

**SMALL BUSINESS RESOURCES AND
MARKETING PERFORMANCE IN INDONESIAN
DISTRO INDUSTRY: THE MEDIATING ROLE
OF BRAND BEHAVIOR**

IRMA NILASARI

UNIVERSITI SAINS MALAYSIA

2016

**SMALL BUSINESS RESOURCES AND
MARKETING PERFORMANCE IN INDONESIAN
DISTRO INDUSTRY: THE MEDIATING ROLE
OF BRAND BEHAVIOR**

by

IRMA NILASARI

**Thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy**

April 2016

DEDICATION

To my beloved husband Dodie Tricahyono for his never-ending
support, pray, and understanding

DEDICATION

To my beloved husband Dodie Tricahyono for his never-ending
support, pray, and understanding

ACKNOWLEDGEMENT

In the name of Allah, the Most Gracious, the Most Merciful. All praise is to Allah, the Lord of the universe. May Allah S.W.T. bestow His peace and blessing upon His last Prophet, Mohammad S.A.W.

I am most grateful to Associate Professor Dr. Mahmud Sabri Haron, who is my main supervisor. This thesis would be impossible to be completed without his support, inputs, and guidance. He gives direction to my efforts, clarity to my humble thinking, and inspires me up from my hopelessness. I am honestly indebted to him for his all professional knowledge, expertise, and patience. I also acknowledge gratefully the encouragement of Dr. Norizan Mat Saad who is my co-supervisor.

I would like to express my sincere appreciation to the Dean School of Management Professor Dr. Fauziah Md. Taib, and Deputy Dean Research and Postgraduate Studies Associate Professor Dr. Hooy Chee Wooi, and also to the former Dean Y.Bhg. Datuk Professor Dr. Ishak bin Ismail and the former Deputy Dean Research and Postgraduate Studies Professor T. Ramayah and Associate Professor Dr. Zamri Ahmad for their concern and assistance. I would like express thankfulness to all the lecturers and staff of the School of Management who had unselfishly shared their professional knowledge and expertise.

I wish to offer my indebtedness to my family especially my husband, Dodie Tricahyono who gives unconditional support and endless pray. I would like to register my gratitude to my loving father, Tamar Insan (Almarhum) and my loving mother, Nurma Djamaludin, my dearest sister and brother-in-law, Refiza and

Zulkifli Bahri, for their pray, love, care, encouragement, and unquestioning support and guidance.

I would like to give my special gratitude to the family of A.P. Dr. Mahmud Sabri Haron, A.P. Dr. Khairiah, Aiman, Adly, and Yasmin, who have shared many wonderful moments during my difficult time in Penang. Their inspirational comments and warm reception have given me strength to finish all of my work. I would also to express my gratitude to Prof. Dr. Anton Abdulbasah and his wife, Dini Verdania, for all kindness and support during my study in Penang.

Thanks are due to Rector and Dean School of Business & Management Widyatama University for the opportunity and supports during my study. Special thanks are extended to all my colleagues at Widyatama University: Zulganef, Sri Astuti, Lasmanah, Dini Arwaty, and Veronica, for their supports; to all my friends in USM: Dr. Sunardi, Dr. Nugroho, Dr. Sunaryo, Dr. Imam Subekti, Dr. Ali Djamhuri, Dr. Noval, Ibu Yuni, Dr. Yudi Fernando, Dr. Zainul Bahri, Dr. Suwarno and family, Hadiyan, Dr. Mochtaridi, and Yusuf. I wish also to express my gratitude to Bang Eka and friends, Pak Ade Firmansyah (Flashy Distro), and Pak Andre (KICK). I am grateful for the contributions of many other people who have not been mentioned here. Thank you very much.

Penang, April 2016

Irma Nilasari

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iv
LIST OF TABLES	xii
LIST OF FIGURES	xiii
ABSTRAK	xvi
ABSTRACT	xviii
CHAPTER 1 INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.3 The Subject of the Study	6
1.4 Research Problem	9
1.5 Research Questions	18
1.6 Research Objectives	18
1.7 Significance of the Study	19
1.8 Definitions and Short Descriptions of Key Terms	21
1.8.1 Small Business Orientation (SBO)	22
1.8.2 Entrepreneurial Orientation (EO)	22
1.8.3 Marketing Capability (MC)	22
1.8.4 Relationship Capability (RC)	22
1.8.5 Brand Behavior (BB)	23
1.8.6 Marketing Performance (MP)	23
1.9 Organisation of the Remaining Chapter	23

CHAPTER 2 LITERATURE REVIEW	25
2.1 Introduction	25
2.2 Resource-Based View (RBV) for Small Firms	25
2.3 SME-based Researches	28
2.4 Marketing in Small Business	35
2.5 Small Business Overview in Indonesia	39
2.6 Indonesian <i>Distro</i> Industry	42
2.7 <i>Distro</i> as a Clothing Niche Retailer	45
2.8 The Strategic Resources of the <i>Distro</i>	50
2.8.1 Entrepreneurial-related Resources	52
2.8.1.(a) Entrepreneurial Orientation	52
2.8.1.(b) Small Business Orientation	58
2.8.2 Marketing-related Resources	61
2.8.2.(a) Marketing Capability	64
2.8.2.(b) Relationship Capability	72
2.8.3 Brand Behavior	79
2.9 Marketing Performance	86
2.10 Theoretical Framework	90
2.11 Hypotheses Deveopment	92
2.11.1 The Relationship Between Small Business Orientation (SBO) and Marketing Performance	92
2.11.2 The Relationship Between Entrepreneurial Orientation (EO) and Marketing Performance	93
2.11.3 The Relationship Between Marketing Capability (MC) and	

Marketing Performance	94
2.11.4 The Relationship Between Relationship Capability (RC) and Marketing Performance	95
2.11.5 The Relationships Between <i>Distro</i> 's Resources and Brand Behavior (BB)	97
2.11.6 The Relationship Between Brand Behavior (BB) and Marketing Performance	99
2.11.7 The Role of Brand Behavior (BB) as Mediator to the Relationships between the Small Business Resources and Marketing Performance	100
2.12 Summary	103

CHAPTER 3 THEORETICAL FRAMEWORK AND RESEARCH

METHODOLOGY	104
3.1 Introduction	104
3.2 Research Approach and Design	104
3.3 Population and Sample	105
3.4 Variables and Measurements	107
3.4.1 Small Business Orientation (SBO)	107
3.4.2 Entrepreneurial Orientation (EO)	110
3.4.3 Marketing Capability (MC)	111
3.4.4 Relationship Capability (RC)	113
3.4.5 Brand Behavior (BB)	114
3.4.6 Marketing Performance (MP)	115
3.5 Questionnaire Design	116

