

SMEs Internationalization Process through Brand Awareness and Perceived Quality

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ARTICLE INFO

Article history:

Received Feb 19, 2022

Revised Mar 11, 2022

Accepted Apr 11, 2022

Keywords:

Brand Awareness;
Perceived Quality;
SMEs Internalization
Process.

ABSTRACT

The development of technological knowledge of SMEs is increasing, and the dynamics in the global economy had a significant effect on SMEs. SMEs need to expand their market share to expand in international markets. This research examined the effects of brand awareness and perceived quality on the internationalization process of SMEs that were carried out on 367 SMEs in Madura. The research results indicated that the brand awareness variable had no significant effect on the internationalization process of SMEs. The significance value was more significant than 0.05, namely $0.079 > 0.05$, and had a smaller tcount than ttable, namely $1.760 < 1.966$. Meanwhile, the perceived quality variable had a significant effect on the internationalization process of SMEs because the significance value obtained was smaller than 0.05, namely $0.000 < 0.05$, and had a greater tcount than ttable, namely $8.671 > 1.966$. The variables of brand awareness and perceived quality simultaneously had a significant effect on the internationalization process of SMEs. The analysis results showed that the magnitude of the effects of brand awareness and perceived quality on the internationalization process of SMEs was only 24.9%. The remaining 75.1% might be affected by variables not mentioned in this research.

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1. Introduction

The internationalization process is not an easy thing for SMEs. There are problems faced, including a lack of knowledge about the market due to a lack of experience introducing SME products to international markets (Bagheri et al., 2019). Lack of information about potential markets makes SMEs reluctant to carry out the risky expansion. Therefore, it results in delays in the internationalization process, lack of supporting infrastructures, such as weak transportation connectivity and logistics systems that hinder business growth in Indonesia, limited human resources, due to lack of motivation, labor skilled and talented, as well as the ability to take over knowledge and technology management (Germann et al., 2020). As a result, SMEs cannot improve efficiency, productivity, and product quality. Another challenge that SMEs face when entering internationalization is the start of international activity, the pace of international growth, or its pace and rhythm (Graciola et al., 2020). Thus, the first mover for SMEs is to gain profits increase learning curves to accelerate access to profit advantages compared to global competitors (Zucchella et al., 2007).

An internationally oriented company is not simply born as an international company. In general, multinational companies start their activities from their home country and then expand to foreign markets (host country). The factors that drive this process are globalization (Falihat et al., 2020), the collapse of boundaries between countries, the emergence of new industrial countries – NIC newly industrial countries (Abou-Shouk & Soliman, 2021) including technological developments and innovations in various fields.

Based on this definition, the internationalization process includes (1) the entry and exit of products, services, and resources that cross a country's borders where the company carries out its activities; (2) as a consequence of point number one, cross-country transactions occur; (3) the driving factor is internal (the company is oriented to foreign markets) and external (the business environment, especially globalization). The business competition nowadays requires companies to act as jungle creatures. The moving business environment is very dynamic and has tremendous uncertainty. The company's ability to handle marketing problems seek and find market opportunities will affect the company's survival in the competition. Therefore, in this millennium century, companies must compete competitively (competitive rivalry) to create and maintain loyal consumers (specifically called customers). One of them is through a 'war' between brands (Ariffin et al., 2016) Brand competition often occurs in companies with other similar brands.

One of the critical elements in ensuring the continuity of a business is operating income from customers or consumers. In this case, many experts have proven that consumer factors directly affect the SMEs performance (Ng et al., 2017) Consumers who are satisfied with the goods or services they buy tend to be loyal and provide financial benefits (Marakanon & Panjakajornsak, 2017). Currently, the company's strategy is easier to replicate, starting from the product, structure, advertising, product form, and specifications. Therefore, the company must have a competitive advantage to maintain its market share. One way that companies often do for it is through a brand. Other companies may imitate products, structures, advertising, and strategies, but brands may not. A brand is a name, term, sign, symbol, or design, or a combination of them that is expected to identify a person, seller, or group of sellers and differentiate the goods or services of competitors (Wirapraja & Subriadi, 2019).

Brand awareness is the ability of a prospective buyer to recognize or recall that a brand is part of a specific product category (Rubio et al., 2014). Brand awareness is the first stage for every company. Brand awareness can be formed by proving the quality of the products produced (Homburg et al., 2010). After consumers know the products of the company, then the next step is to think of ways so that these consumers have a strong memory of the products issued by the company. It is what the company needs to follow up because the company wants people who become new consumers to become consumers who are committed to the company. They will turn into regular consumers if their products can satisfy these consumers.

These advantages possessed by the company will later lead to loyalty from consumers to remain loyal to the company so that later it will create a good impression of quality (perceived quality) in the minds of consumers for the products issued because customer loyalty is the key to success, not only in the short term but a sustainable competitive advantage because customer loyalty has strategic value for the company (Kim et al., 2018). In this research, the SMEs were the research objects that would be studied further about the extent to which the internationalization process of SMEs was seen from its effects on brand awareness and perceived quality.

