

Entrepreneurial Marketing: Implementation of Innovation Dimensions in Local Wisdom-Based SMEs to Support Export Success

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ABSTRACT

This article discusses the implementation of product, technology, and marketing innovations, which are part of the dimensions of entrepreneurial marketing in local wisdom-based Small and Medium Enterprises (SMEs) to support export success. The method used is a qualitative phenomenological approach. Data collection techniques employed purposive sampling, examining six local wisdom-based SMEs oriented towards export in West Nusa Tenggara, Indonesia. The informants in this study include SME owners/managers, consumers, employees, and artisans. Data analysis was conducted using NVIVO-14 software. This article proves that SMEs innovate their products by searching for ideas and sources of inspiration, resulting in innovations that enable the products to survive and compete in the export market. Technological innovation is limited to online sales, as the products of these SMEs are characterized by high-quality handmade features. SMEs innovate their marketing by using digital marketing and emphasize the use of social media as a communication tool to engage with consumers. The implications of this study suggest that SMEs that adopt innovative approaches in various aspects of their business are able to enhance their competitiveness and achieve greater success in the export market.

Keywords: Entrepreneurial Marketing, Innovation Dimension, Local Wisdom, Export Success.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy of a country, including in Indonesia. The number of MSMEs currently reaches 64.2 million, with a contribution to GDP (in 2021) of 61.07% or equivalent to 8,573.89 trillion rupiahs. The contribution of MSMEs to Indonesia's economy includes the ability to absorb 97% of the total workforce and gather up to 60.4% of total investment (Ministry of Cooperatives and SMEs, 2022). Based on their market segments, MSMEs in Indonesia are oriented toward domestic markets, export markets, or both.

In West Nusa Tenggara Province (NTB), Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the economy, especially during the Covid-19 pandemic, by maintaining the economy of the community and the region. MSME activities have become one of the government's mainstays in boosting economic growth amid a sluggish global economy. In 2021, MSMEs contributed 63% to the Gross Domestic Product (GDP) of West Nusa Tenggara (NTB), with the Gross Regional Domestic Product (GRDP) at Current Market Prices (CMP) reaching IDR 140.15 trillion (NTB Cooperatives and SMEs Agency, 2022).

In West Nusa Tenggara Province, as of January 31, 2022, the number of MSMEs was 123,787. However, only a few have successfully penetrated export markets. In general, according to a study by the Ministry of Trade of the Republic of Indonesia, MSMEs face several weaknesses in exporting, Market access: MSMEs still encounter obstacles in accessing productive resources, such as financing, marketing, business networks, and technology, Product adaptation: Business actors are required to produce goods that meet consumer preferences or market demands, which tend to change quickly, resulting in a relatively short product cycle in the market, Production capacity: This factor determines the success of business actors in marketing their products, Export documentation: These are requirements that must be met to carry out export activities and must be complete. MSMEs often struggle to fulfill these, hindering their export activities. These challenges include product certification, letters of credit, business legality, and others, Costs: Export activities incur significant expenses, posing a barrier for MSMEs (Sidabutar, 2014).

The numerous challenges faced by MSMEs in exporting have caused many of them to be unprepared for export. However, some MSMEs based on local wisdom have managed to penetrate export markets and survive to this day. Even during the Covid-19 pandemic, they continued exporting. The ability of MSMEs to succeed in exporting is undoubtedly a performance that deserves appreciation from various parties. Preliminary studies, through interviews, observations, and documentation, revealed that several export-oriented MSMEs could access productive resources, such as marketing and business networks. Access to markets is the key to the success of export activities. Additionally, these MSMEs have demonstrated creativity and innovation to enhance their product competitiveness and have successfully innovated products to align with consumer preferences.

Entrepreneurial Marketing is a new method derived from combining two concepts: marketing and entrepreneurship. Entrepreneurial Marketing is the spirit, orientation, and process of capturing opportunities by launching and developing businesses that create perceived customer value through customer relationships using innovation, creativity, sales, networking, and flexibility (Hills, Gerald E. & Hultman, 2011). Research results from (Rahayu et al., 2023) indicate that embedding entrepreneurial values significantly affects business sustainability. This is because embedding entrepreneurial values makes entrepreneurs highly creative and innovative.