3.6	Data Collection Procedures	117
3.7	Validity of Measures	119
3.7.1	Validity and Reliability Test	119
3.7.2	Test of Difference	120
3.7.3	Factor Analysis	121
3.8	Statistical Analysis	122
3.8.1	Descriptive Analysis	122
3.8.2	Correlation Analysis	123
3.8.3	Multiple Regression Analysis	123
3.8.4	Hierarchical Multiple Regression Analysis	125
3.9	Summary	125
 CHAPTER 4 DATA ANALYSIS AND FINDINGS		 127
4.1	Introduction	127
4.2	Response Rate	127
4.3	Profile of Responding <i>Distros</i>	128
4.4	Test of Difference	135
4.5	Goodness of Measures	137
4.5.1	Factor Analysis	137
4.5.1.(a)	Factor Analysis of Small Business Orientation	138
4.5.1.(b)	Factor Analysis of Entrepreneurial Orientation	139
4.5.1.(c)	Factor Analysis of Marketing Capability	140
4.5.1.(d)	Factor Analysis of Relationship Capability	140
4.5.1.(e)	Factor Analysis of Brand Behavior	140
4.5.1.(f)	Factor Analysis of Marketing Performance	143

4.5.2	Reliability Analysis	143
4.6	Descriptive Analysis	145
4.7	Correlation Analysis	146
4.8	Hypotheses Testing	148
4.8.1	The Direct Effect of Relationships	149
4.8.1.(a)	The Relationships between All Independent Variables with Marketing Performance	149
	A. The Direct of SBO and MP	150
	B. The Direct of EO and MP	150
	C. The Direct of MC and MP	151
	D. The Direct of RC and MP	151
4.8.1.(b)	The Relationships between All Independent Variables with Brand Behavior	152
	A. The Direct of SBO and BB	152
	B. The Direct of EO and BB	153
	C. The Direct of MC and BB	153
	D. The Direct of RC and BB	154
4.8.1.(c)	The Relationship between Brand Behavior with Marketing Performance	155
4.8.1.(d)	Summary of Direct Relationships	155
4.8.2	The Mediator Effect of Brand Behavior	156
	A. The Mediator Effects of BB to the SC-MP Relationship	157
	B. The Mediator Effects of BB to the SR-MP and CR-MP Relationships	158
4.9	Summary	159

CHAPTER 5 DISCUSSION AND CONCLUSION	162
5.1 Introduction	162
5.2 Recapitulation of the Findings	162
5.3 Discussion	166
5.3.1. The Marketing Performance of Indonesian <i>Distro</i>	170
5.3.2. The Direct Relationships Between Investigating Variables	171
5.3.2.(a) The Direct Relationships Between <i>Distro's</i> Resources and Marketing Performance	171
5.3.2.(b) The Direct Relationships Between <i>Distro's</i> Resources and Brand Behavior	176
5.3.2.(c) The Direct Relationships Between Brand Behavior and Marketing Performance	178
5.3.3. The Role of Brand Behavior as Mediator	179
5.4 Implications of the Present Study	180
5.4.1. Theoretical Implications	180
5.4.2. Practical Implications	185
5.5 Limitations of the Present Study	187
5.6 Suggestions for Future Research	189
5.7 Conclusion	190
References	193
Appendices	217

	Page
Appendix A: Questionnaire	218
A-1: Questionnaire (English version)	219
A-2: Kuesioner (Indonesia version)	228
Appendix B: Cohen’s Table for Calculating Sample Size (Power of .8 and Alpha of .05) & Distribution of Questionnaires	239
B-1: Cohen’s Table for Calculating Sample Size	240
B-2: The Distribution of Questionnaires	241
Appendix C: Test of Difference with Independent T-Test (Early versus Late Responses)	242
Appendix D: Informants and Respondents Profiles	245
D-1: Profile of Informants	246
D-2: Profile of Respondents (<i>distro</i>)	248
D-3: Crosstabulations	251
Appendix E: The Factor Analysis Process	257
E1.1. Factor Analysis for Small Business Orientation 1 st Iteration	258
E1.2. Factor Analysis for Small Business Orientation 2 nd Iteration	261
E2.1. Factor Analysis for Entrepreneurial Orientation 1 st Iteration	264
E2.2. Factor Analysis for Entrepreneurial Orientation 2 nd Iteration	267
E3.1. Factor Analysis for Marketing Capability 1 st Iteration	270
E4.1. Factor Analysis for Relationship Capability 1 st Iteration	273
E5.1. Factor Analysis for Brand Behavior 1 st Iteration	276
E6.1. Factor Analysis for Marketing Performance 1 st Iteration	279
Appendix F: Reliability Assessment (After the Factor Analysis)	282

Appendix G: Descriptive Statistics	291
Appendix H: Bivariate Correlation Analysis	293
Appendix I: Multiple Regressions of the Direct Relationships	295
I-1: Direct Relationships between the Small Business Resources and MP	296
I-2: Direct Relationships between the Small Business Resources and BB	308
I-3: Direct Relationship between BB and MP	320
Appendix J: Hierarchical Multiple Regressions Analysis for the	
Mediation Effects of BB	322
J-1: The Mediation Effect of BB to the Relationship between Store Creativity to MP	323
J-2: The Mediation Effect of BB to the Relationships between Supplier Relationship and Customer Relationship to MP	326

LIST OF TABLES

	Page	
Table 2.1	Key characteristics of successful SME	30
Table 2.2	The previous SME-based research themes	34
Table 2.3	The definition of SME in Indonesia	39
Table 2.4	Total enterprises by size in Indonesia 2005-2008	40
Table 2.5	<i>Distro</i> 's main characteristics and the corresponding variables	51
Table 2.6	Five dimensions of entrepreneurial orientation	54
Table 2.7	Entrepreneurial orientation-performance relationship researches in SME context	56
Table 2.8	Comparison between larger and smaller firms marketing capability constructs	67
Table 2.9	The appropriate construct of <i>distro</i> 's marketing capability	70
Table 2.10	Past researches results on marketing capability-performance relationship	72
Table 2.11	Relationship marketing researches in SME context	77
Table 2.12	Brand orientation definitions	81
Table 2.13	Past empirical researches on brand orientation	84
Table 2.14	Clark's review of marketing performance measure	89
Table 3.1	The definition of main variables and dimensions	108
Table 3.2	The measurement of SBO	109
Table 3.3	The measurement of EO	110