2. Research Method

In this research, the researchers used a quantitative approach. This research method systematically described phenomena using numerical data analysis and statistics to test hypotheses with measurable data by producing generalizable conclusions. This research design was correlational. Correlation helped analyze the relationship between a variable and others or how a variable affected other variables (Arikunto, 2017). Meanwhile, the technical analysis used multiple linear regression.

The population was a generalization area consisting of subjects with specific qualities and characteristics determined by researchers to be studied and then drawn conclusions (Sugiyono, 2016). In this research, the population was all SMEs in Madura Island. The number of samples used was 367 SMEs with the calculation of the Slovin formula with an estimated error rate of 5%. The sampling design was an incidental sampling technique, namely the technique of determining the sample based on coincidence or spontaneity, which was carried out by accident with the researcher.

3. Results And Discussions

The research method was the multiple linear regression statistical analysis method. Multiple linear regression analysis was used to determine the effect of the independent variable (X) and the dependent variable (Y) on the changes of each increase and decrease in the independent variable that affected the dependent variable.

The regression equation model was applied to estimate the effect of brand awareness and perceived quality on the internationalization process of SMEs, which was $Y = 7.372 + 0.101(X1) + 0.198(X2) + 0.960$. Y was the process of internationalization of SMEs. In contrast, X1 was brand awareness, and X2 was perceived quality.

The equation above can be analyzed several things, including:

- a. The constant value of Y or a = 7.372. If the variables X1 and X2 were constant, the variable Y = 7.372.
- b. Regression coefficient X1 (brand awareness) from multiple linear calculations obtained coefficient value (b1) = 0.101, assuming the variable X2 (perceived quality) was constant. The variable X1 (brand awareness) increased by 1%, then the variable Y (SMEs internationalization process) would also increase by 0.101.
- c. Regression coefficient X2 (perceived quality) from multiple linear calculations obtained coefficient value (b2) = 0.198, assuming the X1 variable (brand awareness) was constant, and the X2 variable (brand awareness) increased by 1%. The Y variable (MSME internationalization process) would also increase by 0.198. It meant that every time there was an increase in the X1 and X2 values, the Y-value would also increase with a constant assumption was 7.671.
- d. The standard error of 0.960 meant that all the variables calculated in the SPSS test had a level of confounding variables.

The results of the multiple regression coefficients showed that perceived quality was the most significant factor affecting the SMEs internationalization process.

The regression equation $Y = 7.372 + 0.101 + 0.198 + 0.960$ was used to estimate the internationalization process of SMEs, which was affected by brand awareness and perceived quality.

3.1 F-test (Simultaneous or Joint Test)

This simultaneous test was to determine whether all the independent variables, namely brand awareness and perceived quality, together had a significant effect on the dependent variable, i.e., the internationalization process of SMEs. The results of the F-test from this research are as follows.

Table 1. Simultaneous Test Results (F)

Variable	Speed (rpm)	Power (kW)
x	10	8.6
y	15	12.4
z	20	15.3

a. Dependent Variable: INTERNATIONALIZATION PROCESS OF SMEs

b. Predictors: (Constant), PERCEIVED QUALITY, BRAND AWARENESS

Source: SPSS 22 output, processed 2022

The steps for testing the F-test are as follows:

- a. Formulating Hypotheses
 H_0 = brand awareness and perceived quality did not significantly affect the internationalization process of SMEs.
 H_a = brand awareness and perceived quality simultaneously significantly affected the SMEs internationalization process.
- b. Significance Level
 The significance level was 0.05.
- c. Determining Ftable
 Determining the Ftable used 95% confidence level and $\alpha = 5\%$ to find $F_{table} = n-k-1$. It meant the number of respondents misused by the independent variable minus 1, which resulted in $367-2-1 = 364$, and the Ftable was 3.01
- d. Testing Criteria
 H_a was rejected if $sig > 0.05$ or $F_{count} < F_{table}$
 H_a was accepted if $sig < 0.05$ or $F_{count} > F_{table}$

The significance level obtained was smaller based on statistical testing using the F-test, namely 0.000 from the standard significance was 0.05. The comparison between f_{count} and F_{table} obtained $F_{count} > F_{table}$, i.e., $61.817 > 3.01$. Hence, it can be concluded that brand awareness and perceived quality simultaneously had significant effects on the SMEs internationalization process on Madura Island.

