Marketing of innovative products for environmentally friendly small and medium enterprises

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Abstract. The marketing of innovative products that are environmentally friendly is the concern of the global community and can compete with other products. This study aims to (1) describe the process of marketing innovative products for small and medium businesses that are environmentally friendly. (2) Analyze the role of small and medium enterprises in marketing innovative products that are environmentally friendly. Research informants are small and medium enterprises (SMEs) totaling 382. Data collection is carried out using qualitative methods. The results showed that (1) The number of small and medium enterprises (SMEs) registered until the end of 2017 reached 8300 units. This amount is quite large, and if managed properly it will increase regional revenues and reduce unemployment, especially if the existing SMEs are developed in environmentally friendly innovation products with a green marketing orientation, of course, this can increase the income of SME entrepreneurs (2) Entrepreneurs SMEs that carry out innovative products that are environmentally friendly are increasingly increasing marketing performance with increasing demand for the products they produce while increasing their income. Some of the SMEs, have carried out production processes that are environmentally friendly, and in fact have increased sales and income as well, because the public believes that the product produced is very clean, using raw materials that are truly safe, and certified Indonesian National Standards (SNI) and halal label, efficiency in the use of raw materials, energy and water which all can reduce operational costs.

1. Introduction
The development of Small and Medium Enterprises (SMEs) is increasing every year which can be seen in the number of Small and Medium Enterprises, from around 40 million in 2001 to around 49 million in 2007 and in 2014 an increase of 284 million in 2014 [1]. Statistical data also shows the
number of Small and Medium Business units approaching 99.98% of the total business units in Indonesia. BPS data on the role of Small and Medium Enterprises in increasing Gross Domestic Product (GDP) in 2016 accounted for 56% of total GDP in Indonesia. The sector that shows the largest GDP increase comes from small industries, then followed by medium and large industries, small industries include processing, with a rate of gross output increase of 360.19% and a labor absorption rate of 23.21% greater than the agricultural sector, mining and services.

The increase in the number of Small and Medium Enterprises has not been matched by an adequate improvement in the quality of SMEs. Whereas according to I Wayan Dipta, Deputy of UKMK Resources Improvement, Ministry of Cooperatives and Small and Medium Enterprises of RI, the challenges of SMEs today are very many, such as increasingly sharp competition, many resources but to obtain these resources a special strategy is needed for SMEs, SMEs must also maintain and increasing competitiveness as a creative and innovative industry, SMEs must also maintain and improve the standards, design, and quality of products to comply with ASEAN provisions, for example, SMEs can see the provisions of ISO 26000 for green products, SMEs must diversify output and maintain stability in income. Macro efforts not to fall into groups of the poor, and SMEs must also utilize existing financing facilities including in ASEAN cooperation [2].

The main problem of SMEs today is the preparation of Indonesian SMEs in the face of competition in free trade. At present, SMEs have not received much attention to be developed and managed by the Indonesian government. Then there is no adequate socialization regarding the ASEAN Free Trade Area (AFTA) 2015, many human resources but lacking in quality and lack of a high entrepreneurial spirit, lack of innovation in producing products, limited business capital, lack of clear objectives to be achieved by SMEs, and lack of expertise and knowledge to develop business. The consumptive nature of the Indonesian people, causing the underdevelopment of SMEs because they are unable to compete with foreign products.

SMEs in the City of Baubau have problems, namely: (1) Low average productivity caused by company management factors, applied technology and low quality of human resources so that market competitiveness is low, (2) Weak design that results in small business products have a low bargaining position, (3) High market competition for similar products from other countries at lower prices that have an impact on selling value, (4) Often imitation of design among small business owners because of their knowledge and awareness of Intellectual Property Rights (IPR) is still low, (5) Frequent product quality fluctuations, supply of raw materials, prices and quantity of products. If SMEs want to compete, the ideal choice is to sell innovative products that are self-developed and environmentally friendly, because the products are innovation-friendly environment, certainly influences the relationship between market orientation and marketing performance. So it is necessary to focus the market orientation variable on innovation (implementation of new ideas, product innovation or process innovation) as a step main in responding to the market [3]. Therefore, market-oriented culture and learning should be followed by other factors, namely increasing the creation of new ideas and innovations as part of corporate culture. Besides that, innovation serves as a tool to establish survival, increase company growth and face competition [4].

A good product innovation performance can help the company confirm the brand improves market position, attracts new customers, and creates breakthroughs [5]. By focusing on improving environmental performance regarding unwanted output such as emissions from production, it is impossible to have a positive influence on economic performance beyond the relatively low level of environmental performance [6]. Also, product innovation has the greatest impact on the environment [7]. Poor product design and developing countries’ environmental standards in the product disposal stage can turn issues into serious problems in the future [8].