Table 3.4	The measurement of MC	112
Table 3.5	The measurement of RC	114
Table 3.6	The measurement of BB	115
Table 3.7	The measurement of MP	116
Table 3.8	The distribution of distros and distributed questionnaires for each city	118
Table 4.1	Response rate	128
Table 4.2	Profile of the <i>distros</i> ' owners/co-owners	129
Table 4.3	Profile of the respondents (<i>distros</i>)	130
Table 4.4	Key characteristics comparisons between the time when <i>distro</i> started and today	133
Table 4.5	Crosstabulations of main <i>distro</i> 's characteristics vs fails experiences	134
Table 4.6	Crosstabulations of main <i>distro</i> 's activities vs annual sales	135
Table 4.7	Non-response Bias test of early and late response respondents	136
Table 4.8	Factor analysis of small business orientation (SBO)	138
Table 4.9	Factor analysis of entrepreneurial orientation (EO)	139
Table 4.10	Factor analysis of marketing capability (MC)	141
Table 4.11	Factor analysis of relationship capability (RC)	142
Table 4.12	Factor analysis of brand behavior (BB)	142
Table 4.13	Factor analysis of marketing performance (MP)	143
Table 4.14	Reliability test results for all the variables and the dimensions	144
Table 4.15	Descriptive statistics of all the variables (N=153)	145
Table 4.16	Pearson correlation matrix of all the investigating variables (N=153)	147

Table 4.17	Direct relationship between SBO and MP	150
Table 4.18	Direct relationship between EO and MP	150
Table 4.19	Direct relationship between MC and MP	151
Table 4.20	Direct relationship between RC and MP	152
Table 4.21	Direct relationship between SBO and BB	153
Table 4.22	Direct relationship between EO and BB	153
Table 4.23	Direct relationship between MC and BB	154
Table 4.24	Direct relationship between RC and BB	154
Table 4.25	Direct relationship between BB and MP	155
Table 4.26	Summary of hypotheses testing on the direct relationships	156
Table 4.27	The mediating effects of BB: store creativity to MP	158
Table 4.28	The mediating effects of BB: supplier relationship and customer relationship to MP	159
Table 4.29	Summary of hypotheses testing on the mediating relationships	160
Table 5.1	The present study approaches in responding the inconclusive results of small business' past researches	164
Table 5.2	The key marketing characteristics of <i>distro</i> firms	168

LIST OF FIGURES

	Page
Figure 2.1 The Core Concept of RBV	26
Figure 2.2 Theoretical Framework	91
Figure 4.1 The mediator Effects of Brand Behavior to the Relationship between SC and MP	157
Figure 4.2 The mediator Effects of Brand Behavior to the Relationship between SR/CR and MP	158
Figure 5.1 The Small Business Marketing Framework	182

**SUMBER PERNIAGAAN KECIL DAN PRESTASI PEMASARAN DALAM
INDUSTRI DISTRO INDONESIA: PERANAN PENGANTARA TINGKAH
LAKU JENAMA**

ABSTRAK

Kajian ini memberi tumpuan untuk menyumbang kepada perbahasan bagaimana prinsip pemasaran boleh digunakan dalam keadaan perniagaan kecil. Kajian ini melaksanakan konsep *Resource-based View* (RBV) dan pemasaran keusahawanan untuk memahami betapa prestasi pemasaran usaha kecil boleh dipertingkatkan dengan mengadakan dan melaksanakan sumber tidak ketara tertentu. Industri distro Indonesia telah dipilih untuk menjadi subjek kajian ini kerana ia memaparkan ciri-ciri yang unik. Sebagai satu industri yang baru muncul di negara membangun seperti Indonesia, *distro (distribution outlet)* adalah peruncit fesyen kecil yang memberi tumpuan dalam menjual pakaian dan *apparel* talian terhad sendiri dalam jumlah yang kecil oleh jenama sendiri di kawasan bandar. Pemilik adalah usahawan muda berpendidikan yang kebanyakannya tidak mempunyai sebarang pengalaman dalam perniagaan ini. Semangat mereka dalam perniagaan yang didorong oleh hobi mereka, seperti perjalanan, sukan, muzik, dan fotografi. Berdasarkan ciri-ciri distro yang unik, kajian ini mengkaji prestasi pemasaran distro melalui beberapa pembolehubah bebas yang berpotensi, iaitu: orientasi kecil perniagaan (SBO), orientasi keusahawanan (EO), keupayaan pemasaran (MC), keupayaan hubungan (RC), dan tingkah laku jenama (BB). Empat yang pertama sebagai pembolehubah bebas dan yang terakhir sebagai pembolehubah perantara. Data telah dikumpulkan oleh kajian mel dan benar-benar 153 jawapan (30.6% kadar maklum balas) diterima untuk tujuan analisa. Keputusan kajian ini menunjukkan

bahawa konstruk orientasi perniagaan kecil (iaitu lampiran emosi, dan tujuan dan matlamat), orientasi keusahawanan (iaitu pengambilan risiko, inovasi, dan proaktif), keupayaan pemasaran (iaitu pengembangan produk, promosi kreatif, dan kreativiti kedai), keupayaan dan hubungan (iaitu perhubungan pelanggan, dan perhubungan pembekal), adalah peramal yang terbukti signifikan secara statistik bagi prestasi pemasaran di firma-firma distro Indonesia, secara langsung atau tidak langsung melalui tingkah laku jenama. Berdasarkan dapatan, kajian ini mencadangkan satu rangka kerja kecil pemasaran perniagaan baru yang terdiri daripada dua perspektif, iaitu: taktik pemasaran dan strategi pemasaran. Taktik pemasaran membawa kepada objektif jangka pendek prestasi pemasaran manakala strategi pemasaran membawa kepada matlamat jangka panjang seperti jenama. Oleh itu, sumber-sumber distro boleh juga diklasifikasikan kepada dua jenis: sumber jangka pendek dan sumber jangka panjang. Sumber jangka pendek membawa kepada taktik pemasaran manakala sumber jangka panjang membawa kepada strategi pemasaran. Pemilik/pengurus perniagaan kecil perlu mengimbangi kedua-dua taktik pemasaran dan strategi pemasaran dalam setiap usaha yang terperinci daripada keputusan perniagaan mereka. Sebaliknya, beberapa dimensi keupayaan pemasaran (iaitu harga, pembezaan produk, lokasi) telah tidak dibuktikan sebagai peramal untuk sama ada prestasi atau kelakuan pemasaran jenama. Ia boleh menjelaskan bahawa keempat-empat dimensi tidak berkaitan dengan prestasi pemasaran distro ini. Mungkin dimensi ini menyokong langkah-langkah prestasi yang lain, seperti prestasi produk atau prestasi perniagaan. Batasan kajian dan cadangan untuk kajian akan datang juga termasuk dalam kajian ini.

