advantage. The population used in this research is craft business actors in Batu City. This sample determination was carried out using the Non-Probability Sampling type. The sampling method in this research uses Simple Random Sampling by considering that all SME craft business actors have the same opportunity to answer the researcher's questionnaire, and uses snowball sampling with a sample size of 92 respondents. The data collection model is uses questionnaire, and using the SEM-PLS approach analysis method. The results of this research found that: (1) Artistic orientation has a positive and significant effect on MSEs Performance, (2) Digital marketing has a negative and significant effect on MSEs Performance, (3) Ecopreneurship has a positive and significant effect on MSEs Performance, (4) Artistic orientation has an effect positive and significant influence on Competitive Advantage, (5) Digital marketing has no significant influence on Competitive Advantage, (6) Ecopreneurship has a positive and significant influence on Competitive Advantage, (7) Competitive Advantage has a positive and significant influence on MSE Performance, (8) Competitive advantage mediates the influence of artistic orientation on MSE performance, (9) Competitive advantage does not mediate the influence of digital marketing on MSE performance, (10) Competitive advantage mediates the influence of ecopreneurship on MSE performance.

**KEYWORDS:** MSE performance, competitive advantage, artistic orientation, digital marketing, ecopreneurship.

### I. INTRODUCTION

Micro and Small Enterprises (MSEs) are a pillar of economic growth because MSEs can broaden employment and play an important role in equality and stability in people's income. In the future, small businesses in the form of MSEs can thrive and focus on fulfilling the global consumer, especially from countries with high populations such as India, America, and Indonesia (Uskara, 2021). MSE businessmen in ASEAN have become the backbone of the economy industry. MSEs infiltrate the workforce as far as 96%, as for the gross domestic product in ASEAN, MSEs also significantly contribute to 60%. As a result, numerous MSE business owners are now able to participate in the global trade network., such as Filipinas 20.1%, Vietnam 21%, Thailand 19% and Malaysia for 46% (Uskara, 2021). The significance of Micro and Small Enterprises (MSEs) extends beyond just their contribution to the economic industry. These enterprises play a crucial role in our everyday lives.

Moreover, based on the data from The Ministry of Koperasi and MSEs in 2021, the total of MSEs in Indonesia keeps increasing, despite COVID-19 conditions. This is due to MSEs that are more flexible and the market target lives closely to where the MSEs are established. Based on the data, MSEs significantly contribute to the economic industry, the average contribution in the last 15 years is 57% of the total Gross Domestic Product (GDP). Despite the stability contribution, COVID-19 also hits MSEs' existence. Based on the Bank Indonesia survey, there are at least 77.6% of MSEs had a decrease in their performance, such as a drop in revenue and disturbed capital distribution.

Besides, MSEs also have basic problems as Kafetzopoulos (2020) said many MSEs usually lack resources and skills in manufacturing, distribution, promotion, research, and development, as well as competitive ability on a bigger scale. Most of these problems are caused by internal factors (lack of knowledge, skills, and assets) and also external factors (a strong

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competitor in the market). With market conditions becoming more competitive and resources limited, MSEs need to rely on creative and innovative human resources to face market competition (Resmi, 2019).

A good performance needs to be done to maintain MSEs' existence. Performance is defined in the form of sales, such as financial efficiency and turnover rate or investment. Therefore, for non-financial measured from profit gain, return, and turnover (Rahman, et al., 2014). Hence, the performance of MSEs can be seen from sales escalation, increasing labor, expanding target market, and net profit growth.

Meanwhile, competitive advantage needs to improve performance in MSEs. Falahat (2020) said that market intelligence skills, skills to improve products, and good pricing skills are three important skills to build competitive advantage. A company with a differentiation strategy offers unique products to its customers in the market, because the products have more privileges than other competitors.

Competitive advantage needs to map out the most effective marketing strategies. Nowadays, technology already developed to help people's needs. Digital marketing is a process based on technology where a company interacts, communicates, distributes, and keeps its value to the customer. The purpose of digital marketing is to reach the broader customer in real-time with the right offers based on their history of searching. A company can achieve competitive advantage using social media, adapt to the changes for the internal and external, and satisfy the customer needs (Junior, 2023).