Some cases show that environmental policies in developing countries must be developed to enable small-scale enterprises and artisans to form entities that have a large enough scale to allow adequate environmental protection [9], this is not necessarily useful for competitive markets in the country advanced. Therefore, environmentally friendly products need to be put forward, for example, typical Buton woven sarongs that come from natural dyes and have a unique design, so that SMEs must have an environmentally friendly strategy and have the ability of the organization to develop its business.
Currently, SMEs have not focused on products that are environmentally friendly and based on research results said that small businesses generate around 70% of total global pollution, 60% of total carbon emissions and the total number of environmental impacts of small businesses exceeds the combined environmental impact of large companies [10]. Their lack of interest to go beyond compliance requirements [11], and the difficulty of getting data from small businesses [12].

Environmentally friendly issues are becoming increasingly important for corporate decision makers because companies face tighter regulations, increased public sensitivity, and stakeholder pressure that all lead to the preservation of the natural environment [13]. Increasing the number of customers also began to shift their preferences to products and services that are more environmentally friendly [14].

Green marketing itself is a management process that is responsible for identifying, anticipating and satisfying the needs of consumers and society profitably and continuously [15]. Green Marketing or Environmental Marketing is a variety of activities that produce and facilitate various kinds of exchanges whose purpose is to fulfill human desires and needs that have a minimum impact on environmental destruction [16]. Environmentally friendly goods or services are characteristic if the goods or services are processed using materials and also environmentally friendly methods.

One of the reasons behind why companies use green marketing is that companies believe that they have a moral responsibility to be more socially responsible, besides that the company assumes that environmental marketing is an opportunity that can be used to achieve the company's goals [17]. From an academic perspective, academics refer to the emergence of an environmentally friendly marketing strategy (GMS) as a form of the company's desire to develop that aims to harmonize company objectives and marketing objectives with natural protection [18]. But the debate about whether the design of environmentally friendly products actually improves economic performance continues [19].

The debate about the possible results of an environmentally friendly marketing approach has very little study empirical testing of its impact on company performance. Several studies of performance results conducted to date have adopted very different approaches and have been published [20]. Therefore, it is very important that assumptions about the importance of studying small business environment strategies are based on empirical data. Also, many companies integrate environmentally friendly products into innovation to achieve differentiation from competitors and gain a competitive advantage [21]. Thus, the scope of the impact of small businesses on the global economy and the natural environment is the basis for the importance of paying attention to the issues of strategic behavior of small businesses related to the environment.

Based on these arguments, how far is eco-friendly marketing carried out by SMEs in the City of Baubau? Therefore, SMEs must innovate so that SMEs can achieve business performance. The development of this research model aims to answer the general question: What is the effort of SMEs in the City of Baubau to achieve their marketing performance by innovating environmentally friendly products? Therefore, the purpose of this study is to (1) describe environmentally friendly marketing conducted by SMEs in the City of Baubau, and (2) analyze the efforts of SMEs in Baubau City to achieve marketing performance by innovating products that are environmentally friendly.

2. Methods

This research was conducted on Small and Medium Enterprises in the City of Baubau because the City of Baubau is one of the cities in Indonesia which is the center of trade and services and SMEs are an economic driving sector and have potential that can be developed. This study begins with the activity of exploring the theories and concepts that will be used, namely justifying the problem of research through the study of literature and analyzing secondary data. This study uses a qualitative approach, through in-depth interviews with informants who are marketing innovative products for small and medium businesses that are environmentally friendly. The research informants were 382 small and medium enterprises (SMEs) in the City of Baubau out of a total population of 8,300 SMEs recorded in 2017, and with the Slovin model [22] as follows:

\[ n = \frac{N}{N \cdot d^2 + 1} \]  \hspace{1cm} (1)
Where:
\[ n = \text{number of sample members} \]
\[ N = \text{number of population members} \]
\[ d^2 = \text{precision specified} \]

By using the formula to obtain the number of sample members:

\[
\frac{8300}{8300 \times 0.05^2 + 1} = 381.6
\]

