

The Product Market Strategy, Value Creation, and Competitive Advantages as a Determinant Factor of Marketing Performance

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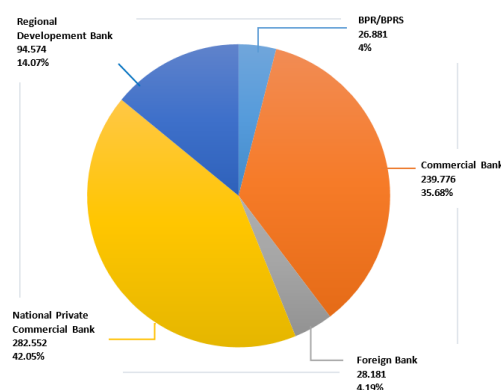
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Abstract— The micro-finance industry occupied a strategic role in the Indonesian economy. Bank Perkreditan Rakyat (BPR) as one of the micro-finance institutions has an important role in developing the Micro, Small and Medium Enterprises (SME's). Even the BPR get many obstacles, especially in competition terms. This study concerned to analyze the *product market strategy, creating values, and competitive advantage in affecting marketing performance of BPR in Indonesia*. The verification analysis was used to test the hypothesis. The analytical tool used was Structural Equation Modeling (SEM). The sample size was 160 respondents (directors of BPR in West Java, Indonesia) who were determined by the Stratified Random Sampling technique. The finding concluded that the *product market strategy, creating value, and competitive advantage* were positively affecting the *marketing performance* of BPR. The influence of the *value creation* was greater than the *product-market strategy and competitive advantages*. Therefore, BPR has to pay attention and enhance the *value creation* for raising the competitiveness and performances.

Keywords— *The product market strategy, value creation, competitive advantage, marketing performance.*

1. Introduction

Micro finance institutions, in this case is "Bank Perkreditan Rakyat (BPR)" is one of the micro finance institutions in Indonesia, which has significant contributions for social economy in Indonesia. In contrast, the role of BPR to SMEs in Indonesia has still a little contribution that is compared to the commercial banks, which only amounted to 26,881 billion rupiah, or 4%, while the dominant role given by the national private commercial bank amounting to 282.552 billion rupiah, or 42.05% [1][2]. The following Figure 1 is a role of banks towards SMEs.



Source: OJK, 2018

Figure 1. The Role of Banks on SMEs

Based on the Figur 1. The national private Commercial Bank has the highest contribution for the SME's performance (42,05%). The commercial bank has 35,68%, The Regional Development (14,07%), Foreign Bank (4,19%) and the contribution of BPR in the SME's performance is only 4%.

In this industry "head-to-head" competition is carried out by focusing on functional-emotional orientation to improve marketing performance with the trend of adopting external influences that occur. BPR is increasingly facing a very high competitive situations and relatively very difficult to find sustainable competitive advantage. The competition among the firms is perceived as the movement of war which depends upon analyzing the situation and responding quickly to the market needs that changes rapidly [3]. Facing this competition, companies must also create competitive advantage which is a profitable strategy for companies that collaborate to compete more effectively in the market [4]. So, the competitive strategy will improve marketing performance and give an obvious implication to the company.

The role of BPR is too little in the SME's sectors. In the other hands, Financial Services

Authority (OJK) noted the number of BPR in January 2019 has reached as many as 1597 BPR that is scattered throughout Indonesia. There is 69 percent (1102 units) of BPR distributions which are centered in Java and Bali. While the 31 percent (495 units) were outside them. The data indicates that competition in Java and Bali has been very tight, then BPR needs to create a product market strategy and value creation that is effective and efficient, so it has a competitive advantage, such as company's image and optimal marketing performance. Beside that, the product market strategy was still carried out sporadically. It was not becoming a leading of a value creation strategy and competitive advantages, exactly in creating a unique product (financial services), which is different than the competitor's products. Furthermore, Kartajaya classified the competitive situation into five categories, are symbols, interrupted, complicated, sophisticated, and chaos. The identifications of this competitive situation are by characteristics of customers, competitors and change. Thus, this situation is called the Competitive Setting Profile (CSP) [5].

If this is viewed from the distribution of the number of BPR in Indonesia, West Java is the highest number of BPR. In addition, West Java province as a business sector is dominated by the Micro and Small and Medium Enterprises (SME's) and known as the highest export creative economy in Indonesia. The number of export of these creative products reached 33.56% or about 6.5 billion US dollars. In addition, the environmental factors and social culture strongly supports the entrepreneurial spirit that is relatively higher. On the other hand, it becomes an opportunity for the development of local financial institutions (such as BPR) in boosting regional economic growth by offering the credit access to the SME's. However BPR experienced a situation where the level of NPL (at the end of 2011) reached 5.22%, and it was the lowest level in the previous year. Furthermore, in 2009 the value of NPL reached 6.9% and 6.12% in 2010. However, in spite of this situation, the loan portfolio was growing up. So in the end of December 2011, the industry has distributed loans up to 41,1 trillion rupiah that is increased 7.25 trillion rupiah (21.45%) compared with the end of 2010 (33,84 trillion rupiah).

