

# **Entrepreneurial Marketing**



# Bringing Innovations of Integrated Marketing Communications Mix to the Job Training I

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## **Abstract**

*Students of Industrial Engineering at the University of Surabaya get a marketing management course, which includes the concept of marketing, strategy of segmentation, targeting, positioning, differentiation, marketing mix of product, price, place, and promotion (4P), and Corporate Social Responsibility (CSR). They can practice these theories significantly in the Job Training I. Divided in a team, the students play a role as a manufacturer by making the product as specified, and design appropriate marketing strategies for that product. One is the promotion strategy, the second P of marketing mix. They must be creative and innovative in designing effective marketing communication mix strategies to deliver customer value. There are several methods of promotion that can be used, such as exhibition, advertising (brochures and websites), sales promotion, and personal selling. At the exhibition, they display the products that they have made and present their creativity and innovation in the promotion strategy. To appreciate the creativity and innovation of students, three awards for three categories related to marketing field are provided. First, the best booth at the exhibition is evaluated based on the booth appearance and cleanliness, and the conformity with the Job Training theme. Second, the best negotiator is for the student who can perform the best negotiation and personal selling during the exhibition. Last, the best innovation in marketing is assessed through the number of media promotion used, the effectiveness of the media promotion, the selling innovation, and the team appearance during the exhibition. This event has received good appreciation from the students because through those activities, they can explore their creative ideas and innovation and build good communication and teamwork.*

*Keywords: promotion, exhibition, innovation*

## **1. Introduction**

Students of Industrial Engineering are expected to have knowledge, expertise, and professional attitude, the spirit of entrepreneurship and innovation to face the challenges in the global era. They will have strength in the field of design, implementation, improvement and management of integrated systems in manufacturing and service industries that consist of human, machinery, equipment, money, energy and information through integrative and systemic approach, so that integrated systems can function optimally. Thus students of Industrial Engineering are not only equipped with technical skills, but also managerial expertise and marketing skills (Universitas Surabaya, 2010).

During their study students run the Job Training I as an integrated understanding of the manufacturing industry, particularly relating to design and product development with the main raw material of wood, manufacturing processes, use of machinery and production equipment as well as analysis of all aspects of both technical and non technical, organizational and financial in a manufacturing industry which are simulated on the Teaching Industry. Job Training I has two credits class and prerequisite subjects which

includes Organizational Management, Planning and Production Control, Design and Product Development, Financial Management, and Marketing Management.

The topic of this paper is limited on promotion as one of marketing mix (4P), especially integrated marketing communications in the Job Training I.

The objective of this paper is to present a case study of how students in the Job Training I apply theories of marketing communication mix to the real condition that could describe of how companies communicate the value to the customers through integrated marketing communications in a special event.

## **2. Theoretical Background**

### **2.1 Promotion**

Promotion means activities that communicate the benefits of the product and persuade target customers to buy it (Kotler, 2010). Tools or basic devices of promotion are known as marketing communications mix that consists of advertising, direct marketing, sales promotion, public relation, and personal selling.

Advertising is a paid, non personal form of communication using mass-media channels, such as print, radio, television, billboards, and

so forth, or more targeted trade journals (Mohr, 2010). Advertising is a form of communication that aims to affect every layer or community members. Advertising can help to achieve almost all of the targeted audience, as a powerful tool to build consumer awareness (Brannan, 2004). In addition, Kotler said that advertising can reach masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times (2010). However, advertising is impersonal and cannot be as directly persuasive as personal selling.

In his book Kotler gave an explanation about direct marketing. Direct marketing is immediate and customized as messages can be made very quickly and can be tailored to attract specific consumers. In addition, direct marketing is interactive allowing a dialogue between the marketing team and the consumer, and messages can be changed depending on the consumer's response (2010).

Other tool that Kotler mentioned is sales promotion. Sales promotion is a marketing strategy to increase direct sales in the short term. Sales promotion includes a wide assortment of tools, coupons, contest, cents-off deals, premiums, and others, all of which have many unique qualities. They attract consumer attention, offer strong incentives to purchase, and can be used to dramatize product offers and to raise declining sales (2010).

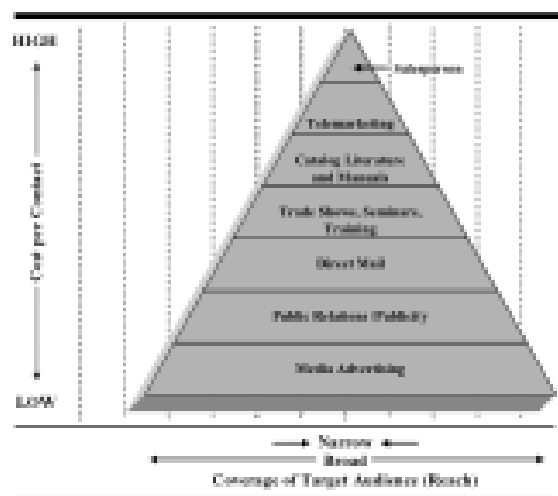
Mohr explained that public relations (PR) include the company's activities to develop goodwill with customers, the community in which it does business, shareholders, and other key stakeholders (2010). These activities include sponsoring events, cause-related marketing (aligning with a non-profit organization), corporate advertising regarding on the company's position on critical issues, or other outreach activities. A company can make products with its name and company logo given to visitors and buyers. Brannan identified the benefit of PR that it can respond to various events very quickly (2004).

Brannan defined that personal selling is a form of communication where sellers try to help or to offer consumers to purchase products or services. Unlike advertising, personal selling involves face-to-face relationships with customers or interacts via communication media such as telephone. These interactions provide flexibilities which sellers can get a response or reaction from prospective buyers and adjust

them with sales messages (2004). Furthermore, Kotler said that personal selling is the most effective tool at certain stages of the buying process, particularly in building up buyers, preferences, convictions, and actions (2010). Even though, Mohr said that the companies generally should not use their salespeople to call on prospects or to do sales call unless the prospects have first been contacted using less expensive, broader-reach tool.

The new media, Internet, as told by Brannan, can do all of the elements of promotion mix. Besides as advertising medium, Internet also may offer coupons, contests, online sweepstakes, direct marketing, public relations and even personal selling effectively and efficiently (2004).

The trade-off between the target audience to be achieved and the cost of the marketing mix can be illustrated by the pyramid as in Figure 1. The pyramid has two dimensions, namely the degree of coverage of the target audience and cost efficiency (Mohr, 2010). That pyramid can be used as a coordinating device for applied marketing communication mix.



Source: Mohr (2010).

Figure 1. The Advertising and Promotion Pyramid

Moreover, Mohr stated that a company should not use the tools at the highest level of the pyramid by isolating the equipment at lower levels. The role of tools at the bottom of the pyramid is to create product and brand awareness, and to warm up prospects before using the more expensive tools. Matching promotional tool for the appropriate task is based on the strengths and weaknesses of each

instrument, relative to the goals made by each instrument (2010).

## **2.2 Integrated Marketing Communication**

Integrated marketing communication (IMC) is a communication process that requires planning, creation, integration, and implementation of various forms of advertising, sales promotion, public relation, events, which are delivered from time to time to targeted customers. The objective of IMC is ultimately to influence or directly affect the behavior of targeted audiences (Shimp, 2007). Kotler said that through this concept the company carefully integrates its many communication channels to convey a clear, consistent, and interesting message about the organization and its brand (2010). IMC leads to a total marketing communications strategy that aims to build strong customer relationships by showing how companies and products that can help customers solve their problems. IMC binds together all the company's message and image. IMC also promotes consistency among the marketing communications messages and co-ordination of the elements of the marketing mix, all of which are integral to the overall success of marketing communications (Hede, 2011).

## **3. Research Method**

Data required in this paper were collected through two times observations in the Job Training I in Industrial Engineering Department, University of Surabaya, especially at the exhibition event. Two exhibitions were held for one day at the Gedung Serba Guna Fakultas Teknik. Observations were covering how companies implement marketing communication mix in the Job Training I and integrate marketing communications strategies at exhibition, and how the visitors and buyers give response to their strategies. Observations were also based on evidence that can be seen during the exhibition, including brochures, banner, business cards, display booths, and company performance.

## **4. Design and Implementation**

### **4.1 Design**

The scenario of Job Training I is determined by team scenario and explained in the Modul Kerja Praktek I (Jurusan Teknik Industri, 2011). Students who carry out the Job Training I will be divided as a team. Each team will act as an independent company located in

Surabaya, with the company name assigned by each team. Each company will design and produce a product in accordance with the theme of Job Training I. The theme of Job Training I changes and is determined by the Scenario Team of Job Training I. Some of defined themes are Professional Handbags, Beyond Imagination, Home Office Furniture with Knock-Down Design, Houseware, and the last, Learn and Play. For product design research can be done to the store/manufacturer/seller of similar products. Product will be marketed to both domestic and overseas buyers. In order to market the designed products, the company can undertake marketing activities using various marketing communication mix.

As a company that will launch the new product, each company must participate in the exhibition as special event. As stated by Hede that special events are unique market offerings with characteristics, which are different to other market offerings (2011). The exhibition is very good to create a new contact, the most effective media for promotion, especially for new products launching. The exhibition could be the first step to entering new markets or regions. Brannan said that at the exhibition are all companies in the same ship with its competitors, gaining a very limited number of visitors (2004). Therefore the companies that participate in the exhibition must be as creative and innovative as possible, so that they can attract the visitors and the buyers to visit their booth.