The Craft MSEs' owners, who specialize in the art of crafting, possess a high degree of artistic orientation, such as artistic aspects in the creative work, and are usually excited to innovate in an artistic way. They also intend to explore and exceed their knowledge to get potential products that are more creative and have a high value (Purnomo, 2019). In Batu City, the owner of Craft MSEs have their own characteristics, such as in batik production they choose particular patterns, like buffalo, fruits, and vegetable themes, and the newest is batik with Koi fish pattern. Artistic orientation helps creative workers to express their emotions and ideas, and also convey their vision and ideology as an artist (Purnomo, 2019). Supported by Purnomo's (2019) findings that said a positive influence between artistic orientation towards sales and non-sales performance in the creative industry.

Therefore, Craft MSEs are also involved in environmental issues that are happening in Batu City. Batu City Major in August released a letter to optimize waste management by reducing, reusing, and recycling in the waste processing site in Batu City. Based on the letter, MSE owners also need to be aware of the environment by recycling the trash and reusing waste into more useful items, such as using batik from dried leaf known as eco-print batik, making bags from sawdust, or purses from cement paper and so on. Ecopreneurship consists of all environmentally friendly practices in their production process, technology, and organization, technically or in the administration. Ecopreneurship works as an agent of change in MSEs that need to have aligned values and beliefs to run the business in ecology orientation (Gunawan, 2021). Quoted from the [ukmindonesia.id](http://ukmindonesia.id) website, that ecopreneurship is defined as an entrepreneur that produces products/services environmentally friendly based on environment, economy, and ecology principles. Ecopreneurship become a crucial step to reducing the contamination of the environment and conserving Indonesia's environment which is in line with the green economy compiled by the government.

## II. METHODS

This research is explanatory using quantitative methods. The survey method is used in this research, the sample is 92 respondent who manage craft micro-small enterprises (MSEs) in Batu City, using structured and systematic questionnaire. This research using non-probability sampling with simple random sampling which provides an equal chance for the population of each study to become the sample. Data analysis using SmartPLS including descriptive analysis, verificative analysis to know the validity and reliability of the data using outer model, and inner model. Last, hypothesis test, r-square, and path coefficient also uses smartPLS.

## III. RESULT

### A. Respondent Characteristics

The questionnaire was distributed to 92 respondents who manage craft micro-small enterprise (MSEs) in Batu City. In Batu City the craft MSEs plays important role in preserving the environment, because the MSEs create their products from trash or recycled goods, such as creating *kain batik* from Eco print leaves and flowers. Furthermore, the characteristics of the respondent explain in Table 1:

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**Table 1: Respondent Characteristics**

Characteristics	Category	N	Percentage
Gender	Female	59	64%
	Male	33	36%
Age	17-35	19	21%
	36-46	44	48%
	47-65	29	32%
Education	High School	55	60%
	Diploma (D3)	3	3%
	Bachelor (S1)	29	32%
	Post Graduate (S2)	5	5%

Table 1 indicate that most of the respondent are female, most of them 36-46 years old and the last education they have was in high school.

### B. Validity and Reliability

In this research found that the convergent validity using outer model for all variable are greater than 0.6, so can be concluded that all variables are valid. As for the cross-loading method, all variable indicator is bigger than other indicator, so it can be concluded that all laten variables can predicted their indicator better than other variables. For reliability test, found that all variables have composite reliability bigger than 0.7, so all of them reliable and can be used for the research.

### C. Hypothesis Test

This research consists of ten hypothesis and tested using bootstrap method against the sample. Bootstrap method uses to minimize abnormal data in the research. The result explained in the Table 2:

**Table 2: Hypothesis Test**

Variables	Original sampel (O)	T statistics (O/STERR)	p-value
Artistic orientation (X1) → Performance (Y2)	0,297	2,537	0,011
Digital marketing (X2) → Performance (Y2)	-0,152	2,664	0,008
Ecopreneurship (X3) → Performance (Y2)	0,279	2,336	0,020
Artistic orientation (X1) → Competitive Advantage (Y1)	0,460	4,507	0,000
Digital marketing (X2) → Competitive Advantage (Y1)	-0,012	0,162	0,872
Ecopreneurship (X3) → Competitive Advantage (Y1)	0,482	4,197	0,000
Competitive Advantage (Y1) → Performance (Y2)	0,472	3,805	0,000
Artistic orientation (X1) → Competitive Advantage (Y1) → Performance (Y2)	0,217	2,764	0,006
Digital marketing (X2) → Competitive Advantage (Y1) → Performance (Y2)	-0,006	0,155	0,877
Ecopreneurship (X3) → Competitive Advantage (Y1) → Performance (Y2)	0,227	2,928	0,003