**SMALL BUSINESS RESOURCES AND MARKETING PERFORMANCE IN
INDONESIAN DISTRO INDUSTRY: THE MEDIATING ROLE OF BRAND
BEHAVIOR**

ABSTRACT

The present study focuses to contribute to the debate of how marketing principle can be applied in small business circumstances. The present study implements Resource-based View (RBV) and entrepreneurial marketing concepts in order to understand how small business marketing performance can be enhanced by having and implementing specific intangible resources. The Indonesian *distro* industry has been selected to be the subject of the study since it displays unique characteristics. As a new industry in developing country like Indonesia, *distro* (short of distribution store) is a small fashion retailer that focuses in selling its own limited line of clothing and apparel products in relatively small number by its own brand in an urban area. The owners are young educated entrepreneurs who mostly do not have any experiences in this business. Their passion in the business are driven by their hobby, such as, travelling, sport, music, and photography. Based on *distro*'s unique characteristics, the present study investigates *distro*'s marketing performance through some potential independent variables, namely: small business orientation (SBO), entrepreneurial orientation (EO), marketing capability (MC), relationship capability (RC), and brand behaviour (BB). The four first variables role as independent variables and the last as a mediating variable. Data were collected by mail survey and totally 153 responses (30.6% response rate) are accepted for the purpose of analysis. The results of the present study indicates that the constructs of

small business orientation (i.e. emotional attachment, and purpose and goals), entrepreneurial orientation (i.e. risk taking, innovativeness, and proactiveness), marketing capability (i.e. product development, creative promotion, and store creativity), relationship capability and (i.e. customer relationship, and supplier relationship), statistically proved as significant predictors of marketing performance in Indonesian *distro* firms, directly or indirectly via brand behavior. Based on the finding, the present study proposes a new small business marketing framework that comprises of two perspectives, which are: marketing tactic and marketing strategy. Marketing tactic leads to short-term objectives of marketing performance while marketing strategy leads to long-term objectives such as brand. Therefore, the *distro* resources could be classified also into two types: the short-term resources and the long-term resources. The short term resources lead to marketing tactic while the long-term resources lead to marketing strategy. The small business owner/manager should balance both marketing tactic and marketing strategy in every detail of their business decisions. On the other hand, some dimensions of marketing capability (i.e. pricing, product differentiation, location) were not proved as predictors to either marketing performance nor brand behavior. It can be explained that these four dimensions are not relevant to *distro's* marketing performance. Perhaps these dimensions support other performance measures, such as product performance or business performance. Limitations of the study and recommendations for future research are also included in this study.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter explains why the present study is important to be conducted. It starts with the background of study, problem statement, research questions and research objectives. It continues with theoretically and practically expected contributions from the present study and explanations for the main variables that being investigated in the present study. It ends with the organization of the remaining chapters.

1.2 Background of the Study

Widely acceptable by scholars that small and medium enterprise (SME) is defined based on quantitative criteria including size, number of employees, and financial turnover per annum (Kelliher & Reinl, 2009; Masakure, Henson, & Cranfield, 2009; O'Dwyer & Ryan, 2000; Tambunan & Liu, 2008). According to the Indonesian Statistic Central Bureau, within the SME sectors in Indonesia, three classes can be distinguished: micro-enterprises employed less than four persons; small-enterprises, employing 5 to 19 persons; and medium-sized enterprises that employ between 20 and 99 persons. In reality, the use of size standard is driven largely by political pragmatism rather than practical considerations or a true understanding of the particular small business' challenges (Wacks, 2006).

Business practice needs the appropriate definition of SME that reflects the real obstacles of small business environment.

Besides the quantitative criteria, SME is also defined by qualitative criteria, such as scope of operations, scale of operations, ownership, independence, and management style (Scholhammer & Kuriloff, 1979). Under these criteria, small businesses are those who serve local or regional markets, have a very limited share on a given market, managed directly by their owner or owners (few people), independently in making decisions, and managed with a personalized fashion (Ghobadian & O'Regan, 2006; Kelliher & Reinl, 2009; Runyan, Huddleston, & Swinney, 2007). With this uniqueness, so many researchers try to pay attention to small business and conduct research related to it.

Dobbs and Hamilton (2007) noted that small business knowledge development appears to be fragmented rather than cumulative because of a wide range of growth measures and model specifications. There are two issues that contribute to inconclusive results of small business past studies, which are the “forcefulness” of large business principles to small business condition (Kelliher & Reinl, 2009; Reijonen, 2008; Runyan et al., 2007), and the effect of industry specific practices (Aggarwal & Gupta, 2006). Pasanen (2003, p. 49-50) recognized some reasons concerning these issues. First, most studies use the large firms assumptions. Second, most studies focus on the new venture not the existing small businesses. Third, most studies focus on the successful small businesses and leaving failure small businesses under research. Fourth, many studies ignore the context that contributes to vary definition of success. Fifth, many small business studies have a lack of holistic understanding because it focus on limited variables.

Since Barney, Wright, and Ketchen (2001) called scholars to conduct Resource-Based View (RBV) research on smaller firms, many scholars started paying attention on this direction. In order to study the small business, some scholars used RBV as the underlying theory, for examples: Aragón-Correa, Hurtado-Torres, Sharmac, and García-Morales (2006); Kelliher and Reinl (2009); Masakure et al. (2009); and Runyan et al. (2007). The RBV believes that the firm, from its unique set of resources (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993), generates competitive advantages. The RBV concept focuses on a firm's unique set of resources that will determine the level of small business's survival.

Within the RBV, small business owners implement business strategy based on their own resources that can be the basis for sustainable competitive advantage (Runyan et al., 2007, p. 391). Kelliher and Reinl (2009) noted that, the concept of RBV is particular relevance in the small business context. However, they also stated that the continuous development of business's unique offerings through promoting the firm's core competencies seems to be a problem for small business, since they have to operate under severe time, financial, and expertise constraints. Furthermore, the authors suggested implementing resource-based arrangement of small firm's management practices. This idea offers continuously developing of relationship management in interacting with the environment, opportunity management at organizational level, the owner/manager's inclusive leadership and communication skills, and the promotion of individual learning.

In line with previous authors, Masakure et al. (2009) found that the interaction between small business's unique resources together with sector and market factors could explain enterprise's performance. However, past researches give inconclusive results concerning the relationships between these resources

and performance. According to Runyan et al. (2007), literature gives a little guidance about which resources should be possessed and utilized by small firms in order to reach competitive advantage position. Some studies reported positive relationships but some other reported weak or no relationships at all. Cano, Jarrillat, and Caramillo (2004) argued that this problem is due to a specific nature of every small firm business that relates with different culture, objective, type of business, and measurement. For example, Langerak (2002, p. 11) concluded that “after thirteen years of extensive research, the predictive power of market orientation to business performance still an open question.” The present study tries to find small firms’ resources that influence their ability to maintain their growth. Aloulou (2002, p. 3) mentioned that, “One important area for small business that has received little attention is how these firms are oriented to seize opportunities when they combine their resources”. Based on the suggestion from Barney et al. (2001), the present study continues the tradition of RBV-based approach in small business study