The exhibition of industrial products is one of the marketing activities allowing the company to capture the buyers while it will be attended by domestic and overseas buyers. At exhibition each company must display its new products and explain the features of the product. Buyers are lecturers defined as buyers. Each buyer has specific identities, such as consumer/business buyer, his home city/state, the company name, and the characteristics of each buyer. While buyers could come from overseas, so that using English in communication is compulsory and there is no interpreter services. Each buyer has a determined budget to spend. The budget amount is different for every buyer. Therefore, buyers must be selective in choosing products to purchase and adjust it to his budget. Sale and purchase transaction are likely to occur at the time of exhibition.

Besides the exhibition, each company is expected to perform other marketing activities,

such as advertising, brochures, web creation, direct selling, direct marketing (contacting buyers via telephone and e-mail), sending a brochure, and other tools. Each company is free to determine the marketing communication mix that will be used. The brochure is compulsory for each company, while other marketing communication tools can be considered as an additional promotion media.

## **4.2 Implementation**

Based on observations, here are the innovations carried out by the company in the Job Training I.

### **4.2.1 Exhibition**

In the event the exhibition every company should be able to introduce their products and at the same time obtain the purchase from the buyer. Therefore, the exhibition becomes an arena for creativity and innovation distribution companies in publishing and marketing their products. All companies will follow the exhibition of industrial products which be held at the determined place. Each company get a booth exhibits by auction held three days before the exhibition. Auction can be done either through the Internet (online auction) or directly. This auction was held to offer exhibition booths with various rates according to booth location. Booth favorite which is located near the entrance will be more expensive than a booth located far from the entrance. Each company should consider the booth location and its rates, because rates must be included as exhibition cost. One day before the exhibition, there is time and opportunity for each company to decorate its booth. They will get a set of tables, chairs, and insulation. Companies have the freedom to design and arrange the booth with the creative as possible, because there is an award for best booth.

### **4.2.2 Promotion Tagline**

The company can create the promotion tagline to communicate its product to customers. Tagline should be easy to be remembered and pronounced. Tagline is depending on designed products in accordance with theme of Job Training I. For example, theme of Job Training I is "Learn and Play". Therefore every company should make a children toy product that has function as a toy and contains education element, like Scrabeddu (scrabbel and education), jungle snake (snake innovative

steps), 4 in 1 board game (together for fun), Zoo Puzzle, and Muzzle.

### **4.2.3 Marketing Communication Mix**

There is exhibition poster which informs about the exhibition, when and where it will be held. On the poster are no information of company and brand name of products. The poster is posted on several bulletin boards that can be seen by the public at the university. Each company makes a banner displayed in front of the booth. Banner contains the information about company names, brand and product images, pricing, and contact person.

The brochure is the compulsory promotion tool that must be used by every company in the Job Training I. It can be distributed before and during the exhibition, either to the visitors and buyers. It should stimulate interest of buyers to make a purchase by giving information about the company name, the offered product, price, discount, etc. Therefore the brochure must be as attractive as possible and convey information about the product quite clearly.

At the exhibition, each company must actively come to the buyers to offer their products personally and serve buyers who come to the booth. Basically every company,s employee (member of the group) is the seller. They should be able to explain about the company,s mission, the reason for the selection of product names, and target users of these products. In addition, they must know the products well, not just brand of the products, but also the benefits of products and product features. They also need to know about pricing and delivery cost and methods, including the discount given for the purchase at that time. Furthermore, they must be able to communicate well, even in English, to serve buyers who come from abroad. Active sellers will not hesitate to come, even to pursue and to persuade buyers to purchase their products. Moreover, the seller must be able to communicate from heart to heart so that the buyer will be impressed and having a desire to make a purchase on the spot. Therefore, he should know characteristics of each buyer and match it to how he negotiates buyers persuasively.

At the exhibition personal selling and direct marketing are conducted simultaneously because at the beginning the company does not have a distributor to market its products. The company can contact the buyer via telephone or e-mail to make an appointment. Of course, the

purchase is expected to occur when the seller visits the buyer.

Because it is used to stimulate the purchase in the short term and in large numbers, so any company during the exhibition does aggressive sales promotions. Almost all companies offer discounts, which amount varies according to the amount of purchase. Other companies offer a special price during the exhibition. In addition, they can offer free delivery cost for a particular destination that is not too far from the company and bear the penalty cost, the fee the company must pay due to late shipment.

Further more, other companies can attract buyers by giving bonuses, such as common product (candy, snacks, ballpoint, and doll) or special product (pins, calendars) with company name and product brand. That kind of special products can be considered as public relation tool.

Using of web/internet becomes one of alternative additional promotional media and it gives additional point to the company. Web can be displayed at each booth during the exhibition. It can be written in the card name or brochure. Not all companies use the web. Based on observations, web could show the creativity of companies of web designing, display, information on web, and attractiveness. Web made by companies is not only static display, but also dynamic and interactive. Some web/internet designed by the companies are [www.superiorcompany.co.cc](http://www.superiorcompany.co.cc), [www.sikercompany.blogspot.com](http://www.sikercompany.blogspot.com), [bolang-scrabeddu.blogspot.com](http://bolang-scrabeddu.blogspot.com), and [www.5758ook.wordpress.com](http://www.5758ook.wordpress.com).

There are three awards for the performance at the exhibition: the best booth, the best negotiator, and the innovation in marketing. Each award has criteria assessed during exhibition.

Criteria for the best booth are booth display, the cleanliness, and conformance with the product theme. Because each company has freedom to decorate the booth, so that it does it as creative and innovative as possible. It can use anything in its booth. They put on banner in front of the booth showing the company name, place the offered product at the right place, and use a lot of accessories to make the attractive booth. There is also the favorite booth chosen by visitors. Each visitor is given a ball and he can put it in his favorite booth. The booth that gets the ball at the most will be chosen as favorite booth.

The criteria for the best negotiator are the ability to communicate, understand the product being sold, body language, and persuasive abilities. He must be able to communicate well with buyers and to persuade them to make purchase on the spot. He should understand the characteristics of each buyer, so that buyers will be impressed and interested in buying. Moreover, he can speak English fluently, especially to negotiate with overseas buyers. His body language is also important because he should talk and do negotiation as a real seller, like polite, using correct language, and showing respect to buyers. These criteria can be assessed when the seller does personal selling and direct marketing to buyers.

For the innovation in marketing, criteria to be assessed are the using of marketing communication mix, the effectiveness of that tool, innovative sales promotion, and company performance (appeal). The using of marketing communication mix is determined whether the company uses only brochure or it uses other tools, such as web and display at booth. The creativity and innovation in sales promotion can be seen that the company not only offers discount and free delivery cost, but also premium price during the exhibition and additional product as bonus. The company performance (appeal) can be shown by the company appearance during the exhibition. The employees could wear the same uniform which is really unique and using the company name or logo on the uniform. Furthermore, they can wear a specific uniform related to the product characteristic. For example, they wear animal hat, children bag, and kindergarten uniform.

These awards can be as indications of how the company integrates all of marketing communication mix which it uses. The using of marketing communication mix should be in harmony and integrated, so that they can communicate the offered product and brand image in unity.

## **5. Conclusion**

Job Training I is the event for students to practice the theory gained during lectures to real conditions. They act as the manufacturer of the particular product and try to market their product. One of the subjects applied significantly is the Marketing Management. The students can apply the theory of marketing promotion through integrated marketing communications. There are awards for creativity

and innovation that they perform during the exhibition, especially those related to marketing activities.

Job Training I got good appreciations from students. They argue that they can understand well what they have learned by applying it in the real condition integratedly. In addition, they can build teamwork and bring out the potential skills that have not been seen. The awards also trigger them to be creative and innovative, daring to show the unique and different from others, and exert all their best efforts.

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# Entrepreneurial Marketing: Resource-Advantage (R-A) Theory, Perspective, and Practice in Small Firms

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## *Abstract*

*Entrepreneurial Marketing (EM) has been intensively discussed especially in regards to development, interface, and strategic orientation. Nevertheless, few studies focus on EM's grounded theory, especially as it relates to the perspective and practice within small firms. R-A theory is proposed as a more suitable grounded theory for EM. It views innovation and organizational learning as endogenous to competition, adopting a resource-based view of the firm, therefore firms are theorized to be historically situated combiners of heterogeneous, and imperfectly mobile resources. This orientation results in diversity in the size, scope, and levels of profitability of firms. As small firms, the level of newness and size inhibits capabilities to create competitive advantage.*

*Strategic orientation, opportunities, control of resources mechanism, management structure and marketing methods in small firms must be entrepreneurial. Marketing strategies for small firms must be differentiated from corporate strategies. Culture, strategy and tactics from a R-A Theory point of view will be complementary to the conceptual framework of EM. Beginning with the explanation of various EM concepts, this article focuses on R-A Theory perspective and practice in small firms. An entrepreneurial marketing model based on R-A Theory helps define the intersection between small firms' life stages and entrepreneurial characteristics.*

*Keywords: small firms, entrepreneurial marketing, R-A theory*

## **1. Introduction**

Small companies today must operate in an environment consisting of increased risk, decreased ability to forecast, fluid firm and industry boundaries, a managerial mindset that must unlearn traditional management principles, and new business structures that not only allow for change, but also help create it.

The economic development of a country is often tied to the health and progress of its small and medium sized enterprises (SME) sector because this is a crucial source of new job opportunities, innovations, and growth. While it is true that SMEs dominate the economic landscape in countries worldwide, one distinctive feature of SMEs is their relatively small scale of operations compared to other enterprises in their respective countries.

There is no denial that SMEs play a fundamental role in developing a dynamic economy by increasing the ability to adapt to economic and technological changes. Besides their contributions to economic growth and development, SMEs are also recognised for their role as a "training ground" for developing the skills of entrepreneurs.