From Table 2, found that artistic orientation and ecopreneurship significantly and positively influence the performance of Craft MSEs in Batu City, because the p values are smaller than 0.05 and the original sample are shows positive. Therefore, digital marketing significantly influence performance, but the original sample shows negative value, that means digital marketing significantly and negatively influence the Performance of Craft MSEs in Batu City. Next, artistic orientation and ecopreneurship significantly and positively influence competitive advantages, because the p value is smaller than 0.005 and also the original sample shows positive value. Meanwhile, digital marketing did not significantly and positively influence competitive advantages, the p-value are bigger than 0.05 and original sample shows negative value. Next, competitive value found significantly and positively influence the Performance of Craft MSEs in Batu City. As for the indirect effect, first,

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competitive advantage able to mediate between artistic orientation and performance. Next, competitive advantages didn't mediate between digital marketing and performance. And last, competitive advantage able to mediate between ecopreneurship and the performance of Craft MSEs in Batu City.

### IV. DISCUSSION

#### 1) Artistic orientation effect towards the performance of Craft MSEs in Batu City

In this research artistic orientation significantly and positively influence performance. Hence, businessman that has a high artistic orientation can express their emotion to the products, therefore the product relates to the circumstances and have a high artistic value so the performance is also increases. The highest indicator is the artistic urge to express their idea and emotion, next is how the businessman put important value (such as: moral, social, politics, and religion) in their creative works so the products artistic value are improving. This condition explained that making artistic work based on their creativity become their daily activities and basic needs for some Craft businessman in Batu City. It become a tool for communicating with their customer and expressing their emotion. It's aligned with Purnomo (2019) that found positive impact in artistic orientation to finance and non-finance performance in creative company.

#### 2) Digital marketing effect towards the performance of Craft MSEs in Batu City

This research found that digital marketing negatively and significantly influence performance. The highest score indicator is customer can search for the brand name or the products from search engine. Also, the businessman already promoted their products from social media, such as facebook, instagram, or WhatsApp. Ranjan (2023) found that digital marketing plays important role in increasing performance. Hence, this research found that digital marketing negatively impacts performance of Craft MSEs in Batu City. The reason is from respondent characteristics, most of the respondent are from 36-46 years old, which are not from Z, Y generations, or millennials who depends on technology. This generation prefer face-to-face contact with the customer, like organizing a community exhibition, or bazaar. On the other side, building advertisement, data analytics, SEO analysis are complex and need professional help, that rarely in Craft MSEs. Dependency on third parties and internet algorithm increase the marketing visibility, hence restricting from customer that don't digitally connect. Digital competition also leads to various content that sometimes not align with the brand image. Hence, it's important for Craft MSEs in Batu City to choose wisely in their digital marketing strategy.

#### 3) Ecopreneurship effect towards the performance of Craft MSEs in Batu City

Ecopreneurship found positively and significantly influence performance, it's explained that most of the businessman in Craft MSEs already aware with the importance of green sustainability, utilize the worthless items into items that have a higher selling price. The businessman that performing ecopreneurship have its own value and their performance also increases. The highest indicator value is social value, which explained the Craft MSEs in Batu City conducting ecopreneurship can increasing their well-being. Also, most of the respondent are from 36-65 years old and feels the need to preserving the earth for their ancestors. As for the cultural value, the businessman always adds cultural elements in their products, that will be their value. In the end, ecopreneurship build an eco-friendly product, including their packaging and the product elements, to increasing the businessman profit by using eco-friendly as their brand image and uniqueness. In line with Syarja, et al (2019) that found ecopreneurship can improving people's well-being and social reputation for the company.

#### 4) Artistic orientation effect towards competitive advantage

In this research found that artistic orientation significantly and positively influences competitive advantage. Means that the businessman in Craft MSEs that has artistic orientation become their competitive advantage in the market. Some indicator that supported competitive advantage are intrinsic drive, that the businessman can express their emotion and idea from their artwork. On the other side, symbolic value such as politic, moral, and religion plays a great role in the competitive advantages, also display aesthetic and uniqueness. On the other side, to strengthen competitive advantage, businessman need to maintain good communication to customer or the expectant. It needs to expect the customer to re-purchasing the products.