Past studies confirmed that marketing is responsible to small firm’s performance and can enhance its long term survival and success (e.g. Eusebio, Andreu, & Belbeze, 2006; Perry, 2001; Rue & Ibrahim, 1998; Simpson, Padmore, Taylor, & Frecknall-Hughes, 2006); however, until now scholars have not yet come to a solid understanding about small business’s marketing principles (Carson, Cromie, McGowan, & Hill, 1995; McGrath, 2008; Kelliher & Reinl, 2009; Runyan et al., 2007; Simpson et al., 2006; Siu & Kirby, 1998). Many scholars believe that small firm cannot use a general marketing principle that normally implemented by large firm (Carson et al., 1995; Reijonen & Laukannen, 2010; Siu & Kirby, 1998). Marketing is practiced differently among SMEs in the respect of their size and

customers (Heilbrunn, Rozenes, & Vitner, 2011; Reijonen, 2010). However, even though scholars have already noticed that marketing in small firm is different than in larger firm (for example: Kelliher & Reinl, 2009; Reijonen, 2008, Runyan et al., 2007), some small firm's studies keep using the larger firm's conceptualization of marketing-related variables. It is acceptable since the small business's marketing body of knowledge still in its infancy stage. Since marketing is important feature in small firms' existence, then marketing performance can be seen as a potential avenue to study small business's performance.

Since 1980's, scholars have been making serious efforts to combine entrepreneurship and marketing and name it as entrepreneurial marketing (e.g. Carson et al., 1995; Collinson & Shaw, 2001; Day & Reynolds, 2011; Fillis, 2011; Gilmore, 2011; Gilmore & Carson, 1999; Hill & Wrigth, 2000; Martin, 2009; Stokes 2000a, 2000b). The idea to combine these two subjects is driven by the fact that both subjects have common areas, such as focus on changes, be opportunistic in nature, and use an innovative approach to management (Collinson & Shaw, 2001). Carson et al. (1995) explained that entrepreneurship and marketing shared the behavior of small business owner/managers from their experience, knowledge, communication abilities, and judgment. As Gilmore (2011: 139) stated that: "entrepreneurial marketing is a combination of: adapting standard marketing textbook frameworks to suit entrepreneurial activities, new ventures or small businesses; marketing by networking and using networks to improve marketing activity; the use and development of marketing management competencies; and using innovative marketing where possible." In line with this, Bettiol, Di Maria, and Finotto (2012) suggested that entrepreneurial marketing starts from the capability

of entrepreneurs in understanding the dynamics of environment in order to make their novel ideas practicable.

Stokes (2000b) stated that traditional marketing concept (from marketing theory textbook) differs from entrepreneurial marketing concept. The author explained that traditional marketing concept starts with customer needs and employs 'top-down' approach from segmentation, targeting and positioning process and cascading down to 4P's. On the contrary, entrepreneur employs 'bottom-up' approach and starts with new ideas and finds appropriate markets for their new ideas. Entrepreneurial Marketing (EM) probably can answer the issue of marketing concept adaptation in a specific small business situation where the entrepreneur's role is very dominant (Stokes, 2000a), or perhaps, marketing and entrepreneurship can be conjoined more completely, creating a new, entrepreneurial paradigm of marketing (Hill & Wrigth, 2000).

Beside RBV, the present study applies the concept of entrepreneurial marketing as a guidance to find small business' strategic resources. Therefore, in combination with entrepreneur-related variables, the present study initiates also the marketing-related resources or capabilities as another important variables that contribute to small firm's performance. The present study focuses on the small firm's performance (i.e. marketing performance) by investigating some potential variables that influence to it.

1.3 The Subject of the Study

The financial crises that hit Indonesia in 1997 become a real disaster when negatively affected the economic sectors in 1998. The Indonesian's currency –

Rupiah – experienced a dramatic drop in its value by 80 percents against the US dollar, followed by rapid increases in inflation and interest rates (Maurer, 2004). The crisis has also brought a social impact, characterized by the fall of real wages and incomes, greater unemployment and the increase of poverty. The number of people who lived below the poverty line dramatically increased to become 24 per cent, or almost 50 million people, from 15 per cent before the crises (Maurer, 2004, p. 6).

Surprisingly, not all business sectors are negatively affected by the economic crises. When medium and big enterprises suffered a lot, the number of small enterprises increased from 39.70 million in 1997 to 40.13 million by the end of the crises in year 2000 (Vial & Garonne, 2010). In more detail, only four per cents of small enterprise has closed down, 31 per cents has reduced its activities, 64 per cents remain unchanged, and one per cent even has been growing well (Soetrisno, 2002). It shows that small enterprises are sturdier than medium and big enterprises in dealing with economic crises. Vial and Garonne (2010) proved that on the average, family-owned firms creates more profit compared to profit standard of every industrial sector. Berry, Rodriguez, and Sandee (2001) argued that small enterprises have flexibilities in dealing with capacity related issues, labor-capital issues, and owner-manager issues that make them more survive in economic distress condition. Moreover, Vial and Garonne (2010) concluded that the existence and survival of small businesses are very crucial to the economic system since they could also absorb excess unemployment from the large-scale sector in times of crisis. Wolcott, Kamal, and Qureshi (2009, p. 617) mentioned that “Small businesses play an important role in economies all over the world by

creating jobs and contributing to the socio-economic development of their communities”.

The context of the present study is small firm called *distro*. *Distro* began in mid 90's, when a group of youth entrepreneurs in certain big cities in Indonesia started clothing business. As a response to the economic crisis in Indonesia in 1996, these young entrepreneurs suddenly saw opportunities to fulfill the demand of original imported products that become very expensive for the market. At first, they tried to imitate the original products. Finally, after they received positive response from the marketplace, they started to produce their own design, with their own brands, and sold their products with limited number.

Distro company manufactures and distributes limited line of clothing products (mostly T-Shirts) and apparels in small numbers with their own brand. *Distro*, a shortness of distribution store or distribution outlet, is a small store (mostly in unusual location, for example in residential area) that sells exclusively their own limited line of clothes and apparels products. These companies completely conduct creative and unique business processes from idea generation to deliver products to the marketplace. These businesses are established based on their common interest; mostly are independent music and extreme sports (for example, skateboard). As an independent (indie) industry, they do not follow traditional way to run their clothing business. Sometimes, they implement very creative way in doing business, for example they use bus that parks in a certain location as an outlet.

The present study defines *distro* as a small fashion retailer that focuses in selling its own limited line of clothing and apparel products in relatively small number by its own brand in an urban environment. In fact, these *distros* implement

a certain level of marketing planning—and activities, for examples: product development, brand management, celebrity endorsement, customer relationship, and after sales service.