The lack of marketing literature of small firms has frustrated entrepreneurs because they implement corporate marketing strategy which are not suitable for their real businesses (Bjerke & Hultman, 2002). Entrepreneurs need

marketing foundations to enhance business performance based on their competencies and capabilities. Entrepreneurial marketing is proposed as the most suitable marketing framework for entrepreneurs whose business is still new and small (Kraus, Harms, & Fink, 2009).

Unfortunately, entrepreneurial marketing until now received little attention from marketers, academician, and practitioners (Hills, Hultman, & Miles, 2008). This happens because R-A theory as a grounded theory for entrepreneurial marketing is still debated as to its suitability to support marketing perspectives and practices in small firms.

The aims of this paper are to clarify and propose an entrepreneurial marketing model based on R-A theory, especially in the strategic orientation, opportunities, control of resource mechanism, management structure, and marketing methods arenas. This paper contributes to the understanding of small firms' life stages and entrepreneurial characteristics to define screening, creating, and delivering a value proposition to the targeted customers.

## **2. Marketing in Small Firms**

### **2.1 Small Firms**

Attempts to adapt and apply traditional marketing models to SMEs, based on the assumption that the basic principles of

marketing developed in large businesses are universally applicable, have been unsuccessful. Jones and Rowley (2011) argued that the market orientation of SMEs is highly dependent on the marketing knowledge of the entrepreneur or small business owner, who tends to be a generalist rather than have management or marketing skills.

Marketing in SMEs is intertwined with other activities and behaviors in the small business enterprise. In order to understand marketing in SMEs, it is essential to understand its context, specifically in relation to customer engagement, innovation, and entrepreneurial approaches to marketing.

Growth, profitability, cash flow for short-term survival—while all these may at times be critical performance goals for organizations, the drive for profitability may be most important in smaller owner-operated firms. Unlike larger organizations, in these smaller firms, small strategic changes can have enormous impact on profitability and survival. SME actions are likely to diverge, since staying on the path to profitability requires firms to adapt their capabilities and practices to the particular “competitive game” selected (Becherer, Haynes, & Fletcher, 2006).

The motivations and decisions of an SME entrepreneur direct a firm to a different yet crowded, beaten path (Jones & Rowley, 2011). The motivations and decisions that direct a firm to a different yet particularly well suited path are proactive adaptations and reflect fundamental entrepreneurial behavior. Essentials to success are the adaptations the SME employs in selecting that path and determining how it is traveled. Becherer, Haynes, and Fletcher (2006) argued that such adaptations create a better “fit” with a dynamic, challenging environment.

It will be difficult for SMEs to pursue competitive advantages based on cost, due to their lack of economies of scale and of scope. In addition, any of the SMEs’ competitive advantages that are based on product quality will not be sustainable as bigger rivals can easily imitate the product strategy, and even improve upon it via leap-frogging technology (Lee, Lim, & Tan, 2002). Instead, SMEs should focus their efforts on acquiring competitive advantages that are based on some intangible aspects that cannot be easily acquired, even at high costs. These may be in the form of brand equity, customer goodwill,

distribution networks, business relationships and contacts, and strategic alliances.

Despite the important roles that SMEs play in the growth and development of the Asian economies, much of their potential may not be realized due to a number of constraints plaguing the SMEs, which are varied and complex. Lee, Lim, and Tan (2002) summarized the barriers faced by SMEs in Asia as follows: (1) Inadequate level of technology and managerial skills; (2) Frequent use of obsolete machinery; (3) Difficulties in marketing and distribution; (4) Low level of productivity; and (5) Inadequate access to financing institutions. Amidst all these obstacles, the resource constraint faced by SMEs stands out as the major obstacle that limits the range of marketing and selling strategies that SMEs can employ in competing with big business. Adaptations in response to resource constraints can become instead an additional opportunity source, whether from fast and flexible processes to innovative partnerships that leverage available resources.

Kraus, Harms, and Fink (2009) summarized two kind of liabilities faced by SMEs. Firstly, the liability of smallness, refers to limited financial and human resources, limited market power and small customer bases. Consequences of smallness are low formalization and strong direct impact of the entrepreneur. SMEs tend to focus on short-term survival rather than on long-term growth. Criteria for marketing planning such as customer loyalty or return per customer are difficult to measure and need experienced marketers to perform planning.

Secondly, the liability of newness, describes a lack of established relationships with market partners and a lack of routines in the firm. SMEs are faced with a lack of trust in their products due to a missing track record or an unknown company or brand name and a lack of expertise and experience in marketing.

SME marketing was in fact entrepreneurial marketing, a distinctive style characterized by a range of factors that included an inherently informal, simple and haphazard approach. Jones and Rowley (2011) suggested that this approach is a result of various factors including: (1) Small size, business and marketing limitations; (2) The direct influence of the entrepreneur; and (3) The lack of formal organizational structures or formal systems of communication with

sometimes no systems at all when it comes to marketing.

In addition, Weinrauch, Mann, Pharr, and Robinson (1991) argued there are three basic differences relative to marketing in smaller firms: (1) They have different marketing objectives; (2) They lack marketing expertise; and (3) They have limited financial and organizational resources. A specific approach to marketing is called for that takes into account the specific challenges that most small or new ventures face (Kraus, Harms, & Fink, 2009).

## 2.2 Entrepreneurial Marketing

Entrepreneurship has been defined as “the process of creating value by bringing together a unique package of resources to exploit an opportunity” (Schindehutte, Morris, & Pitt, 2009). It results not only in the creation of new, growth-oriented ventures, but also in the strategic renewal of existing firms. The process includes the set of activities necessary to identify an opportunity, define a business concept, assess and acquire the necessary resources, and then manage and harvest the venture. Miles and Darroch (2006) believed that entrepreneurship is one path for creating superior value in the marketplace by leveraging innovation to create products, processes, and strategies that better satisfy customer needs. Entrepreneurship has also been viewed as an organizational orientation exhibiting three underlying dimensions: (1) innovativeness; (2) calculated risk-taking, and (3) proactiveness.

The entrepreneur is the main actor of the entrepreneurship process. He or she is recognized as an innovator or developer who recognises and seizes opportunities, converts those opportunities into workable or marketable ideas, adds value through time, effort, money or skills, assumes the risks of the competitive marketplace to implement these ideas and realises the rewards from these efforts (Collinson & Shaw, 2001).

At the nexus of the interface between entrepreneurship and marketing is value creation and value appropriation within the market (Schindehutte, Morris, & Pitt, 2009). Two terminologies are identified for discussing the marketing/entrepreneurship interface. Firstly, the *market-driving* firm, creates entirely new markets, produces discontinuous leaps in customer value, designs unique

business systems, raises service to unprecedented levels, and fundamentally changes the rules of the competitive game. Secondly, *market-driven* companies are excellent in generating incremental innovation; market-drivers produce radical innovations in products, business models, or value creation networks.

The term *entrepreneurial marketing* (EM) has been most frequently associated with marketing activities in firms that are small and resource constrained and therefore must rely on creative and often unsophisticated marketing tactics that make heavy use of personal networks (Hills & Hultman, 2006). The reasons why EM is so often associated with SMEs is that, firstly, entrepreneurial activity is often more visible in the smaller firm and; secondly, when firms experience growth it can be difficult to sustain an entrepreneurial focus in a multi-layered management structure. Hills and Hultman (2006) proposed EM as the interface between marketing, entrepreneurship, and innovation.

*Entrepreneurial marketing* (EM) in this paper is defined as “the proactive identification, evaluation, and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging, and value creation” (Morris, Schindehutte, & LaForge, 2002). Four pillars of EM suggested by Bjerke and Hultman (2002) are derived from the factors of entrepreneurship, resources, processes, and actors.

Morris, Schindehutte, and LaForge (2002) summarized ten basic ideas central to the framework of EM. Table 1 presents the EM framework as it is almost always cited in EM research.

Table 1. EM Framework

Basic premise	Sustainable competitive advantage through value-creating innovation
Orientation	Central role of passion, zeal, persistence, and creativity in marketing
Context	Envisioned, emerging, and fragmented markets with high levels of turbulence
Marketer's role	Internal and external change agent; creator of the category
Market approach	Proactive approach, leading the customer with dynamic innovation
Customer needs	Unarticulated, discovered, identified through lead users
Risk perspective	Marketing as vehicle for calculated risk-taking; emphasis on finding ways to

	mitigate, stage, or share risks
Resource management	Leveraging, creative use of the resources of others; doing more with less; actions are not constrained by resources currently controlled
New product/service development	Marketing is the home of innovation; customer is co-active producer
Customer's role	Active participant in firm's marketing decision process, defining product, price, distribution, and communications approaches

Source: Morris, Schindehutte, & LaForge (2002).

In addition, there are seven underlying dimensions of EM proposed by Schindehutte, Morris, and Pitt (2009): (1) proactiveness; (2) obsession with opportunity; (3) customer intimacy; (4) innovativeness; (5) calculated risk-taking; (6) resource leveraging; and (7) exceptional value creation.

*Entrepreneurial marketing* (EM) has *face-to-face* differentiation with *traditional marketing* (TM). There are ten factors can be used to differentiate EM from TM. Strategic orientation, marketing strategy and method, intelligence system, approach to management structure, approach to marketing, growth and organizational factor, and the way for screening and creating value. All ten factors parallel R-A theory that will be discussed in this paper.

Table 2. EM vs. TM Approach

Entrepreneurial Marketing (EM)	Traditional Marketing (TM)
Innovation Oriented	Customer Oriented
Bottom-up Self Selection	Top-down STP
Interactive Marketing Methods	Traditional Marketing Mix
Informal Networking	Formalized Intelligence System
Entrepreneurship	Management
Relationship Marketing	Transactional Marketing
Entrepreneurial Growth	Managerial Growth
Virtual Organization	Focal Organization
Exploration	Exploitation
Value Constellation	Value Chain

Source: Stokes (2000); Bjerke & Hultman (2002).

