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Implementation of Conversational Marketing as a Strategy to Improve Business Performance for Micro, Small and Medium Enterprises (MSMEs)

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Abstract: Corresponding Author: The fact that fewer micro, small, and medium-sized enterprises (MSMEs) are operating in Jambi Province suggests that their subpar performance is causing them to fail and have a negative effect on the province's GDP. In order to fulfill their goals of sustaining and growing their firm, business organizations employ marketing tactics. Unlike big corporations, micro, small, and medium-sized enterprises (MSME) pitch their products and services around the idea of entrepreneurship. One approach to implementing marketing for MSMEs is entrepreneurial marketing. Utilizing technology for online transactions, implementing a community-focused strategy is very important because the key to the success of this strategy is interaction. Conversational marketing is an innovative approach to understanding and meeting consumer requirements through two-way communication with consumers. Because technology is advancing at such a quick pace, MSMEs need to employ innovative marketing methods that are based on technology. By examining the effect of entrepreneurial marketing on business success via conversational marketing mediation, this study addresses a significant knowledge vacuum. The objectives of this research are (1) the influence of entrepreneurial marketing on business performance in MSMEs; (2) examine the influence of conversational marketing on business performance in MSMEs; (3) examine the influence of entrepreneurial marketing on conversational marketing in MSMEs; (4) examine the role of conversational marketing in mediating the influence of entrepreneurial marketing on business performance in MSMEs. This research uses quantitative research methods which are carried out by forming and testing models. The data analysis method used is Structural Equation Modeling (SEM) measurements using SmartPLS software.

Keyword: Conversational Marketing, Business Performance.

INTRODUCTION

Global economic conditions are experiencing uncertainty but economic growth in Indonesia continues to grow strongly. Based on data, economic growth in the third quarter of

2023 slowed down by 4.94% (yoy) compared to the previous quarter of 5.17% (yoy) (Muelgini, 2023). Micro, Small and Medium Enterprises (MSMEs) play a major role in contributing to economic growth, namely 61% contributing to Gross Domestic Product (GDP) or the equivalent of IDR 9,580 trillion (Limanseto, 2023). For the economy as a whole, this demonstrates the significance of MSMEs.

Jambi Province's economic growth will also slow down in 2023, where in 2023 it will be 4.66%, slowing down from 2022, which will be 5.12% (Badan Pusat Statistik, 2024). This slowing growth was followed by a decrease in the number of MSMEs in Jambi Province, namely in 2022 there were 184,042 business units and in 2023 it fell to 176,051 business units (Badan Pusat Statistik, 2024). The falling number of MSMEs in Jambi Province is indicative of subpar performance on the part of these firms, which in turn reduces their ability to stay in operation and contribute to the province's GDP. Achieving objectives in a timely and high-quality manner is the surest way to increase one's chances of success and longevity in one's chosen field (Kyal et al., 2022).

One way for businesses to reach their goals of growth and maintenance is via the use of marketing techniques. In contrast to the marketing approaches used by huge corporations, the marketing strategy of MSME centers on the idea of entrepreneurship. One approach to implementing marketing for MSMEs is entrepreneurial marketing (Khan et al., 2022). The entrepreneurial marketing concept focuses on value creation in acquiring and retaining profitable customers (Alqahtani et al., 2022). In line with Khalik (2022), it states that marketing performance in business organizations is measured by value creation based on what is perceived by consumers. Value creation requires innovation so that business performance is maintained and the business can be sustainable. The dominant factor in the success of a business is innovation, how to create something different in achieving goals including determining marketing strategies (Dahmiri & Khalik, 2023). One entrepreneurial marketing strategy is to build relationships through communities that focus on the identification, use or development of related products (Buccieri et al., 2023). Previous research (Khalik et al., 2023), implementing a flywheel marketing strategy by maintaining relationships and utilizing consumers in the form of a community can improve MSME business performance, consumers can play a role in helping business actors in carrying out their marketing activities, especially in online transactions.

Utilizing technology for online transactions, implementing a community-focused strategy is very important because the key to the success of this strategy is interaction. Conversational marketing is a marketing approach with interaction between people, both consumers and consumers and sellers via online chat to create customer value and experience in order to increase customer engagement and loyalty (Thomaz et al., 2020; Israfilzade, 2021). One innovative approach to meeting consumer demands is conversational marketing, which involves actively listening to and interacting with consumers.

Previous research, conversational marketing was stated to be very relevant to consumer engagement, because it can increase consumer loyalty and consumer satisfaction (Mariani et al., 2023; Visconti, 2016). The use of conversational marketing has an impact on sales growth (Rabassa et al., 2022) and the role of involvement of other customers and community members can have an influence on business performance (Purani & Jeesha, 2023). There hasn't been any study on how entrepreneurial and conversational marketing affect company success, which is a shame because the prior research is fascinating to talk about. The fast speed of technological progress and the gaps in prior studies highlight the urgent need for research into the influence of entrepreneurial marketing on firm performance through conversational marketing. This research will help establish cutting-edge technology-based marketing strategies for MSMEs.