Several articles related to Entrepreneurial Marketing (EM) with qualitative approaches have been written. For instance (Ghahramani et al., 2022) conducted research in Tehran Province on knowledge-based MSMEs, emphasizing that companies must actively develop entrepreneurial marketing strategies, including EM dimensions, to remain competitive. Another article on EM dimensions, as presented in (Jenson et al., 2020) highlights the important implications of integrating entrepreneurial marketing and innovation into project activities. Another article states that the dimensions of Entrepreneurial Marketing (EM) positively impact MSME performance overall, including innovation (Sadiku-Dushi et al., 2019). The positive and significant influence of EM on market performance and innovation in halal food MSMEs is also highlighted by (Hendijani Fard & Seyyed Amiri, 2018). Meanwhile (Hacioglu et al., 2012), in their article, argue that the proactive, innovative, customer intensity, and resource-utilization dimensions of entrepreneurial marketing positively correlate with innovative performance. Another article mentions that previous research has identified that innovation capability is a crucial driver in the manufacturing industry for business survival. However, the primary role of innovation capability has been theoretically considered in developed countries, whereas empirical research in developing countries remains limited (Jalil et al., 2022). This article differs from others as it focuses on implementing the dimensions of entrepreneurial marketing, particularly the dimension of innovation, including product innovation, technology, and marketing carried out by export-oriented MSMEs that produce locally based products that succeed in export markets.

LITERATURE REVIEW

As a concept, Entrepreneurial Marketing (EM) was introduced in 1982, and several scholars have attempted to define it (Sadiku-Dushi et al., 2019). Entrepreneurial Marketing (EM) is defined as a series of processes to create, communicate, and deliver value, guided by effective logic and utilizing highly uncertain business environments (Daniela Ionita, 2012). EM is also associated with opportunities, as defined by (Becherer et al., 2012) who described it as a company's marketing process that pursues opportunities in uncertain market situations, often under resource-constrained conditions. Both definitions highlight the uncertainty faced by companies in marketing. Another perspective emphasizes not only uncertainty but also stable conditions. Entrepreneurial Marketing represents a configuration of activities arising from entrepreneurial decisions and actions to pursue business goals in both stable and volatile environments, combining opportunity-seeking behavior, resource organization, and risk acceptance to create value for multiple stakeholders (S. C. Morrish & Jones, 2020). Entrepreneurial Marketing is also interpreted as a collection of innovative, proactive, and risk-taking actions. It can create, communicate, and deliver value to customers, marketers, businesses, partners, and society as a whole (Whalen et al., 2016).

Several scholars propose dimensions of EM, such as those suggested by Morris (2002) and colleagues in (Sadiku-Dushi et al., 2019) who identified seven dimensions of EM: Proactiveness, Opportunity, Innovativeness, Calculated Risk-Taking, Customer Intensity, Resource Leverage, and Value Creation.

One dimension discussed in this study is the dimension of innovation. Innovation, as a concept, refers to the process undertaken by individuals or organizations to conceptualize entirely new products, processes, and ideas or to approach existing ones in new ways. This type of business activity significantly encourages and accelerates unexplored and creative business techniques, the identification of new opportunities, business procedures, and technologies (Runyan et al., 2006). Innovation is a critical component of a company's strategy, and small entrepreneurs can apply innovative ideas to create superior performance for their businesses (Lumpkin & Dess, 1996; Runyan et al., 2006, in (Rahaman et al., 2021).

Inovativeness, according to Morris et al., 2001, in (Sadiku-Dushi et al., 2019) is defined as a company's ability to sustain a flow of new ideas that can be interpreted into new products, services, technologies, or markets. According to Lumpkin, G.T., et al., 2001, in (Hanaysha & Al-Shaikh, 2022), innovation refers to the ability to generate new ideas, conduct experiments, and create new products or services. It is considered a process of technological advancement that allows companies to enter new market segments.

In general, innovation reflects a tendency to support new ideas, novelties, experiments, and creative processes (Maes & Sels, 2014). It is also an activity to create a service, product, or even technological advantage that can lead an organization to enter new markets (Teofilus et al., 2020).