*Entrepreneurial marketing* manifests itself in different ways as organizations evolve through stages of development, including stages of marketing development (Collinson & Shaw, 2001). That is, marketing efforts within firms tend to develop over time, moving through stages as they become more formalized, strategic, sophisticated, and

integrated. The management of *entrepreneurial marketing* is characterised by intuition, informality and speed of decision making, all of which require different competencies.

Firms that practice *entrepreneurial marketing* are generally less traditional in both their marketing strategy and in the way they implement strategy, and they are often more willing to take risks in pursuit of opportunity (Becherer, Haynes, & Fletcher, 2006). EM can create a substantial competitive advantage for firms who proactively seek innovative options for their customers. This enhances the value proposition they offer their customers, creating loyalty and continuous sales gains.

### 2.3 Resource-Advantage (R-A) Theory

Hunt (2000: 137) proposed R-A theory as the improvement of the *resource based theory* (RBV) mostly used in strategic management literature. As an evolutionary, process theory of competition, R-A Theory views: (1) innovation and organizational learning as endogenous to competition; (2) firms and consumers as having imperfect information; and (3) entrepreneurship and institutions affect economic performance. Specifically, firms and resources are proposed as the heritable, durable units of evolutionary selection, with competition for a comparative advantage in resources constituting the selection process. Because the selection process focuses on firms and resources that are locally fitter, not maximally fittest, R-A theory is non-consummatory, therefore it accommodates path dependencies.

There are nine foundational premises of *resource-advantage* (R-A) Theory proposed by Hunt (2000: 106) in order to fill the gap of RBV theory:

- Proposition 1: Demand is heterogeneous across industries, heterogeneous within industries, and dynamic.
- Proposition 2: Consumer information is imperfect and costly.
- Proposition 3: Human motivation is constrained self-interest seeking.
- Proposition 4: The firm's objective is superior financial performance.
- Proposition 5: The firm's information is imperfect and costly.
- Proposition 6: The firm's resources are financial, physical, legal, human, organizational, informational, and relational.

- Proposition 7: Resource characteristics are heterogeneous and imperfectly mobile.
- Proposition 8: The role of management is to recognize, understand, create, select, implement, and modify strategies.
- Proposition 9: Competitive dynamics are disequilibrium-provoking, with innovation endogenous.

For R-A theory, the life span of a particular comparative advantage in resources—its sustainability—is determined by factors both internal and external to the firm. From an internal factors point of view, comparative advantage in resources can be dissipated by a firm's failure to reinvest and adapt. From an external factors point of view, comparative advantage in resources can be fostered, or destroyed by changes in societal resources and institutions and by the actions of consumers, government, suppliers, or competitors.

R-A theory distinguishes two kinds of innovation. Firstly, proactive innovation which is innovation by firms in the absence of their occupying positions of competitive disadvantage. Secondly, reactive innovation which is innovation directly prompted by occupying positions of competitive disadvantage. The process of competition to create innovation either proactive or reactive itself contributes to organizational learning. According to Hunt (2000: 152), across countries and within countries, and across industries and within industries, competition always makes firms differ radically as to size, scope, methods of operations, and financial performance.

In the competition, the firm will not only innovate in order to meet expressed needs of current customers, but it will also leverage the innovation of products, processes, strategies, or business domains in order to discover and create, evaluate, and exploit new market opportunities that satisfy unmet and latent needs of existing and new customer groups (Miles & Darroch, 2006). The pursuit of competitive advantage is most effectively achieved by a strategic balance between innovations that react to changes in competitive strategy and radical innovation that seeks to proactively anticipate and exploit future customer needs. Innovation from an *entrepreneurial marketing* perspective must encompass innovation, both incremental

(reactive) and radical (proactive), which not only creates and renews competitive advantage but also serves current profitable markets.

From an *entrepreneurial marketing* point of view, entrepreneurial decision processes and rules that enable firms to recognize and or create entrepreneurial opportunities, evaluate entrepreneurial opportunities, and the resources used to successfully exploit opportunities, as well as the firm's position, are all sources of competitive advantage. This perspective, of course, matches with the premise of R-A theory.

In addition, Duus (1997) argued that the *entrepreneurial marketing* concept is based on a supply-push (inside-out) world view and market adaptation (ex ante analysis) market approach. It means that innovation as an intangible resource or *input* for R-A theory is created by an organizational commitment to innovate whether it is proactive (supply-push) or reactive (market adaptation).

Besides the *input* terminology, R-A theory manifests a strong concern with *process* and *output* of resources. Bjerke and Hultman (2002) argued that *entrepreneurial marketing* is a value-creating *process*. It prefers to see marketing as a set of interrelated business processes, connected in different types of dependencies with the ultimate purpose of creating customer value. *Inputs* to these processes are information, various tangible resources as well as intangible resources such as intellectual capacity. *Output* is primarily what is offered to the market as tangible and intangible customer benefits as well as actions taken to generate transactions and relationships. From the deep explanations above, I propose that R-A theory is the best grounded theory for supporting an entrepreneurial marketing concept.

### 3. Entrepreneurial Marketing Based on R-A Theory

#### 3.1 Strategic Orientation

Recent strategic management literature has featured a debate concerning various philosophies that have competed as guiding templates for the way in which organizations conduct their business activity. An *innovation orientation* asserts that customers will prefer those products and services that generate the greatest interest and provide the greatest performance, features, quality, and value for the money – in short, technological superiority.

A second philosophy, often identified as *market orientation*, contends that identifying the needs and wants of the target market – and delivering products and services that satisfy these needs. Innovation philosophy generally refers to issues such as new products, innovation, and discontinuous improvement. Market orientation philosophy usually concerns matters such as customer service, customer satisfaction, and customer focus (Schindehutte, Morris, & Pitt, 2009: 119).

In contrast with traditional marketing theory, Martin (2009) described *entrepreneurial marketing* in terms of three distinct dimensions: (1) Culture, i.e., values and beliefs regarding the central importance of the customer in guiding the organization. Traditional marketing suggests determination of researched, established need amongst customers first, then addressing that need. Entrepreneurial culture is more often promoted by new product concepts than by researched, established needs amongst customers; (2) Strategy, i.e., achieving competitive advantage within a particular industry and market context. Entrepreneurs use a bottom-up approach by serving the needs of a few customers and then expanding the base gradually. Entrepreneurs use trial and error in the marketplace, being in contact with customers to learn their preferences, looking for customers with the same profiles so they can expand their base; (3) Tactics, i.e., methods of resource leveraging, and a variety of techniques for managing risks. For entrepreneurs, tactics for using the marketing mix diverge from the traditional progression of product development, pricing, promotion, and distribution. Entrepreneurs prefer direct interchanges and building personal relationships. The tactics behind entrepreneurs' marketing intelligence are based on personal observation and contact information, rather than formal research.

Many successful entrepreneurs do not behave in the rational, sequential manner, instead they 'live' continuously with the market, their vision and customers' preferences present in their minds, constantly thinking of how to improve customer value (Hills, Hultman, & Miles, 2008). When they recognize a way to use marketing to gain competitive advantage, they tend not to be constrained by their previous conceptualization of strategy, but quickly adapt their strategy to the new set of opportunities. This perspective is parallel with

the eighth proposition of the R-A theory that the role of management is to recognize, understand, create, select, implement, and modify strategies.

### 3.2 Entrepreneurial Opportunities

Opportunities are those situations in which goods, services, raw materials, markets, and organizing methods can be introduced and sold through the formation of new means, ends, or means-ends relationships (Schindehutte, Morris, & Pitt, 2009: 90). Entrepreneurial opportunities are therefore opportunities to act in the creation of value. They consist of a set of ideas, beliefs, and actions that enable the creation of value. Opportunities come from unexpected changes, industry and market change, changes in perception, mood, or meaning, and changes in knowledge.

Three views of entrepreneurial opportunity can be described as: (1) Opportunity creation (supply and demand do not exist); (2) Opportunity discovery (supply exists, demand does not exist); and (3) Opportunity recognition (supply and demand exist). Entrepreneurs that are more entrepreneurial will attempt opportunity creation in business. Their behavior conforms to the ninth proposition of R-A theory that competitive dynamics are disequilibrium-provoking, with innovation endogenous.

Schindehutte, Morris, and Pitt (2009: 95) suggest the criteria of good opportunity: (1) Create and add significant value to a customer; (2) Solve a significant problem; (3) Promise robust market, margin, and money-making characteristics; (4) Match founders' experience and background; and (5) Balance risk and reward.

Entrepreneurial marketers often create new product and market opportunities through the innovation of products, process, strategy, or domain. In an *entrepreneurial marketing* organization, entrepreneurship and marketing permeate all areas and levels of the organization, with the organization being focused on recognizing and exploiting good opportunities in everyday business activity (Hills, Hultman, & Miles, 2008).

Companies face three challenges simultaneously to exploit opportunities: (1) Anticipate and respond to change; (2) Leverage core competencies to exploit new market realities; and (3) Learn faster and innovate better to explore new territory

(Schindehutte, Morris, & Pitt, 2009: 87). Entrepreneurship seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom and with what consequences. The opportunity must be shaped by taking action.

The process of entrepreneurial marketing to recognize and exploit good opportunities in small firms is parallel with the first proposition of R-A theory that demand is heterogeneous across industries, heterogeneous within industries, and dynamic. It means that there is no rule of thumb or standard formula to know what demand (opportunity) customers really want. Because of that, entrepreneurs have to be risk takers to decide what products or services will be delivered to the customer.