3.2 T-Test (Partial Test)

The research hypothesis was tested for truth using a partial test (T-test). The t-test was a test to determine whether all independent variables, namely brand awareness and perceived quality, had significant effects on the dependent variable, i.e., the internationalization process of SMEs. The results of the t-test of this research are as follows:

Table 2. Partial Test Results (T)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	7.372	.960		7.676	.000
BRANDAWARENESS	.101	.057	.092	1.760	.079
PERCEIVEDQUALITY	.198	.023	.452	8.671	.000

a. Dependent Variable: THE INTERNATIONALIZATION OF SMEs

Source: Outputs SPSS 22, Processed 2022 (Zucchella et al., 2007)

The steps to perform the t-test are as follows:

- a. Formulating Hypothesis
 H₀ = partially (individually) brand awareness and perceived quality did not significantly affect the SMEs internationalization process.
 H_a = partially (individually) brand awareness and perceived quality significantly affected the SMEs internationalization process.
- b. Significance Level
 The significance level was 0.05 ($\alpha = 5\%$).
- c. Determining ttable
 $A = 0.05$ (5%) to determine the ttable that was $t = (\alpha/2:n-k-1) = (0.05/2:367-2-1) = 0.025:364$ then ttable was 1.966.
- d. Testing Criteria
 H_a was rejected if $\text{sig} > 0.05$, or $t_{\text{count}} < t_{\text{table}}$
 H_a was accepted if $\text{sig} < 0.05$ or $t_{\text{count}} > t_{\text{table}}$

Based on statistical testing with the t-test, it can be concluded that the brand awareness variable did not significantly affect the SMEs internationalization process because the significance value was more significant than 0.05, which was $0.079 > 0.05$. Furthermore, it had a smaller tcount than the ttable, i.e., $1.760 < 1.966$. Meanwhile, the perceived quality variable had a significant effect on the internationalization process of SMEs because the significance value was smaller than 0.05, i.e., $0.000 < 0.05$, and had a more significant tcount than the table, i.e., $8.671 > 1.966$.

3.3 Coefficient of Determination

The coefficient of determination (R²) measured how far the independent variables explained the dependent variable. The value of the coefficient of determination was determined by the adjusted R-square value, as can be seen in the table below:

Table 3. Results of the Coefficient of Determination Test (R²)

Model	R	R-square	Adjusted R-square	Std. Error of the Estimate
1	.504 ^a	.254	.249	1.41725

a. Predictors: (Constant), PERCEIVED QUALITY, BRAND AWARENESS

b. Dependent Variable: SMEs INTERNATIONALIZATION

Source: SPSS 22 output, processed 2022

It was explained that the coefficient of determination (adjusted R-square) was obtained at 0.249. It meant that 24.9% of the MSME internationalization process variables were affected by brand awareness and perceived quality, while the remaining 75.1% were affected by other variables not proposed in the research.

Brand awareness is vital for a small business. It is not only to invite consumers for the first time but also to make them continue to buy or use services owned by a company (Konuk, 2021). People are more likely to buy goods or use services from a name that they trusted and was easily recognizable, e.g., a logo. Brand awareness is the first thing that comes to people's minds when they will buy or use certain services. The role of perception on quality for a brand is vital; thus, efforts to build perceived solid quality need

serious attention so that a company can seize and conquer the market (Foroudi, 2019). A real quality improvement must follow building perception of quality because it would be futile to convince consumers that the quality of a company is outstanding when in reality, it says otherwise.

The research results indicated that simultaneously, the independent variables consisting of brand awareness and perceived quality had significant effects on the dependent variable, i.e., the SMEs internationalization process. The significance level was lower, namely 0.000 from the standard significance of 0.05, and the comparison between F_{count} and F_{table} obtained $F_{count} > F_{table}$ was $61.817 > 3.01$. It agreed with Aisyah Hidayati's research that simultaneously, the brand awareness and perceived quality variables positively and significantly affected saving decisions.

Based on the research results, it was known that brand awareness had positive and insignificant effects on the SMEs internationalization process because the significance value was more significant than 0.05, i.e., $0.079 > 0.05$, and had a smaller t_{count} than t_{table} , i.e., $1.760 < 1.966$. Meanwhile, the perceived quality variable positively and significantly affected the SMEs internationalization process. The significance value was smaller than 0.05, i.e., $0.000 < 0.05$, and had a more significant t_{count} than the t_{table} , $8.671 > 1.966$. It also agreed with other research that not all independent variables significantly affected the dependent variable. However, only brand awareness and brand associations positively and significantly affected saving decisions (Denicolai et al., 2021).

4. Conclusion

Based on the research that has been done and the discussion on the effect of brand awareness and perceived quality on the internationalization process of SMEs, it can be concluded that the brand awareness variable had positive and insignificant effects on the SMEs internationalization process. The perceived quality variable had positive and significant effects on the SMEs internationalization process. This research results indicated that simultaneously (together) independent variables consisting of brand awareness and perceived quality affected the internationalization process of SMEs. Based on research results, it was necessary to increase the brand awareness of SMEs in Madura and optimize perceived quality. Therefore, SMEs products became more attractive in the international market.

It is recommended for further research to use other variables besides brand awareness and perceived quality that are predicted to affect the SMEs internationalization process, such as digital marketing, brand equity, or government support in the export process. The research results are expected to be used as the basis for training to increase competitiveness and motivation and counseling to increase the competitiveness of SMEs in Madura so that they can succeed in the internationalization process.

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