Peters, T. J., & Waterman, R. H. (1982) stated that business success is closely related to strong organizational culture, adaptability, and continuous innovation. Meanwhile, according to Drucker (1985), business success lies in the ability to create customers. The primary focus of any business is ongoing innovation and marketing to attract and retain customers.

METHOD

This study employs qualitative research with a phenomenological approach because it aims to describe and interpret the experiences of informants related to the implementation of product, technology, and marketing innovation dimensions in Entrepreneurial Marketing, leading to success in export markets. The subjects of this research are export-oriented MSMEs, particularly those engaged in local wisdom-based businesses in Lombok, West Nusa Tenggara, Indonesia. The types of products from these export-oriented MSMEs are pearl/shell products, pottery, and ketak (woven grass products). Data collection from 6 MSMEs was conducted using four (4) methods, namely: 1) In-depth interviews with 26 individuals, including owners or persons in charge, employees/artisans, and consumers. 2) Non-participant observation, 3) Documentation, 4) Focus Group Discussions (FGDs). Data processing was carried out using NVIVO 14 software. The validity of the data was tested through: 1) Credibility testing (internal validity), 2) Transferability (external validity), 3) Dependability (reliability), 4) Confirmability. The data analysis was performed through data reduction, data display, and conclusion/verification.

RESULTS AND DISCUSSION

Product innovation, according to (Miles et al., 2015) refers to the process of creating new products or enhancing existing ones, which provides additional benefits or added value to customers and the company. Innovation also refers to the process undertaken by companies to align products with customers' specific needs, improve functionality, and foster innovation between management and customers while ensuring that everything aligns with the employees' capabilities (Sánchez-Gutiérrez et al., 2019).

Several questions regarding innovation in this study aim to answer three key aspects, 1) How is product innovation implemented by MSMEs?, 2) How is technological innovation implemented by MSMEs?, 3) How is marketing innovation implemented by MSMEs?

Regarding product innovation conducted by MSMEs, several themes emerged after processing the data using the NVIVO 14 software, such as sources of innovation ideas, methods of obtaining innovation ideas, and innovation outcomes. Sources of innovation ideas among MSMEs include inputs from MSME owners, consumers, collaboration between MSMEs and agents or consumers, and discussions with employees. These findings are illustrated in the following figure:

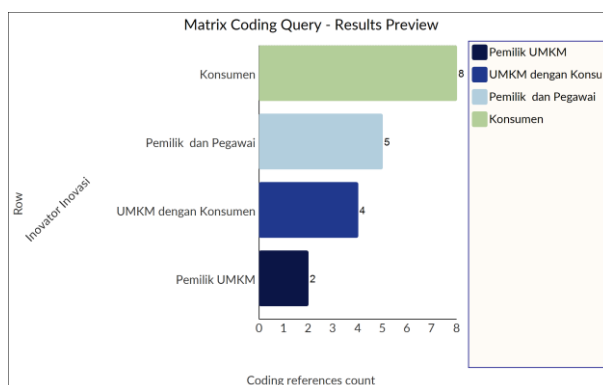


Figure 1 Matrix Coding Query Ide Inovation Product

According to Kotler and Keller (2021), ideas can arise from interactions with customers, employees, scientists, and other groups through creativity and by studying competitors. Findings regarding the sources of product innovation ideas reveal that most MSMEs state that their product innovation ideas primarily come from

consumers. This indicates that MSMEs can be more open to various sources of ideas and input, thereby enhancing their ability to innovate and grow.

Innovation ideas generated through collaboration between MSMEs and customers or agents reflect a more integrated and synergistic approach. This is highlighted by an MSME producing pottery, which stated:

“Regarding innovation, we complement each other with agents or vendors. Some of our products are innovated by observing the cultures of buyer countries, reviewing websites of stores in those countries to see what is being sold. If we find something good, we then adapt it using the materials available here”.