### 3.3 Control of Resources Mechanism

In the early stages, choices of resources are limited and the entrepreneur may have to take whatever he or she can find in the environment. Later, there may be opportunities to choose which resources to possess in-house and to secure what is necessary from outside partners. This may occur when the company, after initial growth, is able to control the financial flow. This process is termed by Bjerke and Hultman (2002) as 'resource balancing'.

The balance between internal or external resourcing (ownership vs. utilization) is to be determined primarily on the basis of availability and what critical capability is needed for long-term success and growth in potential markets. Chaston (1997) suggested four criteria that guide a firm's evaluation of resources: value, rareness, imitability and organization. A resource that meets all four criteria, that is valuable in the eyes of the customers, is rare, hard to imitate, and possible to exploit within the organization, will probably generate sustainable competitive advantage and consequently should be hosted in-house.

An important concept in this context is core competency, which is based on those resources which an organization exploits in order to gain sustainable strategic competitive advantage. In its general meaning a core competency can be any important resource, human, financial, physical or organizational, such as knowledge, individual capacities or collective capabilities, physical assets,

anything to be used to gain competitive advantage within the scope of the organization's vision. The concept of core capability can be used for an organization's ability to create strategically competitive offerings to a market (Bjerke & Hultman, 2002).

The tradition to focus on one company as only an isolated entity, only restricts our perception of what resources and capabilities really are available to create customer value. There are no restrictions at all, besides the organization's own capability to determine the right formula in finding the necessary resources and creating vehicles to tie these resources together in a value-creating system.

The opportunity to use resources is open to everybody with the intellectual capacity to have a virtual view and to take the correct actions and create relationships and alliances with all necessary partners that possess the resources required for the production of customer value in any sector. The control of resources mechanism perspective is supported by the sixth and seventh propositions of R-A theory. It suggests that the firm's resources are financial, physical, legal, human, organizational, informational, and relational. In addition, resource characteristics are heterogeneous and imperfectly mobile. Because small firms still have less resource than big firms, small firms need to ally with other firms to create value (resource) constellation for targeted customers. This resource mechanism perspective is also supported by the *entrepreneurial marketing* concept of resource management: leveraging; creative use of the resources of others; doing more with less; and actions not constrained by the resources currently controlled.

### 3.4 Management Approach

SMEs have to emphasize the importance of flexibility and adaptability in their management structure. Their ability to make rapid decisions, as well as their ability to adapt quickly, function as crucial strategic capabilities. This ability as a means to satisfy customers, and to increase sales-both in the short and in the long run, provide the best customer value (Hills, Hultman, & Miles, 2008).

Schindehutte, Morris, and Pitt (2009: 202) suggested six entrepreneurial management structures that can lead small firms toward

sustainable competitive advantage. First, small firms have to focus on relentless innovation. Second, small firms should have high levels of flexibility, adaptability, speed, revolution, renewal, and resilience. Third, to avoid price war, small firms are better to have their own market (i.e., *blue ocean strategy*). Fourth, customers are involved to be value co-creators. Fifth, entrepreneurs should have an entrepreneurial mindset, action, and opportunity obsession. Sixth, small firms' entrepreneurs should use foresight and topsight vision to see future needs of customers.

In addition, Bjerke and Hultman (2002) defined some areas of marketing excellence in entrepreneurial organizations that can be enhanced by mastering important value-creating processes; finding the best relevant resources available and structuring the value constellation; using a complex model for implementing the value-creating vision and early-warning feedback system; changing the rules of the market game through entrepreneurship; leading as well as managing – both at the right time; exceeding customers' expectations in the right dimensions; and balancing tangible and intangible aspects in the market offerings into a composite marketing actions.

To escalate *entrepreneurial marketing* practices based on R-A theory point of view, the balance of *entrepreneurial orientation* and *market orientation* in SMEs should be well designed in management approach (Hill & Wright, 2000). These management approaches can be clarified in a continuum ranging from a more to a less entrepreneurial orientation. Communication is the most entrepreneurial approach in management structure. Intuition as the second approach is less entrepreneurial than communication. After intuition, there are judgment, experience, and technical knowledge. The least entrepreneurial approach (the most market-oriented) is technical knowledge, which posits that everything should be clear before executing a decision.

Collinson and Shaw (2001) argued that the entrepreneurial marketing concept in SMEs management approach have three key areas of interface. These interfaces are change focused, opportunistic in nature and innovative. This insight comports with the third proposition of R-A theory that human motivation is constrained self-interest seeking, and that the management approach in an SME should be

based on the entrepreneur's leadership style. It means that entrepreneurs usually create management structures to exercise his or her self-interest, which is change focused, opportunistic, and innovative.

### 3.5 Entrepreneurial Marketing Methods

Marketing methods used by small firms have to be differentiated from corporate marketing methods. Because of smallness and newness, entrepreneurs of small firms can not use corporate marketing methods in their business because of the related expenses. Entrepreneurs can use their intangible resources (i.e., consumer information) as an input for their marketing methods effectiveness; consistent with the second proposition of R-A theory that consumer information is imperfect and costly. It means that consumer information is regarded as rare, and therefore is a hard to imitate source of SME's competitive advantage. Table 3 clarifies the relationship of marketing methods to the needs of small firms.

Table 3. *Entrepreneurial Marketing Methods*

Method	Description
Neo marketing	The basic rule is to break the old rules
Subversive marketing	Refers to the need for marketers to undermine company structure and process in order to implement innovative marketing structures
Disruptive marketing	Shattering culturally embedded biases and conventions; setting creativity free to forge a radical new vision of a product, brand, or service
Expeditionary marketing	Serves to identify the unarticulated needs of customers and the new potential functionalities of products, extending the firms "opportunity horizon"
Radical marketing	Describes a set of approaches that are seen as challenging the status quo or immutable laws of marketing, maximal exploitation of limited budget
Guerilla marketing	Bootstrapping, creative use of available resources and a highly targeted mix of innovative communication techniques
Relationship marketing	Identifying, establishing, maintaining, enhancing, and terminating relationships with customers and other stakeholders, at a profit; achieving objectives of both parties
Viral marketing	Self-replicating promotion fanning out over community webs and spreading like a virus, multiplying and mutating as like-minded people market to each other
Digital marketing	New forms of interaction lead to deeper relationships and greater personalization
Experiential marketing	Elicits a powerful sensory or cognitive consumer response through sensory, affective, creative cognitive, physical or lifestyle, and social-identity experiences
Buzz marketing	Consumer-generated information dispersal through individual network hubs by generating excitement, infatuation, and missionary zeal
Search	Increases visibility of a website in search



marketing	engine results through SEO (search engine optimization), pay-per-click, and paid inclusion
Pay-to-say marketing	Monetary compensation for posting comments on blogs, compensations rates determined by the amount of exposure, advertisers, or a blogger's ranking
Duct tape marketing	Small business marketing roadmap; to be effective, approach marketing must be approached as a system – not an event; composed of simple, effective, and affordable techniques

Source: Hills & Hultman (2006); Schindehutte, Morris, & Pitt (2009).

#### 4. Implication

SME's marketing is likely to be dominated by reactive marketing practices – reacting to customer inquiries and market changes. As the business develops, much of the marketing is characterized by experimenting with a variety of techniques. As the business becomes established over a number of years, entrepreneurs develop their own marketing style and practice which has evolved along the way. Successful entrepreneurs come to recognize what works for the business and what does not. They are unlikely to accommodate wider or new marketing perspectives until some significant change is encountered. In moving through the various life-cycle phases, an SME progresses from existing in a relatively uncontrollable marketing circumstance to one where each aspect of marketing is relatively controlled.

Hills and Hultman (2006) suggested three stages of marketing practice that can be identified as organizations grow. First stage, SMEs can use *entrepreneurial marketing*. Later and in a more mature stage, marketing practices become *formulated marketing*. Finally, when companies lack the creativity and passion as in the entrepreneurial stage, such firms need *intrapreneurial marketing*. One of the key problems facing small firms is that as they grow it can be increasingly difficult to maintain the same level of entrepreneurial effort as was expended in the initial stages of the firm's life (Collinson & Shaw, 2001). The dominant factor that alters the level of entrepreneurial effort in SMEs' life cycle is the characteristics of the entrepreneurs themselves.

Characteristics of SMEs' entrepreneurs are typically described as risk takers, opportunistic, visionary, innovative, creative, adaptive, and change-oriented. They are highly focused around the enterprise's well-being.

Entrepreneurs market the firm as part of their everyday activities, especially through everyday contacts and networks. From the discussion of five entrepreneurial marketing main topics based on R-A theory (i.e., strategic orientation, entrepreneurial opportunities, control of resources mechanism, management approach, and entrepreneurial marketing methods), it can be modeled as new EM model based on R-A theory.

Figure 1 can be seen as an integrative model of EM based on R-A theory that can be used by entrepreneurs in small firms.

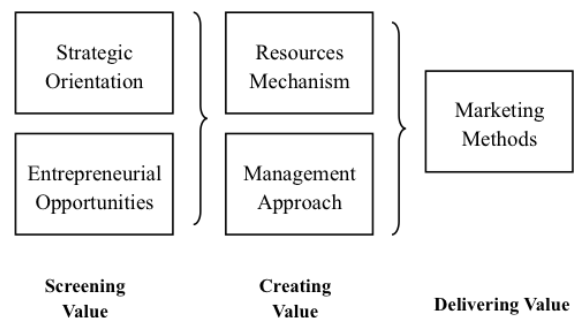


Figure 1. EM Model Based on R-A Theory

From the point of view of proposing value to the customers, it can be divided into three phases: *screening value*, *creating value*, and *delivering value*. Entrepreneurs have to focus not only on resources but also on value. They can compete with big firms as long as value delivered to the customers is higher than competitors provide. This proposition matches with both an entrepreneurial marketing concept and an R-A theory perspective.