Base on previous data, the growth in the SME's activities especially in the international market (export) means the performance is in a good condition. Moreover, the SME's need more capital in supporting the systems. So it is becoming an opportunity for the BPR in helping the funding (by offering credit). To be enrolled in the SME's funding, The BPR has to arrange the right strategy in growing up the marketing performance that means a measure of achieving the goals of the

products in the market. Marketing performance is a concept used to measure the company's performance in the market for a product. According to Pelham the marketing performance including the effectiveness, sales growth and relative profit growth [6].

Marketing performance becomes a measure of achievement obtained from the overall marketing process activities [7]. It is built through three business foundations, are strategy orientation, creativity and innovation. The orientation of the company's strategy focuses on customers, technology and competitors. Beside it, creativity comes from the intellectual thought process of cognitive efforts, which not only generates new ideas, but also finds better ways to solve existing problems. While innovation refers to the new products development that are different from competitors.

The marketing performance can be influenced by the product market strategy. It is a strategy that is continuously combining product benefits to the consumer needs. Because of the needs are changing rapidly base on the Era, so it is necessary to group consumers based on the characteristics to be able to facilitate the consumer needs. The product market strategy will cover the market segmentation strategy, target market strategy, and product/service positioning strategy. Beside it, In the marketing function, the product market strategy is translated into a marketing mix strategy (product mix strategy, the price mix strategy, the promotion mix strategy, and the distribution mix strategy) [8]. Moreover, the arrangement of this strategy, in determining the product market strategy as follow. The first is to do market segmentation, which divides the market into groups with different needs, characteristics, or behaviour so the company identifies differently for market segments and create profiles of identified market segments. The second is creating target market, which evaluates the attractiveness of segments to choose one or more segments to be served, while the last step is market positioning, which is making competitive positioning for each product available in the target market [8].

BPR serve the financial services that is beneficially in the financial needs, so the other banks do. Moreover, the BPR must create more values (value creation) in growing up the marketing performance and competitive advantages. It is defined as the advantages of the BPR services. According to Kartajaya, A value must be able to reflect three elements. They are brand, service, and process [9]. If the BPR succeeds in creating the values, the consumer will decide to use the service. The application of value creation is to improve

business activities by applying strategy at the corporate and business level [10].

The application focuses on internal resources owned and also relate to the competitiveness strategy in increasing the competitiveness of the company [11]. Base on the research background, this study aimed to analyze the effect of *product-market strategy*, *value creation* and *competitive advantage* in affecting the *marketing performance* of the BPR in West Java, Indonesia.

2. Methodology

This study was verification study with the statistical approach in analyzing the effect of the *product-market strategy*, *value creation* and *competitive advantage* in affecting the *marketing performance* of the BPR in West Java, Indonesia. The data was collected by using questionnaire. The time horizon of this observation used a cross section. The SEM method was chosen for its ability to measure the construct through some indicators as well as to analyze the indicators, latent variables with the irregularities of the measurement [11] [12]. Thus, the analysis of the relationship between indicators variables with a variable latent (equation measurement), then the relationship between latent variables with one another were referred to structural equation which partially and simultaneously involves. The sample size was 160 respondents. They were directors of BPR at West Java, Indonesia that they were becoming representation of the target population in the study by Stratified Random Sampling technique.

3. Results and Discussions

This research was to add to the knowledge on *marketing performance* that was affected by *Products Market Strategy*, *Value Creation* and *competitive advantages*. By testing a research framework and conducting path analysis with valid and reliable instrument. *The product-market strategy*, *value creation* and *competitive advantage* affected the *marketing performance* of BPR in West Java, Indonesia partially and simultaneously. Furthermore, the estimated parameters are standardized on the path model as shown in the following Figure 2.

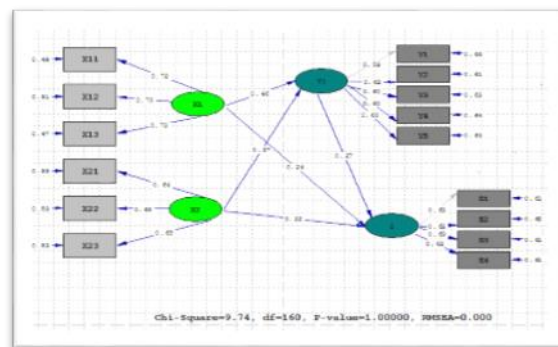


Figure 2. Path Analysis Diagram

Based on the Figure 2. The loading factor value of the indicator X_1 to $X_{1,1}$ was 0,72; X_1 to $X_{1,2}$ was 0,70 and X_1 to $X_{1,3}$ was 0,73. The loading factor value of the indicator X_2 to $X_{2,1}$ was 0,64; X_2 to $X_{2,2}$ was 0,68 and X_2 to $X_{1,3}$ was 0,68. The loading factor value of the indicator Y_1 to Y_1 was 0,59; Y_1 to Y_2 was 0,62; Y_1 to Y_3, Y_4, Y_5 were 0,60. The loading factors values were more greater than 0,5 that meant all datas were valid. While the confirmatory factors analysis used Goodness of fit test by Chi Square, P-Value, and RMSEA. Base on the Figure 2, the value of Chi Square was 9,74 ($< 199,66$); P-Value was 1,000 ($\leq 0,08$), and RMSEA was 0,000 ($\leq 0,08$). It could be concluded that the measurement result of model have met the criteria for goodness of fit. Furthermore, based on the fit model, the three hypotheses are tested.