Agents or distributors have insights into market trends and consumer preferences, while consumers provide direct feedback on the products. This shows that successful innovation often results from collaboration and the integration of diverse perspectives. Such collaboration can lead to richer and more diverse ideas. As noted by (Ramirez et al., 2018) (Tardivo et al., 2017) obtaining relevant information about product ideas requires companies to cooperate with customers. This integration has been proven effective in the new product development process, ensuring success and achieving product innovation more efficiently.

Additionally, innovation efforts include discussions with MSME internal teams, such as employees. This demonstrates that MSMEs value contributions and insights from their entire team. Employees involved in production, sales, and customer service possess practical knowledge that can inform product innovations. This underscores the importance of employee engagement and participation in the innovation process. By involving employees, MSMEs can foster a collaborative and innovative work culture. Innovation, in essence, also involves organizational processes that facilitate effective and integrated interaction among staff, managers, and customers, as stated by (Hammouri et al., 2021).

Regarding how innovation ideas are generated, the identified themes include reflection, the ATM approach (observe, imitate, modify), ideas derived from local wisdom, keeping up with product developments, reviewing previously ordered products, and observing the culture of the buyer's country. These insights are illustrated in the following figure:

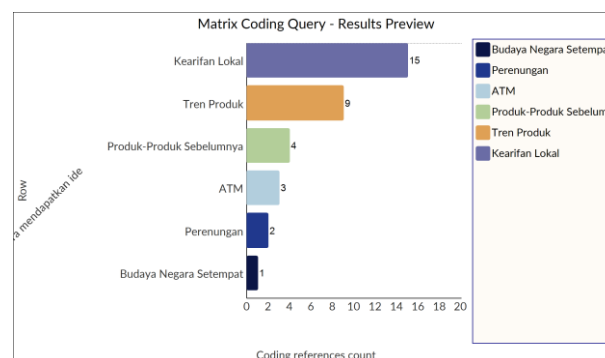


Figure 2 Matrix Coding Query for Sources of Product Innovation Ideas

UMSMEs have several ways to generate innovation ideas, including through reflection and using the ATM (observe, imitate, modify) approach. Gaining innovation ideas from reflection allows MSMEs to explore ideas not only based on data but also on intuition and personal inspiration. For example, one MSME owner, reflecting during the rainy season, created a jewelry product in the form of a brooch named "rintik hujan" (raindrop). Innovation derived from reflection and personal experiences can be key to gaining deep insights into user needs, which can lead to product innovation ideas (Rösch et al., 2023).

Another way MSMEs seek innovation ideas is by employing the ATM (observe, imitate, and modify) approach—observing existing products or practices, imitating them, and then modifying them to create something new and better. MSMEs apply ATM by looking at magazines, observing websites of stores selling handicrafts in buyer countries, and if they find something appealing, they modify it using the materials available to them.

By using ATM, MSMEs reflect a learning process from successful examples and then add unique value, showing that innovation doesn't always need to start from scratch. MSMEs can learn from the successes of others and add their own creative elements to improve products or services. Observing and imitating ideas from successful competitors can be an effective strategy for developing innovative ideas (Tsolakidis et al., 2020).

Observing local wisdom as a source of ideas is the most frequently used by MSMEs. For example, they draw inspiration from traditional houses in Lombok, such as the "lumbung" (rice barn), traditional drum art (gendang belek), and the "peresean" (traditional martial arts), which are then modified to create jewelry and souvenirs made from shells. In another case, an MSME producing rattan crafts was inspired to make products

based on the traditional "gegandek" bags from the past, which were then modified into bags with more appealing and contemporary designs to attract young people for daily use. In addition to making bags, the "gegandek" bag concept also inspired products like food covers and lampshades, as shared by the following MSMEs:

"Some of my product innovations are inspired by local wisdom, such as the lumbung, gendang belek, and other Lombok traditions."

Another MSME stated: "Some of my product innovations are inspired by local wisdom, like the brooches that are inspired by the lumbung, a Lombok tradition".

By utilizing local wisdom, MSMEs can create authentic products with high cultural value. These products often have unique appeal that differentiates them from other products in the market. Integrating local wisdom into MSME products as a source of innovation ideas can also provide a sustainable competitive advantage and improve MSME performance (Imaroh & Widiyani, 2020).