Strategic orientation and entrepreneurial opportunities as an "input" is considered as a *screening value* phase for small firms. Entrepreneurs can choose which value has the highest proposition for targeted customers. Value that is compatible with small firms' strategic orientation and opportunities are aligned with entrepreneurs' characteristics. The screening value phase is a crucial phase to determine whether small firms can create endogenous or exogenous innovation.

The second phase is *creating value*. It contains a resource mechanism and a management approaches that follow entrepreneurs' decision about value delivered to the customers. Higher value proposition needs control the use of the resource mechanism. It can be done by possessing

resources (tangible or intangible), which are rare and hard to imitate. The management approach to support the control of resource mechanism must be entrepreneurial. Small firms have to be flexible and adaptable, following customers' latent needs and wants.

The third phase is *delivering value*. When value has been screened and created, small firms have to be ahead of their competitors, delivering value to the customers. Fourteen marketing methods are proposed to be more suitable with the life stages of small firms and the entrepreneurs' desire to deliver value to customers. These methods not only need few resources (i.e., small firms are usually new and small), but also require pro-active, innovative, and calculated risk-taking on the part of the entrepreneurs.

## 5. Conclusion

This paper hopefully can address a shortage of small firms' marketing literature. Entrepreneurs are often enticed and trapped by the lack of alternatives into attempting corporate marketing strategies, which are not suitable for their businesses. Entrepreneurs need a marketing framework to enhance business performance based on their competencies and capabilities. An entrepreneurial marketing model based on R-A theory as proposed in this paper can provide a suitable marketing framework for entrepreneurs whose business is still new and small.

This paper contributes to this effort by describing how R-A theory can support entrepreneurial marketing perspectives and practices in small firms. Discussion about strategic orientation, opportunities, control of resource mechanism, management structure, and marketing methods hopefully can give insights for entrepreneurs to running their new and small businesses.

This paper does not explore how to implement fourteen marketing methods in small firms. Targeted research within SMEs regarding the use of an entrepreneurial marketing mix as a tactical implementation can open up an interesting research area for entrepreneurial marketing. The contributing role of entrepreneurs' competencies and capabilities in networking as one of the small firms' intangible resources also has potential to be explored in future research.

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# Bandung Culinary: Analysis of Factors that Influence Consumer in Buying Tahu Jeletot

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## *Abstract*

*Innovation is needed to improve and to develop the business. With innovation, business people can create new product that differentiates with other product which already known before. Tahu is kinds of traditional food contain a lot of protein. In these days, tahu is not only a homemade cooking, but has become a popular food for everyone. Even now, a lot of tourist whose come to Bandung made tahu becomes one of their favorite foods and a gift brought back from their trip. There are a lot of kinds of tahu in West Java, Indonesia. Everyone already knows and familiar with tahu sumedang, tahu cibuntu and also tahu lembang. Not like other tahu, tahu jeletot become a new trend of food in Bandung. Creative producer try to add the fried tahu with chili into it and make the taste become very spicy. This simple idea comes from people's habit, which is eating tahu with chili as a flavor enhancer. Today, we can find easily the seller of tahu jeletot in Bandung, especially near Alfamart minimarket. This paper will discuss how the simple idea for traditional food can create a new business and also have a good prospect in the future, especially in Bandung. Also, using factor analysis we identify the factors on which the consumer makes their purchasing decisions based on product attributes like price, taste, packaging, branding, size, and service. Based on the results of research, the critical attributes in the purchase decision are taste, brand, and size.*

*Keywords: tahu jeletot, factor analysis, product innovation*

## **1. Introduction**

West Java has a lot of agroindustry and Bandung City is known as city of education also famous as city tourism, both for local and international tourists. Beside has cool weather, amazing view, Bandung today is more interesting to visit because its fashion and its culinary. There are so many tourists doing special vacation to this city just to taste the Bandung culinary. The phenomenon makes culinary entrepreneurs compete and create new menu and new processed food rapidly.

One of the new culinary innovations emerging in this city is tahu jeletot (hot spicy tofu). Basically, tahu jeletot has same ingredients with other commercial tofu; sprouts and sliced carrots, but tahu jeletot adding cayenne pepper and sliced beef or chicken inside the tofu. Sundanese loves eat tofu with chili, that tradition inspired the inventor to make tahu jeletot.

For some people, tahu jeletot is amazingly spicy and they cry when eat it, and not a few people felt stomachache shortly after eating that tofu. But the curiosity and that hot sensation make people try it and then they become addicted.

The addicted people become a main target market for this business, to satisfy them, the owners open new branches in Bandung, and now the popularity of tahu jeletot can be tasted

in Garut, Tasikmalaya, Banjar and other cities of West Java. Tough still new, this business already has several competitors, there are several brands emerge such as gehu pedas, gehu setan, etc. and the existing competitors itself such as tahu susu lembang, tahu sumedang, tahu tauhid, tahu cibuntu and crispy tofu.

This paper analyzed the factors influence consumers in buying tahu jeletot at Hot Jeletot vendor, and using factor analysis we identified the factors on which the consumers made their purchasing decisions based on product attributes like price, taste, packaging, branding, size, and service.

## **2. Literature Review**

### **2.1 Tahu Hot Jeletot**

Hot Jeletot brand established since 2009, started from an idea to develop the food business, Yoedhy Bagus Yoga Nandita chose tofu because its market share is very big, and also tofu is one of popular food in Indonesia. Most importantly, fried tofu business always exist everywhere and have never in crisis, one of reasons, the material is easy to get.

Buyers here are 75 percent students, 25 percent residents and tourists. In fasting month, tofu pricing IDR 2000 per piece can be sold up to 900 pieces in two hours. While in normal days, the number of sales could reach up to 1800 pieces a day.

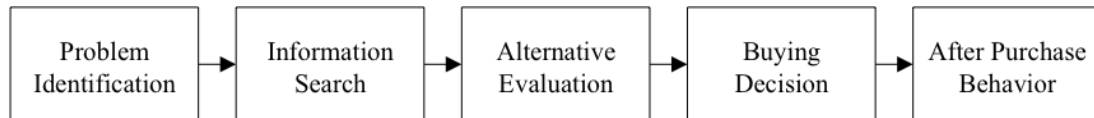
Beside in Geger Kalong area, Hot Jeletot can be found in Margahayu, Sarijadi, Buah Batu, Dago and other 11 areas in Bandung.

## 2.2 Product Attributes

A product must have attributes that support it; the following are attributes that must exist in a product, namely:

### 1. Price

According to Kotler, (1997: 339) price is the amount of money charged for a product or



Source: Kotler & Armstrong (2008).

Figure 1. Consumer Buying Decision Process

service, this amount is exchanged for consumers benefit held by using the product or service.

### 2. Brand

Brand is all name, term, sign, symbol, design or combination of all intended to identify the products from one seller to distinguish it from competitors' products (Leclerc, Schmitt, & Laurette Dube, 1994)

### 3. Packaging

Packaging is the outer wrapping of products that serves to protect the product, allows consumers to use it, build up the image of the product or could even be used as a promotional tool when the product is thrown into the market. By creating attractive form of packaging and slogan, it can reassure consumers about the benefits of the product (Stanton, 1993)

### 4. Quality

Consumers will try to find the most high-quality product, because it involves customer satisfaction (Kotler & Armstrong, 2008)

### 5. Size

The size of a product is having close relationship with the buying habits of consumers' needs. This means that one needs between consumers with other consumers who are different, so the need to provide a product with a variety of sizes (Kotler, 1997).

### 6. Buyer Decision Processes

Consumer buying decision process will be explained in Figure 1 (Kotler & Armstrong, 2008).

## 3. Results

Using factor analysis method and SPSS Version 17, we find that:

Table 1. First KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.577
Bartlett's Test of Sphericity	Approx. Chi-Square	25.94
	df	2
	Sig.	.10
		.004

KMO measure of sampling adequacy is 0.577 with significance level 0.004. 0.577 is higher than 0.5 and significance level 0.004 is smaller than 0.005, means that we can continue to analyze variables and data.

From first analysis we find that price and brand is smaller than 0.5, means we have to repeat the process without those two variables. Based on the second analysis we find:

Table 2. First Anti-image Matrices

Anti-image Matrices						
		price	brand	packaging	quality	size
Anti-image Covariance	price	.948	-.033	.189	-.049	-.101
	brand	-.033	.748	-.101	.156	.307
	packaging	.189	-.101	.855	-.223	-.128
	quality	-.049	.156	-.223	.802	-.128
	size	-.101	.307	-.128	-.128	.718
Anti-image Correlation	price	.408 <sup>a</sup>	-.039	.210	-.056	-.123
	brand	-.039	.569 <sup>a</sup>	-.126	.202	.420
	packaging	.210	-.126	.486 <sup>a</sup>	-.269	-.161
	quality	-.056	.202	-.269	.661 <sup>a</sup>	-.168
	size	-.123	.420	-.161	-.168	.601 <sup>a</sup>

a. Measures of Sampling Adequacy (MSA)

Table 3. Second KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.627
Bartlett's Test of Sphericity	Approx. Chi-Square	18.44
	df	7
	Sig.	.000
		3

Here, we find that the KMO Measure of Sampling Adequacy is 0.627, higher than the before with significance level 0.000.

Table 4. Second Anti-image Matrices

Anti-image Matrices				
		brand	quality	size
Anti-image Covariance	brand	.758	.142	.307
	quality	.142	.865	-.179
	size	.307	-.179	.743
Anti-image Correlation	brand	.609 <sup>a</sup>	.175	.409
	quality	.175	.710 <sup>a</sup>	-.223
	size	.409	-.223	.600 <sup>a</sup>

a. Measures of Sampling Adequacy (MSA)

Based on the second analysis, the MSA value for brand, quality is increased, and size is more stable.