Achieving established objectives is the end outcome of adopting strategies, which in turn determines the success of MSME businesses (Sari et al., 2023). The success of a company's marketing efforts is one indicator of its overall success, Khalik (2022) states that marketing

performance is formed from value creation based on product attributes and prices. Furthermore, Dahmiri & Khalik (2023); Dahmiri et al. (2023), added that business success in achieving goals is influenced by innovation as a dominant factor. Previous research regarding the business performance of MSMEs (Khalik et al., 2023), referring to technological developments that in the era of digitalization, especially online transactions, the main focus of entrepreneurs is maintaining relationships with customers and obtaining benefits from customers to help with marketing activities, this strategy is referred to as the flywheel marketing strategy.

The entrepreneurial marketing concept is a marketing strategy for MSMEs using an entrepreneurial concept approach. The goal of entrepreneurial marketing is to acquire and maintain lucrative clients by the proactive pursuit of new possibilities (Alqahtani et al., 2022). Entrepreneurial marketing aims to create customer value and build competitive value (Alqahtani et al., 2023), to seek profits (Alshagawi & Mabkhot, 2024) and to overcome the challenges of an uncertain economy (Sari et al., 2023). Conversely, entrepreneurial marketing is defined as an approach to marketing that businesses use to seek for chances in highly volatile and unregulated markets (Breit & Volkmann, 2024).

In the era of digitalization, entrepreneurial marketing strategies can be built with community-based marketing, which is more focused on strategies that provide opportunities for consumers to interact. Several studies regarding community-based marketing strategies, social media marketing on business performance (Vieira et al., 2022), e-WOM marketing on business performance (Jain et al., 2023), and consumer reviews on business performance (Roza et al., 2021). Social interaction between users is an important factor in community-based marketing (Alam, 2021; Bhattacharya, 2023; Laradi et al., 2023). One marketing strategy that takes advantage of social interaction is by using conversational marketing.

Conversational marketing is very relevant to consumer engagement, because it can increase consumer loyalty and consumer satisfaction (Mariani et al., 2023; Visconti, 2016). The use of conversational marketing has an impact on sales growth (Rabassa et al., 2022) and the role of involvement of other customers and community members can have an influence on business performance (Purani & Jeesha, 2023). However, there is an opposing view that posits customer experience as a mediator between conversational marketing and company success (Laradi et al., 2023).

METHOD

Participants in this research are MSMEs in Jambi Province that use digital platforms for financial transactions. The number of micro, small, and medium-sized enterprises (MSMEs) in Indonesia seems to go on forever, as it changes throughout time. The research sample refers to the opinion of (Hair et al., 2014), namely the total sample size using SEM analysis for marketing research is a minimum of 200 with a good sample range of 300-500 samples. Research samples are selected using a purposive sampling approach, which involves specified criteria. In this case, the criteria pertain to MSMEs in Jambi Province that employ digitalization in their commercial activities.

Primary data for this study comes from things like questionnaires and field observations, while secondary data comes from things like books, journals, and current literature. In Quantitative Analysis, the SmartPLS software program is used to measure Structural Equation Modeling (SEM). A high reflexive measure (correlation > 0.7; good enough is 0.5–0.6), Average Variance Extracted (AVE) > 0.5, composite reliability > 0.70 (cronbach's alpha > 0.7), and an outer model with convergent validity indicators are all used to carry out the analysis. The inner model uses analysis indicators based on T-statistics and R-squared results.

RESULTS AND DISCUSSION

To find out if a variable is reliable, we check its reliability using composite reliability and Cronbach's alpha, both of which need a score of at least 0.7. Each variable is considered to have

met validity requirements if its measurement score is greater than 0.5. The analysis and testing are conducted using AVE, which requires a score of at least 0.5. Here are the findings of the test measurements:

Table 1. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business Performance	0.926	0.930	0.940	0.661
Conversational Marketing	0.964	0.965	0.969	0.756
Entrepreneurial Marketing	0.958	0.961	0.964	0.728

Source: Processed Data, 2024

Table 1 displays the findings of the Cronbach's alpha analysis for each variable. All three variables business performance (0.926), conversational marketing (0.964), and entrepreneurial marketing (0.958) have scores greater than 0.7. The results demonstrate that all variables in this study were accurate and reliable.

All three variables business performance (0.940), conversational marketing (0.969), and entrepreneurial marketing (0.964) show scores over 0.7 in the composite reliability study. All things considered, these findings support the reliability of the variables.