The path coefficients of the variable were X_1 to $Z = 0,24$. It meanted the product-market strategy has positive influence toward market performance with the coefficient path was 0,24. The path coefficients of the variable were X_2 to $Z = 0,22$. It meanted the value creation has positive influence toward market performance with the coefficient path was 0,22. And the path coefficients of the variable were Y_1 to $Z = 0,27$. It meanted the value creation has positive influence toward market performance with the coefficient path was 0,27.

3.1 Overall Testing Result

To test whether the variable X_1 (*products market strategy*), X_2 (*value creation*), and Y_1 (*competitive advantage*) affect Z (*marketing performance*) simultaneously at BPR in West Java, Indonesia. Then the analysis used the F- test statistic as follows.

$$F = \frac{(n - k - 1)R_y^2(x)}{k(1 - R_y^2(x))} = \frac{(160 - 2 - 1)0,33}{2(1 - 0,33)} = 117,6$$

From these calculations, the information obtained that F_{count} (117,6) is more than $F_{Table} = 3.05$ ($\alpha = 0.05$) so that the H_0 hypothesis is rejected. It means the X_1 (*Product Market Strategy*), X_2 (*Value Creation*), and Y_1 (*Competitive Advantage*)

to *Z* (*marketing performance*) statistically, has significant effect. This finding indicated that the *marketing performance* was affected significantly by the *product market strategy*, *value creation* and *competitive advantage*.

3.2 Individual Testing Result

Partially, the effect of the *product market strategy*, *value creation* and *competitive advantage* through *marketing performance* of BPR in West Java, Indonesia could be determined by the Tabel 1 as follow.

Table 1. Summary of Path Analysis Result

Hypothesis	Variable	Path Coefficient	(t-count)	Notes
Hypothesis A	X1 → Z	0.24	2.68	Significant
Hypothesis B	X2 → Z	0.22	2.47	Significant
Hypothesis C	Y1 → Z	0.27	2.47	Significant

Sources: Output Lisrel, 2019

To determine the influence of each variable, it can be seen through hypothesis testing in the Table 1. The direct effect is observed from the path coefficient, with significance testing of comparative value of CR (Critical Ratio) and value of t-count and t-table. If t-count is greater than t-table (1.98) means significant, it can be said that the hypothesis is accepted.

The Hypothesis A was accepted because of t-count was 2.68 is greater than 1.98 (t-table; $\alpha=0.05$). Beside it, the path coefficient was 0.24. It means the *product-market strategy* has significant effect on the *market performance* of BPR in West Java, Indonesia. This result was in line with the previous study that stated that the *product-market strategy* has significant effect on the *market performance* [14] [15].

The Hypothesis B was accepted because of t-count was 2.47 is greater than 1.98 (t-table; $\alpha=0.05$). Beside it, the path coefficient was 0.22. It means the *value creation* has significant effect on the *market performance* of BPR in West Java, Indonesia. This result was in line with the previous study that stated that the *value creation* has significant effect on the *market performance*. [16] [17] [18].

The Hypothesis C was accepted because of t-count was 2.47 is greater than 1.98 (t-table; $\alpha=0.05$). Beside it, the path coefficient was 0.27. It means the *competitive advantage* has significant effect on the *market performance* of BPR in West Java, Indonesia. This result was in line with the previous study that stated that the *competitive advantage* has significant effect on the *market performance* [19] [20].

Thus, it can be concluded that the higher market strategy the higher marketing performance.

This trend is in line with the study that states the market strategy can affect the marketing performance [21]. In addition, the results is relevant to be used to describe the existence of BPR in West Java, Indonesia. At least, today, BPR is facing two tough challenges, the first is the fact of weakening expectations of traditional products growth and the second is the attacks continuously for the traditional sources that generate profits, either by financial institutions (banks) or non-bank financial institutions.

To face the current challenges, The BPR should develop a right strategy. This strategy continuously need an attention to retain customers through a different placement strategies (distinctive positioning) in the market. One effective strategy to achieve a different placement in the market is quality of service that truly fit the needs of its customers. This is become serious attention to improving the quality of service, being a key factor in declining market of BPR. Therefore, the achievement of the service quality that is truly fit with the customer needs and becoming critical point of BPR in the next years.

Managing operations strategy, which is focused on making a plan and comprehensive policy of production resources in order to support the company's long-term competitive strategy. Moreover, it is expected to overcome problems that is currently faced by BPR.

4. Conclusion

The results showed that the *product-market strategy*, *value creation* and *competitive advantage* significantly affected the *marketing performance* of BPR in West Java, Indonesia simultaneously and partially. While the greatest influences towards performance is a *competitive advantage* and then the *value creation*. The BPR must be visionary, try to make improvements and to be existed in the customer mind.

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