1.4 Research Problem

The main intention in small business researches are dedicated to answer the question of how small firms can survive and growth. In order to find the right answer, scholars focus on investigating the factors that determine small business's financial performance and long-term benefits, so that the possibility of survival and success can be predicted (Eusebio et al., 2006; Freel, 2000; Perry, 2001; Rue & Ibrahim, 1998; Sharma, 2011; Simpson et al., 2006). Unfortunately, measuring performance of small business organization is problematic (Simpson et al., 2006) and challenging. The definition of success is varies across small business organizations.

Traditionally, measurement of firm's success is heavily relied on financial performances, such as growth, profit, turnover, and return-on-investment or number of employees (Reijonen, 2008; Walker & Brown, 2004). However, in the case of small business firms, financial performance can be misleading, inappropriate, and meaningless for business owners because of their different perceptions of success (Reijonen, 2008; Simpson, Tuck, & Bellamy, 2004). Simpson et al. (2006) asserted that the fluctuation in small business activities from year-to-year makes the performance of small business is difficult to be assessed.

In consequence, scholars have suggested non-financial measurement. Scholars try to find another measurement of success that can be implemented

appropriately in small business environment. Reijonen (2008) found that the motives and goals of most small business owners are good quality of life, job satisfaction, and satisfied clientele, not the orientation towards growth. Maltz, Shenhar, and Reilly (2003) suggested the use of customer/market measures (i.e. the relationships between the customers and the firm), process measures (i.e. the efficiency of operations), people development measures (i.e. the stakeholder's impact) and preparation of the future measures (i.e. the expressions of foresight). Eusebio et al. (2006) mentioned that marketing is central to SME's long-term business success. Therefore, rather than business performance, the present study proposes marketing performance as the dependent variable to measure SME potential ability to survive and growth.

Literature gives limited explanation concerning the marketing performance in small enterprise firms (Simpson et al., 2006), and leave no agreement regarding the definition of marketing performance (Brahmana, 2009). Even in larger issues, scholars have insufficient knowledge concerning the use of general marketing principles in small business context (McGrath, 2008; Simpson et al., 2006; Siu & Kirby, 1998). There are few researches that use marketing performance as a measurement for small business's success (for example, Aggarwal & Gupta, 2006; Eusebio et al., 2006). Theory development of marketing in small business mostly under qualitative method that focuses on studying the practice of general marketing principles in small business context (Simpson et al., 2006). The present study tries to fill the gap concerning the use of marketing performance instead of business performance in small business, especially in Indonesian *distro* industry.

The fact that *distros* have driven the local economic growth is factual in big cities in Indonesia, such as Bandung, Yogyakarta, Malang, etc. For example,

Bandung as the pioneer of distro industry in Indonesia has been selected by UNESCO in 2015 as one out of 47 cities in the world to become new member of UNESCO Creative Cities Network (*UNESCO Masukkan....*,12 December 2015). As one potential field in creative industry, *distro* is becoming a main symbol of Bandung. Many tourists visit Bandung to buy *distros'* products because of their uniqueness and relates to their interest or hobby. However, as small business, *distro* faces several problems about survival and growth. Some of the *distros* collapse before they can reach an economic level because of some reasons, for example: lack of resources (financial and non-financial), competition, product design piracy, lack of experiences and knowledge, market saturation, etc. Basically, the local government has some interest to the growth of this industry as mentioned by Brata (2010: 2): "Supporting this creative industry gives benefit not only for the youth entrepreneurs but also the local economy, and society at large, since this industry absorbs millions of employees in Indonesia."

In order to explain the marketing performance of *distro* firms, the present study identifies some potential independent variables that correspond with their main characteristics. There are five main characteristics of Indonesian *distro* firms. First, *distro* is established by young entrepreneurs. They started *distro* at mainly age 20s, sometimes they were still as an undergraduate student. Second, instead of profit oriented, this business is developed as a continuation of the *distro* owner's hobby. Third, compared to another types of retailer, *distro* is a unique niche retailer. Due to their limited budget, *distro* has to be creative in all aspects of their operation and marketing efforts in order to satisfy their limited target segment. Fourth, this *distro* supports and being supported by a specific community, for examples: underground music lovers, motorbike club, skateboard players, etc.

Finally, they develop and maintain their own brands that manifest their spirit and hobby. Based on these characteristics, the present study explores the potential variables that correspond to every single *distro*'s characteristics in order to explain small firm's (i.e. *distro*) marketing performance.

The first variable that corresponds to the *distro* is entrepreneurial orientation. According to Atuahene-Gima and Ko (2001), entrepreneurial orientation reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage. In other words, entrepreneurial orientation of a firm can be seen as an entrepreneurial orientation of manager that proactively and aggressively pursuing competitive advantage. Entrepreneurial orientation provides proactiveness, innovativeness, and risk-taking to the firm (Miller, 1983), in order to generate future market focus that important for new product development efforts (Hillebrand, Kemp, & Nijssen, 2011). Hence, the present study applies entrepreneurial orientation as one of the key variables. Literature shows that many previous researches on small business's performance emphasize on entrepreneurial orientation (e.g., Avlonitis & Salavou, 2007; Brown, 1996; Merz, Weber & Laetz, 1994; Zahra & Covin, 1995). However, although past literatures suggested that small business which demonstrate high entrepreneurial orientation may enhance their performance (e.g., Brown, 1996; Covin & Slevin, 1991; Dess, Lumpkin & Covin, 1997; Lumpkin & Dess, 1996; Merz et al., 1994; Zahra & Covin, 1995), there is limited empirical evidence supported the link between entrepreneurial orientation and firm performance (Covin & Slevin, 1991; Zahra, 1991).

Some authors (for examples, Chen, Tzeng, Ou, & Chang, 2007; Wiklund, 1998) argued that entrepreneurial orientation itself does not fully reflects the

strategic orientation of the firm. In other words, study the small business's performance solely based on entrepreneurial orientation cannot capture the influence of other internal resources that being utilized by small business's owners/managers (Chen et al., 2007), such as their personal goals and passion for the business. Carland, Hoy, Boulton, and Carland (1984) argued that not all small business owners are entrepreneurs. They distinguished between entrepreneurs (those who have a high degree of entrepreneurial orientation) and small business owners (those who operating the business as an extension of their personality and personal goals, as well as to generate family income). The latest is what they called as small business owners that having a "small business orientation." This small business orientation may explain the second characteristics of the *distro*, which is hobby-based business. Eventhough, entrepreneurial orientation and small business orientation are theoretically distinct concepts (Runyan, Droge, & Swinney, 2008), they both may influence the management behavior of the small firm (St-Jean, LeBel, & Audet, 2010). Thus, the present study assumes that measuring the *distro*'s marketing performance should involve both entrepreneurial orientation and small business orientation.