In addition to using local wisdom, MSMEs also create products by following trends. Keeping up with market trends involves observing and adjusting products based on what is currently popular or in demand by consumers. By following trends, MSMEs ensure their products remain relevant and attractive to consumers, helping them adapt quickly to changing market demands. Another source of innovation ideas comes from observing the culture of the buyer's country. One MSME does this by reviewing websites of stores in buyer countries to see what products are being sold, and if something appealing is found, they apply it using local materials available in the MSME's region.

The sub-themes for innovation outcomes include product modification, material combinations, product diversification, and product development. These findings can be seen in the following figure:

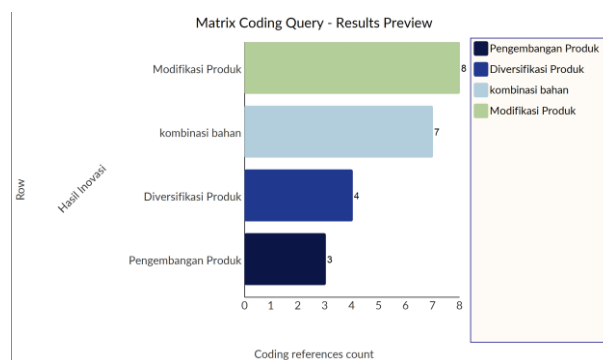


Figure 3 Matrix Coding Query Innovation Outcomes

Regarding the innovation outcomes, several approaches have been identified, such as combining materials in products using local resources. Examples include ceramics combined with ketak (woven grass), rattan, or rattan with pearl shells. Another approach is developing existing designs to suit the end user's purpose. For instance, while previously focusing on jewelry for older adults, they now innovate by creating products for teenagers. Furthermore, design development also includes creating products based on their functionality, such as producing waste baskets made from rattan or bamboo. Lastly, improvements are made in product quality, both in terms of materials and finishing. This is reflected in the statements of the following MSMEs:

"Currently, one of our innovations is designing jewelry for teenagers. Previously, our design focus was more on older adults, but now we also design jewelry for teenagers while maintaining our limited edition or exclusive designs." Another MSME stated: *"Additionally, our products also innovate by creating products based on their functionality."*

A good design is judged by a deep understanding of customer needs. Beyond merely creating attributes for a product or service, product design also involves the customer's experience. The design aspect includes seven dimensions, as outlined by (Kotler & Armstrong, 2014). form, features, quality, durability, reliability, reparability, and style. Craft products generally emphasize uniqueness, aesthetics, artistry, excellence, distinctiveness, and refined taste as their basic elements. Meanwhile, in fulfilling their functional purpose, they focus more on physical (physiological) usability, such as items that can be used for jewelry, furniture, or clothing Palgunadi, (2007), as cited in (Imaroh & Widiyani, 2020). One interesting aspect of MSMEs' product innovation based on local wisdom is that they do not implement technological innovation. MSMEs prioritize handmade characteristics as high-quality products. However, one study indicates that product innovation should be based on developing new technologies, creating new combinations of existing technologies, or utilizing other knowledge acquired by the company (Ramirez et al., 2018).

The explanation above demonstrates that MSMEs actively develop and introduce new ideas while improving existing products to meet the ever-evolving market demands. The product innovation conducted by MSMEs allows them to offer something new or better than their competitors. Through innovation, MSMEs can follow and even capitalize on the latest market trends. MSMEs' product innovations go through a process of generating innovative ideas, identifying sources of innovation, and achieving innovation outcomes.

Regarding technological innovation, data indicates only two themes: the absence of technology in product manufacturing and the acknowledgment of technology use exclusively for marketing. This is summarized in the following figure:

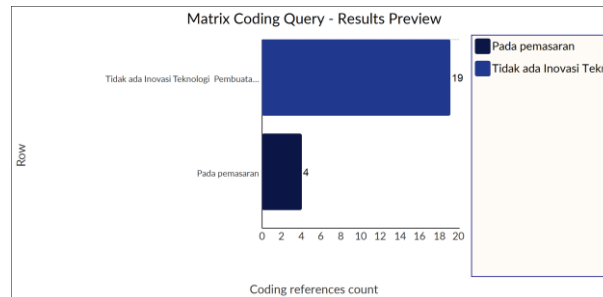


Figure 4 Matrix Coding Query on Product Innovation

The results of interviews and supporting findings above are stated by one of the MSMEs that produce pearl jewelry as follows:

"As for machinery or technology, there's none. We only use simple tools; machines are just for drilling, polishing, and smoothing because our products are handmade. We don't have advanced innovations like machines for mass production, so we purely rely on handmade processes and do not create or sell in bulk."