The value of 381.6 is rounded to 382 SMEs

3. Results and Discussion

3.1. Description of Green Marketing

The number of small and medium enterprises (SMEs) registered until the end of 2017 reached 8,300 units. This number is expected to continue to grow. The Head of the Cooperative Office, Syamsul Bahri said, the types of SMEs in Baubau City were quite diverse. Some are engaged in weaving, handicrafts, cooking snacks. This means that this 8,300 new data has been recorded this year and will continue to grow, he said. Syamsul Bahri hopes, SMEs as a nation's economic pillar can continue to grow in the City of Baubau. Besides being able to reduce unemployment, it can also improve the economy of the community. At present there is a weaving village, where the materials used come from materials that are in nature, so that it is natural including its coloring system and has the Indonesian National Standard (SNI), there are also those who open food businesses from banana midribs that have been banana stems are not used by humans, there is also a typical Baubau City food in the form of "Kasoami" which comes from cassava pulp and is now enriched with calcium from fish bones and many more efforts that are developed by the community, some make siroup drinks cashew nuts, without using chemicals and dried cassava foods called "Kabuto" where these products are truly environmentally friendly and liked by the people around them and those who visit Baubau, because they have their own uniqueness.

3.2. SME Efforts against Environmentally Friendly Innovation Products

Leading organizations must know about building innovation-based organizations that can be carried out thoroughly on aspects of products, processes, administration, and technology by always being based on market conditions [23]. Empirical facts show that customer orientation indicators have a dominant contribution, and are used as the main indicator, in addition to competitor indicators and coordination between functions. Customer orientation in SMEs is important if associated with innovation because innovation facilitates market orientation in meeting customer needs. The SMEs who orient customers by making innovations more effectively in their efforts to increase sales without neglecting the desires and satisfaction of customers. Customer orientation is the best way for a company to achieve superior performance. Emphasis on organizational activities to always be customer oriented is not a policy that has no clear basis for reasons [24]. Customer orientation is the key to future organizational success [25]. The task of managing customer relationships is not an easy task. SMEs are not only required to serve customers well but are also required to be able to achieve sales targets, customers and profit targets. SMEs also strive to maintain good relations with customers, especially in making innovation efforts on the products produced, of course the advice and opinions of consumers need to be considered, so that consumers do not feel bored with the products to be launched, usually like an interview with Mr. Asdin, the owner online store Wolio Snack that prior to market new products, usually they do a taste test to customers and ask for their opinions directly to the product produced eg tea from the leaves of Moringa, crackers of-pearl, crackers from the leaves of Moringa, processed cashew in various flavors, Nata de coco, Virgin Coconut Oil (VCO) and others,
all of that is done to build commitment between Snack Wolio and consumers to achieve long-term relationships and customer satisfaction.

Basically, SMEs in Baubau City have understood the importance of customer orientation by trying to understand the desires and needs of consumers by using their limited resources, including understanding how competitors conduct customer orientation. However, SME owners are still weak in responding to customer-oriented strategies conducted by competitors and this has an impact on SME marketing performance. For example if a competitor gives a discount on the product produced, then the concerned SMEs gives a discount on the product they produce, so there is a copy copying culture, only to attract more customers so that the level of sales increases, regardless of the benefits to be gained, and if this is done continuously, of course, many SMEs will switch to other types of businesses or even "close out" or close their businesses. SMEs in the City of Baubau, always try to prioritize innovation, because customers generally want innovative products in accordance with their wishes. For SMEs, success in developing new products through innovation means that they try to bring their companies closer to customers and of course one step ahead of their competitors. This requires their intelligence in recognizing the tastes of their customers so that product development through innovation is expected to be in accordance with customer desires. Thus the development of product innovations must be with clear planning and done carefully.

The results of the analysis in this study that SMEs are responsive to the needs of customers who are getting smarter due to the influence of information flows that are so fast, of course, this is the concern of SMEs, in addition to regular monitoring of competitor activities as a reference in acting to make changes is very important besides being responsive to new information in the market, when innovating on quality, appearance, type/variant of the product and internal coordination of the company and suggestions from customers, all can be accommodated, for example, what must be maintained and what must be developed by SMEs, so it is not certain that the SME products produced are not liked as a whole, but there are some parts that must be improved by the SME management. Customer orientation by SMEs and at the same time become a culture of SMEs in enhancing their innovation based on creativity to create new products and new marketing by paying attention to existing trends and gathering intelligence from competitors, of course, will strengthen the position of these SMEs in the midst of society. Especially at this time information technology support is very easy to get with the internet. So many SMEs have made changes such as packaging, such as the SMEs Lestari company and the Snack Wolio from the product packaging side. Lestari SMEs where the owner is named Lestari in processing the results of tuna fish into shredded tuna without using coconut oil only to be fried dry, so those with problems with the throat will like this product more.