The third characteristics of *distro* is its creative operation and marketing efforts due to its limited budget. Regarding this issue, the present study selects marketing capability (e.g., Banterle, Carraresi, & Stranieri, 2008, 2010; Cadogan, Graham, Matear, & Douglas, 2002; Vorhies, Harker, & Rao, 1999) rather than other marketing-related variables (e.g. market orientation, customer orientation, brand image, brand community, etc.) as determinant factors of *distro*'s marketing performance. At least three reasons support this decision. First, marketing capability is a firm's marketing resources that implemented by the *distros*

eventhough some of them do not have good understanding about marketing concepts and just follow others. Second, marketing capability reflects the real marketing efforts that differentiate *distro* from other retailers. Third, compares to others marketing-related variables, the body of knowledge of marketing capability (especially in small firms) has not been completed yet. In conclusion, the present study tries to understand the small firm's marketing capability that influences *distro's* marketing performance. Since we know that small firm has lack of marketing knowledge and functions (Carson et al., 1995), this approach is valuable. The owner/manager of small firms do not implement traditional steps of marketing theory that commonly used by larger firms (Bjerke & Hultman, 2002; Gilmore, Carson, & Grant, 2001).

Some scholars explored marketing capability effect on performance (e.g., Cadogan et al., 2002; Fahy, Hooley, Cox, Beracs, Fonfara, & Snoj, 1999; Möller & Anttila, 1987; Song, Nason, & Di Benedetto, 2008). The results is divided into two groups. Some past studies demonstrated that marketing capability has a positive impact on firm's performance (for examples: Blesa & Ripollés, 2008; O'Cass & Weerawardena, 2010; Slotegraaf & Dickson, 2004; Vorhies & Morgan, 2005; Tsai & Shih, 2004; Weerawardena, 2003). On the other hand, some other past studies found that marketing capability has no or weak relationship to performance (for examples: Lindblom, Olkkonen, Kajalo, & Mitronen, 2008; Milfelner, Gabrijan, & Snoj, 2008).

Furthermore, in the SME-based research, scholars agreed that relationship marketing is the key success factors of SME (Möller & Anttila, 1987; Pasanen, 2003, Reijonen, 2008); however, there are limited researches that have been done to study the role of relationship marketing in the SME context (Walhberg,

Strandberg, Sundberg, & Sandberg, 2009). Sin, Tse, Yau, Lee, and Chow (2002) asserted that literatures give no systematic analysis of the relationship marketing orientation (RMO) effect on business performance because of the lack of valid measure of RMO. Since the business performance is a multidimensional construct, thus, they suggested to explore the complexities of the relationship between RMO and alternative dimensions of business performance. Walhberg et al. (2009) also found that the result of those few researches are biased because of the tendency to use large scale firms' point of view in analyzing SME conditions.

In the *distro* context, relationship capability become one important variable since it correspond to the fourth characteristics. *Distro* supports and being supported by a specific community that requires a high degree of relationship among them. A specific community, for examples: underground music lovers, motorbike club, or skateboard players, becomes their target market as well as their partner. Many scholars believe that understanding and satisfying customers' needs are the main concerns of small business (for examples: McCartan-Quinn & Carson, 2003; Möller & Antilla, 1987; Parrott, Roomi, & Holliman, 2010; Reijonen, 2010). Tse, Sin, Yau, Lee, and Chow (2004) also discovered that relationship marketing is best suited for the firm that implement niche strategy.

The four characteristics of Indonesia *distro* firms correspond with four independent variables (IVs) of the present study, which are: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability. These four IVs reflect a reasonable combination of entrepreneurship and marketing fields that form entrepreneurial marketing concept. Small business orientation and entrepreneurial orientation indicate entrepreneurship side, while marketing capability and relationship capability represent marketing side. The

present study combines the four intangible resources to be tested against marketing performance.

The last characteristic of *distros* is its specific brand(s) that expresses its spirit and hobby. The industrial practitioners suggest that unique characteristics of a business requires different set of key success factors. Some scholars have identified that fashion industry depends heavily on their own brand (Birtwistle & Freathy, 1998; Brīdson & Evans, 2004; Collins-Dodd & Lindley, 2003; Huang & Huddleston, 2009; McColl & Moore, 2011). Brand can differentiate a fashion company from others and develop a sustainable competitive advantage (Brīdson & Evans, 2004; Huang & Huddleston, 2009). Unfortunately, small business gives little or no attention to brand management in their daily activities (Krake, 2005). Small businesses are rarely give importance to something intangible (Loka & Ceku, 2010), such as brand. The literature commonly mentioned that this small businesses marketing problem relates to insufficient budgets, capacity, skills, expertise, and time (Keller, 2008; Krake, 2005; Loka & Ceku, 2010; Merrilees, 2007; Opoku, Abratt, Bendixen, & Pitt, 2007; Wong & Merrilees, 2005). However, Abimbola and Kocak (2007) believed that company's strong brand guarantees small businesses to introduce successful innovative and new products offering into the market by gaining customers' trust and high confidence level in purchase decision, and at the same time gave a barrier for competitors to imitate. Thus, the present study proposes brand as one important variable that should be integrated into the framework.

In addition, past researches found that brand orientation is an extension of market orientation (e.g. Párdányi, Tuominen, Reijonen, & Laukkanen, 2010; Tuominen, Laukkanen, & Reijonen, 2009), and brand orientation substantially

affects performance (e.g. Baumgarth, 2010; Bridson & Evans, 2004; Tuominen et al., 2009; Wong & Merrilees, 2008). M'zungu, Merrilees, and Miller (2009) argued that brand orientation is a mediator between strategic front-end (i.e. resources) with its performance. The present study employs behavior part of Baumgarth's (2010) conceptualization of brand orientation. According to Baumgarth (2010), brand orientation comprises of four layers: value, norms, artefacts, and behavior. The first three layers are culture part and the fourth layer is behavior part of brand orientation that reflects real actions and communications that undertaken by the organization in order to support the brand and called as brand behavior. By this nature, brand behavior fits with RBV theory as a mediator to the relationships between resources and performance. The present study assumes that brand behavior roles as bridge between between *distro's* intangible resources (i.e. small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and *distro's* marketing performance.

Poutziouris (2003: 206) suggested that, in order to investigate long-term surviving and rapid-growing small firms, future researches should cover how do they "develop their strategic management and planning practises; develop their operational, financial and marketing functions; launch innovation strategies; manage risk and investment." Therefore, the present study believes that the results of this study will contribute a lot to the small business management body of knowledge, especially in entrepreneurial marketing concept.

1.5 Research Questions

Based on the research problem, the present study has four research questions, as follows:

1. What is the relationship between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and *distro's* marketing performance?
2. What is the relationship between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and brand behavior?
3. What is the relationship between brand behavior and *distro's* marketing performance?
4. Does brand behavior mediate the relationships between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and *distro's* marketing performance?