In terms of technological innovation in product manufacturing, all MSMEs reported no advanced technology used for mass production or other purposes, as they focus on handmade products. Technology use by MSMEs is limited to marketing, particularly in digital marketing. This was mentioned by several MSMEs:

"Technology is more for marketing purposes only, using digital marketing...." (Interview with a Ketak Handicraft MSME). Similarly, other MSMEs stated: "Other technologies are used in marketing, particularly digital marketing."

Technology plays a significant role in business activities across all levels, including SMEs. Studies have shown that SMEs utilizing technology, even simple forms, have proven capable of facing competition and adapting to unexpected business changes. Despite their limitations, SMEs must think creatively and innovatively to leverage technology. For instance, simple technology like social media provides SMEs with opportunities to expand market share, create collaborations, focus on customer needs, build effective communication with consumers, and reap other benefits (Nikmah et al., 2021).

Since the MSMEs studied focus on handmade crafts, they currently lack innovations to increase production volume. The use of technology is limited to leveraging e-commerce platforms and social media for marketing, such as uploading product photos, albeit not continuously within short time intervals. Some MSMEs rely more on WhatsApp and email as communication tools.

The desire to adopt technological innovations for products mainly centers around manufacturing tools, such as for creating large or tall ceramic products, but not for mass production. Similarly, MSMEs producing jewelry still use standard tools. While some have experimented with advanced tools like laser engraving machines, these have proven unsuitable for intricate carvings. Despite not implementing technological innovations in their production, MSMEs have demonstrated strong performance, remaining resilient during unstable economic conditions, such as during the COVID-19 pandemic.

One study indicates that technological and organizational innovations have a significant synergistic effect on the performance of international MSMEs. To maximize the benefits of internationalization, business owners must simultaneously leverage technology and organizational capabilities (Donbesuur et al., 2020). However, the MSMEs studied by the authors, given their handmade uniqueness, make technological innovations in production an exception. Nevertheless, these MSMEs have maintained excellent performance in international markets.

By not implementing technological innovations in their products, MSMEs showcase their commitment to core values they deem important, such as authenticity, quality, and tradition. They target market segments that value these qualities. This approach reflects steadfastness and integrity in preserving the identity and cultural

heritage they represent. MSMEs believe in the intrinsic value they uphold, where authenticity and uniqueness outweigh merely following technological trends. Targeting segments that appreciate traditional products underscores the importance of market diversity and the appreciation of handcrafted items and local values. This further highlights that not all technological advancements are necessary for success, and achieving it can be done by maintaining a unique identity and quality appreciated by specific consumers.

Marketing innovation is a process of generating new ideas related to product offerings, pricing, promotion, and distribution to add value for customers and gain a competitive advantage in the market (Kotler et.al., 2023). Similarly, Dwivedi & Pawsey (2023) define marketing innovation as new methods or techniques related to the design or packaging of goods and services, promotional media or techniques, product placement methods, new pricing methods, branding strategies, and other forms of marketing innovation.

Findings from the data reveal that the theme within the sub-focus of marketing innovation is limited to digital marketing. This is summarized in the following figure:

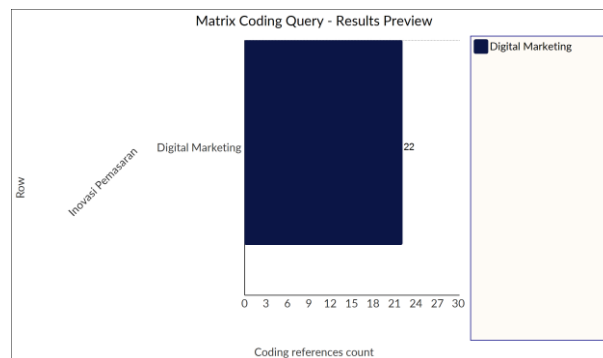


Figure 5 Matrix Coding Query on Marketing Innovation

Below are several data points from interviews and other sources that support the findings:

"Initially, it was only through Facebook and WhatsApp. I never thought of creating a gallery like I have now, let alone participating in exhibitions or going abroad. Currently, I also market through live sessions on TikTok, Instagram, PADI, and Blibli. My mindset before 2019 was different from after 2019. Back then, I was only concerned with making profits. But now, I think about how our products can make people happy to use and appreciate them. Profitable marketing is mostly through social media because competing in marketplaces is challenging against mass producers and low prices. Marketplaces are mainly to let people know we have a store there. Our limitation is that we can't produce items in bulk within a few days because everything is handmade. So, when our stock runs out, we remove the products. Offline marketing, such as exhibitions, is still our favorite because we can explain our products directly to customers".

The findings related to marketing innovation carried out by MSMEs indicate that they have implemented marketing innovations through digital marketing. The most commonly used marketing channels are social media platforms such as WhatsApp, Instagram, Facebook, and TikTok. Some MSMEs even prefer using WhatsApp and email for communication, with one MSME managing a WhatsApp group for daily interactions with resellers and promotional activities.

While many MSMEs own accounts on platforms like Instagram, Facebook, and TikTok, these are often underutilized for marketing purposes. The reason given by MSMEs is the exclusivity or limited nature of their handmade products, such as jewelry. However, some MSMEs producing pottery and rattan crafts still upload content, though not consistently.

The use of marketplaces like Blibli, PADI UMKM, and others as marketing tools is also not optimal. According to MSMEs, the challenge lies in not being large-scale producers, making price competition difficult in marketplaces. Most MSMEs, despite adopting digital marketing innovations, still prefer offline marketing through exhibitions and maintaining their established marketing networks.

One article states that social media is assumed to be more of a communication tool. Integrating social media into business processes can enhance company performance by improving interaction, communication, and information sourcing (Wang & Kim, 2017). However, concerning export performance, the ease of using social media does not significantly impact company performance (Santoso et al., 2020). Another article suggests that while digital marketing is recommended, a combined offline and online strategy is more advisable in normal circumstances (Sudarmiati et al., 2023).

Based on the above explanation, MSMEs implementing marketing innovations demonstrate that they take creative and new approaches to market their products to reach a wider audience, increase sales, and

strengthen their position in the market. The marketing innovations conducted, specifically through digital marketing, signify that MSMEs have taken significant steps to utilize digital technologies to improve marketing effectiveness, consumer interaction, and business growth potential.

CONCLUSION

There are three key aspects of innovativeness implemented: product innovation, technology innovation, and marketing innovation. For product innovation, the innovative ideas of MSMEs are largely derived from their consumers. This is because most of the products produced by MSMEs are custom-made to suit consumer preferences. The sources of innovation are primarily rooted in local wisdom, such as arts, traditional houses, and handicrafts. As a result of product innovation, most MSMEs create modified products. This demonstrates that MSMEs actively develop and introduce new ideas as well as improve existing products to meet the ever-evolving market demands. For technology innovation, none of the MSMEs utilize advanced technological innovations in their product creation process since their products are characterized by their handmade uniqueness. This highlights the commitment of MSMEs to core values they deem essential, such as authenticity, quality, and tradition, targeting market segments that value these attributes.

In terms of marketing innovation, MSMEs leverage digital marketing, emphasizing the use of social media as a communication tool with consumers. The marketing innovation implemented by MSMEs shows that they are taking creative and novel steps to market their products to reach a broader audience, increase sales, and strengthen their market position. The implementation of innovation dimensions through product, technology, and marketing innovations illustrates that MSMEs adopting innovative approaches across various aspects of their business can enhance their competitiveness and adaptability in dynamic markets. Product innovation enables MSMEs to meet evolving consumer needs, while technology innovation improves operational efficiency and product quality. Additionally, marketing innovation expands market reach and attracts more customers. These combined efforts contribute to the success of MSMEs in the export market.

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