Market-oriented small companies can feel the potential for sustainable competitive advantage, because they have a simpler organizational structure, are more adaptable and flexible, and have a greater capacity regarding speed and innovation than large companies [26]. This capability can increase the sustainable competitive advantage of small and medium enterprises. The focus of SMEs in market-oriented will result in an increase in SME innovation in positive ways, and this must be developed into a corporate culture because innovating SMEs will never die. The results of this study supported the concept that market orientation and product innovation are the main strategies of the ability to move the market. Leading organizations must know about building innovation-based organizations. Small companies must also take advantage of the strengths of their strengths, namely innovation and flexibility combined with market orientation [27][28].

This finding is consistent with the results of the study that there is a positive relationship between market orientation and organizational innovation [29]. In addition, there is a close relationship between product innovation and market orientation [30]. Also, other studies reveal the same thing that there is a positive influence between market orientation on innovation [31][32].

3.3. Consequences of SME Companies Choosing to Market Environmentally Friendly Products
One of the reasons behind why companies use green marketing is that companies believe that they have a moral responsibility to be more socially responsible, besides that the company considers that environmental marketing is an opportunity that can be used to achieve the company's goals. Empirical
facts explain that environmentally friendly marketing practices carried out by SME entrepreneurs in the City of Baubau have a direct impact on marketing performance. Some of the benefits that can be obtained by companies that apply the concept of green marketing are: Save on the use of raw materials and energy, reduce the cost of the savings, educate employees of the company, and increase sales because environmentally friendly products have more value in the eyes of the community [33].

Empirical facts show that environmentally friendly products have a dominant contribution because the outer loading value is the highest and is used as the main consideration according to the informant's assessment compared to products that are not environmentally friendly. An environmentally friendly product is a product that uses safe ingredients for the environment, efficient energy and uses materials from renewable resources. The production process is carried out in a way to reduce negative impacts on environmental pollution from production to consumption [34]. Environmentally friendly products by SMEs in the City of Baubau regarding their production processes are identical to the use of environmentally friendly raw materials that are guaranteed by the existence of certificates or permits from certain institutions. Some of the SMEs, have carried out environmentally-friendly production processes, and apparently experienced increased sales and income, because the public believed that the product produced was very clean, using truly safe raw materials, as well as SNI and halal labels, efficiency in the use of raw materials, energy and water which all can reduce operating costs.

The results of interviews with informants about the importance of environmentally friendly products as stated by Lestari owner shredded fish various flavors, fried onions that are environmentally friendly products are very important for health and also prevent us from various diseases such as cancer and increase sales turnover. But there are also SMEs who maintain their traditional products because they consider many obstacles when using environmentally friendly products such as:

a. People assume that environmentally friendly products are more expensive than traditional products, so they are reluctant to use environmentally friendly products.

b. The lack of knowledge from SMEs about environmentally friendly products and they prefer products that they normally use, but there are also those who use internet assistance and try to build networks with environmentally friendly products such as chocolate processing by SME Snack Wolio which uses natural ingredients and environmentally friendly materials which has SNI.

c. SMEs need research and development so that it requires substantial costs, and for SMEs it is very burdensome.

The findings of this study that SMEs in the city of Baubau actually understand the existence of green marketing can reduce industrial waste even though it is still lacking in the implementation stage of the learning process in the form of trainings for prospective SMEs and those currently in existence as is done by Wolio Snack, which is always provide training on the use of environmentally friendly materials, so that later the SMEs can create and even choose products that are environmentally friendly. This result is in line with the statement that green marketing tends to result in the creation of new markets with various benefits related to business performance [35]. Green marketing must adhere to two goals to be effective, namely improving environmental quality and customer satisfaction [36].

4. Conclusion

The number of small and medium enterprises (SMEs) registered until the end of 2017 reached 8,300 units. This amount is quite large, and if managed properly it will increase regional revenues and reduce unemployment, especially if the existing SMEs are developed in environmentally friendly innovation products with a green marketing orientation, of course, this can increase the income of SMEs. SME entrepreneurs who carry out environmentally friendly innovation products are increasingly increasing marketing performance with increasing demand for the products they produce while increasing their income. Some of the SMEs, have carried out environmentally-friendly production processes, and apparently experienced increased sales and income, because the public believed that the product produced was very clean, using truly safe raw materials, as well as SNI and halal labels, efficiency in the use of raw materials, energy and water which all can reduce operating
Therefore, it is necessary to improve the management of human resources of SMEs through a training system with environmentally friendly innovation products and the most important is that environmentally friendly innovation products that need to be considered are the production process, because to do and maintain the production process by reducing negative impacts towards environmental pollution from production to the consumption process, this function is for the sustainability of these SMEs in the future, especially if they have uniqueness that is different from other businesses or SMEs.

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