#### 5) Digital marketing effect towards competitive advantage

Digital marketing found do not significantly influence competitive advantage. It is supported by Jadhav et, al (2022) that found digital marketing still covering less than 50% of total marketing in a company. The research also found there are clear difference among big company who uses digital marketing and obtain a great positive impact, meanwhile smaller company sees digital marketing not as effective for the cost, and the impact is not that big. In this research, found that most of the respondent are 36-65 years old, which love to have direct interaction in bazaar or exhibition. On the other

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side, they don't have spare time to learn more about digital marketing, because they need to produce more products. So, they choose to use conventional marketing or ask help from their children for the digitalization.

### 6) Ecopreneurship effect towards competitive advantage

In this research found that ecopreneurship significantly and positively influence competitive advantage. In this case, ecopreneurship become a competitive advantage that differentiate a company from others. In Batu City, one of the examples is using sawdust for crafting. Sawdust basically wastes from wood carver or cutting, usually the sawdust was thrown away or burned. In this case, ecopreneurship encourage businessman to use sawdust as a craft resource for making purse or bag. The sawdust (that already become bag and purse) has a high sale value, on the other side it is become a form of protecting the environment by recycling the waste. On the other side, this product that come from ecopreneurship become a competitive advantage compared to basic bag and purse.

### 7) Competitive advantage effect towards the performance of Craft MSEs in Batu City

Competitive advantage found significantly and positively influence performance. In this case prove that competitive advantage can increasing Craft MSEs performance in Batu City, especially if the company can produce the product according to the needs of the customer. Hence, if the product has uniqueness also attract more customer. It is in line with Falahat et al (2020) that found competitive advantage have positive relationship with performance of international MSEs.

### 8) Competitive advantage as mediating between artistic orientation and the performance of Craft MSEs in Batu City

In this research, found that competitive advantage significantly influences the relationship between artistic orientation and performance. Through competitive advantage, artistic orientation increasing the performance, because businessman that already has artistic orientation more creative in expressing their emotion on the products, so it become their competitive advantage and increasing their performance. Sometimes, the customer in the bazaar or exhibition asked about the meaning of the product, such as buffalo *batik*, after that the businessman can explain it and the customer become satisfied with the explanation, therefore one of the indicators in the performance, customer satisfaction also advancing.

### 9) Competitive advantage as mediating between digital marketing and the performance of Craft MSEs in Batu City

Competitive advantage found does not mediate between digital marketing and performance. Hence, the reason is because the respondent of this research on 36-65 years old, who's likely to do direct interaction with the customer rather than via social media. The respondent also think they need to learn more about digital marketing that is not easy, and they prefer to spend their time produce more product. Therefore, the Craft MSEs businessman choose to do more exhibition, even they go to international event to introduce their product rather than doing digital marketing.

### 10) Competitive advantage as mediating between ecopreneurship and the performance of Craft MSEs in Batu City

Competitive advantage significantly mediating between ecopreneurship and performance. It means that there are many businessmen in Craft MSEs that aware of sustainability and doing ecopreneurship, it become their competitive advantage that increasing the performance also. One of the examples is, producing bag, shoes and purse from cement paper that usually thrown away. In the right hand, the cement paper can have selling value and aesthetic value that can be sell and become their competitive advantage compare to standard purse, bag and shoes. Therefore, the performance also advancing.

## V. CONCLUSION

1. Artistic orientation influence and strengthen performance of Craft MSEs in Batu City
2. Digital marketing failed to influence performance of Craft MSEs in Batu City, hence the reason is because most of the respondent prefer direct marketing via bazaar and exhibition.
3. Ecopreneurship influence and strengthen performance of Craft MSEs in Batu city, aware of sustainability become uniqueness and increasing the selling value of the product.
4. Artistic orientation influence and strengthen competitive advantage.
5. Digital marketing does not influence competitive advantage, the reason because mostly the respondent chooses to producing more product rather than learning digitalization.
6. Ecopreneurship influence and strengthen competitive advantage.
7. Competitive advantage influence and strengthen performance of Craft MSEs in Batu City.
8. Artistic orientation influence performance of Craft MSEs in Batu City through competitive advantage.

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9. Competitive advantage failed to become mediate between digital marketing and performance of Craft MSEs in Batu City.
10. Ecopreneurship influence performance of Craft MSEs in Batu City through competitive advantage.

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