1.6 Research Objectives

In order to answer the research questions, the present study composes four research objectives, as follows:

1. To investigate the relationship between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and *distro's* marketing performance.

2. To investigate the relationship between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and brand behavior.
3. To examine the relationship between brand behavior and *distro's* marketing performance.
4. To assess whether brand behavior mediates the relationships between small business resources (namely: small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) and the *distro's* marketing performance.

1.7 Significance of the Study

The significance of the study can be expressed in two aspects; theoretical and practical contributions. Theoretically, the present study will enhance the RBV approach in small firms (Barney et al., 2001; Masakure et al., 2009; Runyan et al., 2007), as well as the marketing theory in small firms (McGrath, 2008; Simpson et al., 2006) especially in the Indonesian *distro* industry. By integrating variables from entrepreneur-related studies and marketing-related studies, the present study tries to add significant body of knowledge in entrepreneurial marketing works. The four variables (i.e. small business orientation, entrepreneurial orientation, marketing capability, and relationship capability) becomes a full-set of small businesses resources that may explain their marketing performance through brand behavior.

The present study potentially can explain some inconclusive or limited results of past researches. There are five areas of contribution that is proposed by the present study. Firstly, the present study contributes to add some insight on

marketing performance practices in small businesses since literatures that discuss this subject is still rare (Simpson et al., 2006). Past studies on small firms mostly focused on business performance rather than marketing performance. Therefore, there is little agreement concerning the definition of marketing performance provided by literatures (Bonoma & Clark, 1988; Brahma, 2009). Secondly, the present study explores the distinction of entrepreneurial/small business orientation effects on performance (Carland et al., 1984; Runyan et al., 2008) since we had known that this effect contributes to insignificant result between entrepreneurship and performance link in past researches. Thirdly, the present study contributes to the understanding of the inconclusive empirical results concerning the relationship of marketing capability and small business's performance (Eggers et al., 2013; Hillebrand et al., 2011; Pinho, 2008).

Fourthly, the present study contributes to the understanding of the role of relationship capability in the SME context. Lastly, the present study provides the understanding of brand behavior roles in small business context. According to Párdányi et al. (2010), the academic interest on brand orientation is just begun. There are only few studies that focus on brand orientation in small business situations (Reijonen et al., 2010). Most of previous studies were focusing on the development of a brand orientation framework and fewer on the empirical measurement of brand orientation (Avlonitis & Piha, 2011). Baumgarth (2011) suggested future research to integrate additional types of corporate culture or strategic philosophy, such as entrepreneurial orientation, in order to investigate the importance of brand orientation in explaining small business's marketing performance.

The *distro* industry is unique fashion retailer, which characterized as young age firms, owned by young educated entrepreneur, operated in urban area, and serves niche dynamic of young urban market with their own brand in small number of products. The Indonesian *distro* industry is an interesting subject to test some important variables that explain its marketing performance. Therefore, the present study contributes to broad understanding about the characteristics of Indonesian *distro* firms.

Practically, the knowledge about how small business's owners/managers may improve their marketing performance through small business resources will potentially beneficial in designing their strategic orientation. In accordance to entrepreneurial/small business orientation, the present study offers the knowledge about firm's culture that should be shared among firm's employees in order to reach a long-term growth and sustainability. In line with this, the small business's owner/manager has to think about their efforts to satisfy customers' needs. In addition, in order to maintain their business performance, they should explore the relationship with two main stakeholders: customers and suppliers. Finally, if the role of brand behavior as a mediator are confirmed, then a comprehensive understanding in managing *distro* firm as a specific small business can be recommended.

1.8 Definitions and Short Descriptions of Key Terms

This section explains some key terms of the main variables in the present study, including small business orientation, entrepreneurial orientation, marketing capability, relationship capability, brand behavior and marketing performance.

Marketing performance roles as dependent variable that will be influenced by a set of small business resources. The present study uses the spirit of entrepreneurial marketing, which is covered both entrepreneurial and marketing-related resources. Small business orientation and entrepreneurial orientation reflect the entrepreneurial-related resources, while marketing capability and relationship capability reflect the marketing-related resources.

1.8.1 Small Business Orientation (SBO)

SBO is the small firm capability in doing business for furthering personal goals and agendas (Carland et al., 1984; Jenkins & Johnson, 1997) as well as to generate personal income (Runyan et al., 2008; St-Jean et al., 2010).

1.8.2 Entrepreneurial Orientation (EO)

EO refers to the decision-making styles, processes, and methods that inform a firm's entrepreneurial activities (Hughes & Morgan, 2007). It reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage (Atuahene-Gima & Ko, 2001).

1.8.3 Marketing Capability (MC)

MC refers to a complex bundles of marketing-related skills and collective learning that exercised through organizational marketing-processes and efforts (Avlonitis & Salavou, 2007; Day, 1994; Milferner, Gabrijan, & Snoj, 2008; Song et al., 2008; Vorhies et al., 1999; Vorhies & Morgan, 2005).

1.8.4 Relationship Capability (RC)

RC refers to firm capability in developing long-term relationships with primary stakeholders, which are customers and suppliers, in order to acquire and maintain

competitive advantage (Adjei, Griffith, & Noble, 2009; Berry, 1983; Grönroos, 2004; Gummesson, 1987; Percy, Visvanathan, & Watson, 2010).

1.8.5 Brand Behavior (BB)

BB as a firm's process, approach, or strategy around brands to sustain strong customer relationships and maintain a distinctive identity to achieve competitive advantages from the brand by small business's owner/manager (Baumgarth, 2010; Huang & Huddleston, 2009; Urde, 1994).

1.8.6 Marketing Performance (MP)

Marketing performance is the subjective measures of the effectiveness of marketing activities of the *distro* firm in creating value to their customers (Eusebio et al., 2006; Merrilees, Rundle-Thiele, & Lye, 2011; Reijonen, 2008).

1.9 Organization of the Remaining Chapter

The present study has totally five chapters. After this chapter, the present study explains all the literature and concepts that relevant for the field, addresses gaps due to conflicting past researches results, and the explanation of Indonesian *distro* industry characteristics. Based on literature review and specific characteristics of Indonesian *distro* industry, this chapter introduces theoretical framework and hypotheses that will be empirically tested.

Chapter 3 describes research methodology used in acquiring answers to the research problem. The present research is designed by elaborating further on the nature of study, the nature of variables involved, populations and sampling

procedure, measurement instruments and criteria for its reliability and validity, and statistical tools.

Chapter 4 reports the research finding that comprises respondents characteristics, factor analysis result of each investigating variables, the descriptive statistics about respondents, hypotheses testing results about the relationships based on the research framework, and other relevant results.

Chapter 5 elaborates the discussion of research results concerning the contributions of the present study to the marketing in small business body of knowledge in particular, and small business study in general as well as the conclusion and the potential future research.