#### 4. Conclusion

In general, we can conclude that based on factor analysis, we find that brand, quality and size is significantly affect consumer to buy tahu jeletot. It means that from five product attributes, which is price, brand, packaging, quality and size, when consumers want to buy tahu jeletot they do not really care about price and packaging factors. We can conclude that price IDR 2000 is not a barrier for consumers to buy tahu jeletot. Packaging is needed when seller wants to promote their product, especially new product. But in these case, without a fancy packaging, consumers is already interesting to buy the food.

Tahu jeletot is the pioneer for this new kind of food. Since tahu jeletot become popular,

many other sellers trying to sell the same kind of food, such as gehu pedas, gehu setan, etc. but, seems consumers still choose the original brand, which is tahu jeletot, because they already familiar with the taste and brand. So, we also can conclude that taste or quality and the brand become the important factors that influence consumers buying tahu jeletot.

Beside those factors, size also becomes the important factor for consumers when they decide want to buy the product. Everyone knows, that tofu have a standard size, so, if the producers make tahu jeletot with a smaller size then consumers not interesting to buy, since the price is IDR 2000. On the other way, if producers make it with a higher size than original size, means, which producers have to increase the price and consumers also not interesting to eat tahu jeletot, since the taste for many people, is very spicy.

Tahu jeletot become one of a success example for product innovation. There are many ideas that we can still explore in many ways. Innovation can be used to improve our life better than before, and if we do it right we can also improve our economy life, such as to reduce the unemployment level.

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# Role of Creative Packaging and Programming of Tourism Products in Creating Tourism Competitiveness

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## *Abstract*

*In the era of creative and experience economy, programming and packaging have become sources of competitive advantage of tourism products. Packaging is an activity to combine related tourism products and services in a single tourism product price offer, whereas programming is a packaging-related technique where certain events, programs, or activities are created to attract more tourist spending or to add the value of packages. While potential products can be bountiful, they need to be packaged and sold in creative ways to create meaningful tourist experience. Programming and packaging have become additional 2 (two) elements of marketing mix in tourism marketing, which can contribute to creation of tourism products and destination branding. This study argues that packaging, programming, and branding should developed and implemented integratively. The study also observes and examines the development and application of integrated branding, packaging, and programming of tourism products in Indonesia via tourism brochures developed by the tourism offices and industry. Employing textual analysis, the study draws several conclusions on lack of integration amongst branding-packaging-programming of tourism products in Indonesia.*

*Keywords: tourism marketing, packaging, programming, destination branding, creative economy*

## **1. Introduction**

This paper discusses the importance of creative packaging and programming in creating tourism competitiveness. Packaging and programming are the 7<sup>th</sup> and 8<sup>th</sup> elements in the marketing mix, in which together with branding play important role in marketing tourism products and destination. In a more intense competition in attracting visitors, tourist destinations nowadays have to have well-formulated and implemented marketing strategy.

Marketing studies in the tourism domain has shown an extension of marketing domain, which does not cover merely tangible products, but in societal process and activities (Kotler & Levy, 1969). Principles, concepts, and marketing functions like segmentation, targeting, positioning, branding, and marketing mix are adopted in tourism development strategy involving a wide variety of institutions which many are non business institutions (Morrison, 2009).

While tourism is a multi-dimension sector involving multidisciplinary approach, concepts and methodologies in tourism studies, which have previously been dominated by recreation, economics, anthropology, and geography have witnessed an increased emphasis in business administration and management. Among variety of business perspectives related with tourism development, marketing is perhaps the

most active perspective contributing to the discourse of tourism studies (Li & Petrick, 2008). It shows that marketing has become an important domain in tourism studies.

Studies on tourism marketing in Indonesia are significant to conduct due to the importance of the sector. Number of foreign and domestic tourists visiting tourism destinations has increased yearly and reached 6.4 million foreign tourists and 224 millions travels by domestic tourists in 2009 (Central Bureau of Statistic as cited in the Strategic Plans of the Ministry of Culture and Tourism 2010-2014). In terms of foreign exchange, tourism sector has become main source of foreign exchange for Indonesia. In 2006, tourism sector was the sixth biggest foreign exchange source and the position has risen to number 5 in 2001 and to number 4 in 2008 (see Table 1). However, Indonesia's tourism performance is left behind its neighboring countries, such as Singapore, Malaysia, and Thailand. In 2010, these three countries can attract foreign visitors of 11 million (<http://www.stb.com.sg>), 24.6 million (<http://www.tourism.gov.my>), and 15.8 million (<http://www.thaiwebsites.com/tourism>) respectively, whereas Indonesia's foreign tourist arrival reaches only almost 7 millions (<http://www.budpar.go.id>). Therefore, Indonesian tourism should work harder and smarter employing marketing strategies and tactics in developing and promoting tourist

Table 1. Contribution of Tourism Sector to Indonesian Foreign Exchange Receipts (2006-2008)

Rank	2006		2007		2008	
	Commodity	Value (Million USD)	Commodity	Value (Million USD)	Commodity	Value (Million USD)
1	Oil & gas	21,209.50	Oil & gas	22,088.60	Oil & gas	29,126.30
2	Garment	5,608.16	Crude palm oil	7,868.64	Crude palm oil	12,375.57
3	Processed rubber	5,465.14	Processed rubber	6,179.88	Processed rubber	7,579.66
4	Crude palm oil	4,817.64	Garment	5,712.87	Tourism	7,377.00
5	Electrical equipment	4,448.74	Tourism	5,345.98	Garment	6,092.06
6	Tourism	4,447.98	Electrical equipment	4,835.87	Electrical equipment	5,253.74
7	Textile	3,908.76	Textile	4,177.97	Textile	4,127.97
8	Processed timber	3,324.97	Chemicals	3,402.58	Chemicals	3,799.91
9	Paper & paper goods	2,859.22	Paper & paper goods	3,374.84	Paper & paper goods	2,997.17
10	Chemicals	2,697.38	Processed timber	3,076.88	Processed timber	2,821.34
11	Processed food	1,965.56	Processed food	2,264.00	Chemicals	2,754.30

Source: STRATEGIC PLANS of The Ministry of Culture and Tourism 2010-2014.

products and destinations. Creative packaging and programming of tourist products and destinations can become strategic initiatives to enhance Indonesia's tourism competitiveness.

## 2. Packaging and Programming: The 7<sup>th</sup> and 8<sup>th</sup> Elements in Tourism Marketing Mix

The concept of marketing mix in general marketing consists of 4 elements, that is, product, price, place, and promotion (Kotler & Keller, 2009). However, in tourism and travel services where products are mostly perishable, the 'traditional' marketing mix has to be extended to cover 4 additional elements of people, partnership, packaging, and programming (Morrison, 2010; see Figure 1). People definitely play the most important role in product and service marketing and its discussion has received abundant attention both from academicians and practitioners. While people are generally aware of human resource development, the importance of the 7<sup>th</sup> and 8<sup>th</sup> elements in tourism marketing mix, that is, packaging and programming, have received less attention. Interestingly, packaging and programming will directly and indirectly cover the full nuances of partnership, which is also the additional element in tourism marketing mix.

Packaging is the combination of related and complementary services into a single-price offering. Meanwhile, programming is a technique closely related to packaging which involves developing special activities, events, or programs to increase customer spending, or to give added appeal to a package or other travel services (Morrison, 2010).

Packaging and programming are related concepts, but can be executed separately. That

is, while packaging and programming can be combined, packaging can be made without programming and vice versa. For example, a hotel, which offers a single price for room and meals, is a packaging without programming. Disneyland, which hold a parade, is doing a programming. If a resort offers a single price for a weekend stay with a special party, it is a combination of packaging and programming.



Source: Morrison (2010).

Figure 1. Marketing Mix in Tourism Marketing

Discussion about the role of packaging and programming in tourism marketing will contribute to the enhanced competitiveness of destination because of at least two reasons. Firstly, the more intense competition of tourist destinations in attracting visitors has forced destination marketers to find innovative ways to market their products. On the consumers' side, changes in consumer behavior show that consumers differ greatly in their preferences. They demand more than just functional products. Furthermore, they are well informed and can easily evaluate similar product offerings. Such changes in competitive arena and consumer behavior marks the era of creative economy where ideas and innovation add value to existing products or 'commodity'. Tourism products, which are not creatively packaged, and programs therefore will lose their footholds in more intense competition.

### **3. Creative Economy and the Changes of Consumer Behavior**

Fundamental change in consumer behavior has taken place. Consumers today are in constant pursuit of new experiences. They want an escape from a busy, demanding life, and to be inspired emotionally and spiritually. They respond to messages that evoke feelings and fantasy rather than those that are functional in nature. In short, consumers are dream chasers and hedonic experience seekers (Schmitt, 1999).

In the travel, tourism, and hospitality in particular, companies and destinations that want to stay competitive must therefore defend their unique value proposition, that is, “the experience” that only they can provide. The experience must be authentic, not contrived, and built on strong values. This means building an emotional connection with consumers, something that’s never been so easy and difficult at the same time.

In response to such trend, suppliers have to suit their offering of tourism products, which offers unique experience. Additional services and experiences have to be created to create such experience. Programming of tourism products is therefore very important to respond to changing consumer behavior. The tourist product or objects can be the same. The mountains, beaches, lakes, and the people need not be changed, but the packaging and programming of those can be created in such a way to create new, unique and customized tourist experience.