All three variables business performance (0.661), conversational marketing (0.765), and entrepreneurial marketing (0.728) had scores over 0.5 in AVE study. All things considered, these findings support the claim that the variables are legitimate.

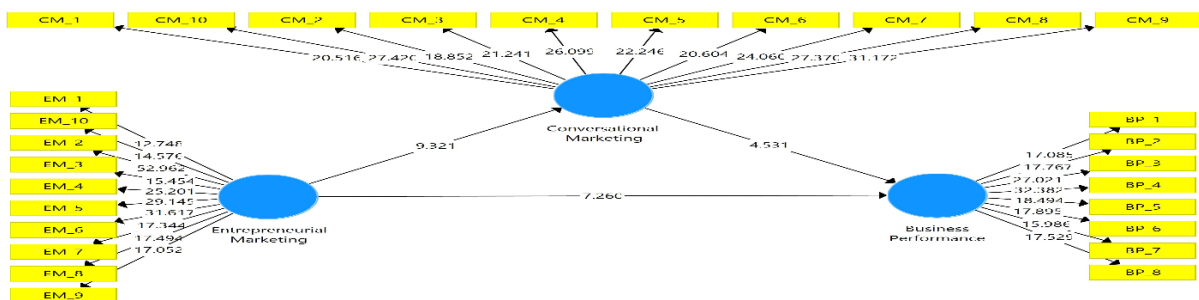
The following table displays the outcomes of the data processing in this study, which involved examining the association between variables:

Table 2. Outer Weight

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Results
Conversational Marketing -> Business Performance	0.558	0.561	0.110	4.531	0.002	Accepted
Entrepreneurial Marketing -> Business Performance	0.726	0.719	0.100	7.260	0.000	Accepted
Entrepreneurial Marketing -> Conversational Marketing	0.747	0.751	0.080	9.321	0.000	Accepted
Entrepreneurial Marketing -> Conversational Marketing	0.443	0.448	0.087	4.449	0.002	Accepted

Source: Processed Data, 2024

Table 2 shows that all P values are less than 0.05, indicating that the findings of the study of the relationship between variables support the acceptance of the results of each variable's effect. The following figure displays the outcomes of data processing for hypothesis testing as shown by the t-value model:



Source: Processed Data, 2023

Figure 1. Bootstrapping Model

There is a statistically significant correlation between entrepreneurial marketing and company success; the p-value is 0.000, the T-value is 7.260, and the significance threshold is 0.05. Businesses' success is therefore substantially affected by the entrepreneurial marketing variable. The results showed that for MSME, a higher degree of entrepreneurial marketing was linked to better business performance. Innovation, resource utilization, customer intensity, proactiveness, and value creation are some of the entrepreneurial marketing traits that impact firm performance.

Statistical evidence, including a T value of 9.321 and a P value of 0.000 at the 0.05 level of significance, supports the conclusion that the entrepreneurial marketing variable has a significant impact on the conversational marketing variable, as shown in the results of the correlation analysis. Conversational marketing will grow in MSMEs in proportion to the amount of entrepreneurial marketing, according to the findings of the tests. Partially influencing the conversational marketing variable in a favorable way are the entrepreneurial marketing aspects of innovation, resource utilization, customer intensity, proactiveness, and value creation.

Statistical analysis revealed a substantial association between conversational marketing and business success. The relationship was confirmed with a T value of 3.537 and a P value of 0.000 at a significance level of 0.05. Test results show that firm performance will increase if more MSMEs use conversational marketing. As a result of this influence, conversational marketing factors such as communication goals, information accuracy, target accuracy, service prices, and communication activity clarity all play a role in positively impacting company performance variables.

The correlation between the entrepreneurial marketing and conversational marketing variables is statistically significant at the 0.05 level of significance ($T=5.329$, $P=0.000$). Consequently, entrepreneurial marketing has a substantial impact on conversational marketing indicators that measure company performance. The results show that association between entrepreneurial marketing and better firm performance in MSMEs is mediated by conversational marketing. This effect is mediated by the conversational marketing variable, which includes the following dimensions: communication goals; accuracy of information; accuracy of targets; service costs; clarity of communication activities; and the entrepreneurial marketing variable, which includes innovation, resource utilization, customer intensity, proactiveness, and value creation.

CONCLUSION

A conclusion derived from the study and conversation is as follows: (1) A company's success is greatly enhanced by marketing that has an entrepreneurial spirit. (2) Research shows that when MSMEs engage in more entrepreneurial marketing, their firm performance improves. Conversational marketing is enhanced by entrepreneurial marketing, according to the research. (3) There is strong evidence that conversational marketing boosts company performance. Research indicates that small and medium-sized enterprises (SMEs) reap the rewards of high levels of conversational marketing. (4) Within this framework, conversational marketing is viewed as a moderating variable of entrepreneurial marketing, which significantly impacts the business performance of SMEs for the better

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