Nowadays is the creative economy era where new ideas are the source of success (Howkins, 2007). The competitiveness of a tourist destination is highly built on creativity to create packages and programs of tourist object and attractions. We witness destinations, which can attract more tourists based on their creativity in creating packages and programs. Singapore, for example, with limited tourist sites, creatively invents new things out of their existing tourist products. Singapore’s Duck Tour, a city tour on an amphibian vehicle, is no longer an ordinary city tour since Singapore’s canals and roads are enjoyed differently on an amphibian vehicle. Creative program such as the Brazilian Carnival has also attracted hundred thousands of tourists which visit Brazil purposely for the carnival but also general travelers who will stay longer and

spend more to be able to see the carnival in addition to visits to conventional tourist sites.

### **4. Creative and Dynamic Packaging**

The concept of creative packaging includes the full nuances of dynamic packaging. Dynamic packaging is a system that allows consumers or travel agents to bundle trip components. This applies to systems that use different methodologies where some respond to requests with pre-packaged and pre-priced trips and the others allow consumers to select each component (air, hotel, and/or car rental) in real time. The buyer is shown only the total package price (McDonald, 2005). The creative part of the dynamic packaging is its flexibility where consumers can select travel components and create their own tour package. The other important characteristic of sophisticated dynamic packaging is its real time information, which allows suppliers to price their products in response to sales information.

Dynamic packaging is a strategic response to both consumer behavior changes and economic crises. McDonald (2005) noted that fundamental change in consumer behavior has taken place in the US and Europe. Travelers from these regions are far more experienced now than in the past when package tourism was in its highest popularity. For them, holidaying abroad is no longer a big deal and the value of tour operators that take care of everything have been declining. Travelers want unique tourist experience which is created by their own and thus the package is different from those created as mass-produced package tourism. This shows the paradigm shift in tourism marketing where tourism products are co-created by consumers (Kartajaya, 2008; Li & Petrick, 2008). Most of UK consumers said that the ability to choose the precise combination of travel components is the most important reason for building their own package (McDonald, 2005). Therefore, creative packaging has to include the co-creation of product with consumers. No longer can suppliers produce their product offering without to certain extent letting consumers involve in product creation to create their own unique experience.

Besides creating unique experience, travelers also want to suit the tour package to their budget. McDonald (2005) noted that dynamic packaging gains its popularity as a

response to economic crises. US travelers who are more accustomed to independent travels said that dynamic packaging is chosen because they can save money from it. In the midst of economic crises when budget price segment of travelers grow, dynamic packaging becomes more relevant. The growth of Low Cost Carriers (LCC) has also pushed the development of best deals vacation. A lot of tourist product packaging even shows the LCC plays a leading role in package offers due to partly the biggest percentage of airfare in the total travel costs.

The flexibility, choices, and build-your-own-package, which characterize creative packaging, are well facilitated by the development of Information and Communication Technology. Several online travel agents or tour operators such as Travelocity.com and Expedia.com have offered flexibility as well as best value deals which are facilitated by the internet. Information about tourist destination, attractions, accommodation can easily be accessed by travelers via the internet as well.

## **5. Branding and Creative Packaging and Programming**

In tourism marketing, branding has been widely applied to help create destination image. In a more competitive market, a brand serves to identify and differentiate a destination. Several destinations have sophisticatedly developed their brands. Singapore has recently launched its new brand of “Your Singapore” (<http://www.yoursingapore.com>), which conveys a close and intimate relationship with its visitors. Indonesia has also recently launched a new brand of “Wonderful Indonesia” which is further extended to “Wonderful Nature”, “Wonderful Culture”, “Wonderful People”, “Wonderful Food,” and “Wonderful Value for Money” (<http://www.indonesia-tourism.com>).

Conceptually, brand is defined as ‘a name, term, sign, symbol, or design, or a combination of them, which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors’ (Kotler & Keller, 2009). In tourism marketing, destination brand is defined more specifically as ‘a name, symbol, logo, word mark or other graphic that both identifies and differentiates the destination;

furthermore, it conveys the promise of a memorable travel experience that is uniquely associated with the destination and also serves to consolidate and reinforce the recollection of pleasure memories of the destination experience’ (Ritchie & Ritchie, 1998 as cited in Blain, Levy, & Ritchie, 2005).

As a positioning statement, a brand is usually developed at a more strategic level than packaging and programming which are of tactical levels. However, this paper argues that brand plays a significant role and is directly related with packaging and programming of tourism products. Branding, Packaging, and Programming are therefore three interconnected concepts, which need to be bundled strategically and implemented as an integrated policy.

A brand will establish the overall impression of a destination, the things to expect from a destination, and more importantly a destination’s personality and image (Anholt, 2005). A brand can guide its potential visitors on how to interpret, value, and appreciate a destination. A good example for this argument is the development of brand of Slovenia, where it launched the brand “I Feel sLOVEnia” (Jauneaud, 2008). The highlighted word of LOVE in Slovenia has led to expectation of the uniqueness of experience and invited travelers to “feel” and experience the destination.

Even though a brand creates only perception and expectation, Telisman-Kosuta (1989) stated that perceptions of product or service play an important role in an individual’s choice of that particular product or service. In other words, the purchase decision is determined not only by the product’s performance characteristics, but also by the consumer’s perception of its personality or image. Further, the promise a brand makes is important to extend a degree of comfort to visitors, as they can more fully and accurately anticipate their imminent or upcoming vacation experience (Blain, Levy, & Ritchie, 2005).

A brand also signals a certain level of quality (Kotler & Keller, 2009) and guides interpretation, influence evaluation and therefore determine satisfaction (Morgan and Pritchard, 2010). The important role of a brand is facilitated by the changing behavior (as discussed earlier) where tourists are increasingly seeking lifestyle fulfillment and

experience rather than recognizing differentiation in more tangible elements of the destination products such as accommodation and attractions. Thus, a brand can influence travelers' perception of tourism product packages and programming. A good brand of a destination can leverage the value of a package deal and appreciation of programs/activities.

Packaging and programming will have also to conform to the essence of a destination brand. A destination, which is branded as premium and exclusive, should not be cheap-price packaged. Even though packaging is also a strategy to offer good deals especially in low seasons, low price will jeopardize the destination brand in the long run. Dynamic packaging offers the flexibility to sell packages with deep discounts without damaging the brand integrity. In dynamic packaging, deep discounts were offered through working with opaque sites such as Hotwire.com and Priceline.com. Therefore, asymmetry information obtained by travelers via these websites will create impression that they get good deals but not just cheap prices. The discount offered via these websites were also communicated in such a way in which while the identities of suppliers are revealed, the individual prices of tourist products (accommodation, entry tickets, transportation, air fare, etc.) are masked. Therefore, the brand integrity of individual supplier is still maintained.

Programming as well has to conform and strengthen the brand essence of the destination. Travelers will expect certain activities, attractions, events, etc. based on their expectations, which are shaped by the brand. Inconsistency of experience versus expectation will result in dissatisfaction and in the long run will weaken the brand. To market a destination responsibly, good promise created by a brand should be fulfilled by quality tourist experience (Dewi, 2010).

The integration of branding, packaging, and programming is therefore the strategic triangle, which will enhance tourism competitiveness. Branding will serve as the strategic initiative to establish the unique, consistent, and superior image and personality of the destination, which guides the packaging, and programming of tourist products. On the other hand, good quality and unique packaging and programming will in turn strengthen the destination brand. If managed integratively,

these will create a competitive destination and attract a lot of visitors.

## **6. Indonesian Case Studies**

Having reviewed the concepts of creative packaging and programming and its relevance in tourism development, case studies are conducted by analyzing tourism brochures (both online and physical) to examine the application of creative packaging and programming in tourism industry in Indonesia.

Evaluation and critical comments are made on the integration of strategic triangle of branding, packaging, and programming which is argued earlier as an integrated triangle, which will enhance tourism competitiveness. We examine both national tourism brochures as well as some local destinations in Indonesia.

Results of textual analysis of tourism brochures, package offers, tourism programming, and destination branding show that there are at least four critical comments that can be made. Firstly, packaging of tourism products in Indonesia has developed vastly but is separated from any attempts of programming. Secondly, tourism destination authority has showed attempts to develop variety of programs (events, festivals, etc.) but is not yet bundled in a package. Thirdly, tourism office or local government has branded their destinations, but are not yet followed up by packaging and programming of tourist products. Fourthly, while there is an attempt to integrate brand with packages, the old brand, not the current one, of tourism Indonesia is used. Examples and further discussion of these points will be presented below.

### **6.1 Packaging without Programming**

The tourism industry in Indonesia has played important role in marketing and selling destinations and tourist products of Indonesia. In-bound tour packages that they offer to international markets have showed the pretty creative tourist products bundling capability in various product packages. Some brochures have also specialized in customized offering by stating, "Custom package is welcome." This indicates that some tour operators have specialized in niche markets.

However, given the use of Information and Communication Technology, which is still at early stage (Dewi, 2008), the practice of creative packaging in Indonesia has not

reached the level of dynamic packaging. In low seasons and times of crises where consumers are price sensitive, dynamic packaging will definitely help in selling perishable tourism products.

Moreover, Indonesia's tourist product packages seem to be done separately from programming. Good deals or better values are offered via price reductions of some of the package components resulting in lower package prices, but not through adding programs or activities to the package. While the price of the package is still the same, travelers can perceive a better deal if they were given additional programs in the package.

For example, even though the price of a package to Prambanan Temple-Borobudur Temple-Yogyakarta remains the same, good deals can be offered to travelers by adding free dance lessons with the performers of Ramayana Ballet in Prambanan Temple. Creative events or activities in tourism programming can become a strategy to attract visitors in low seasons (Walkup, 2008). By not lowering the package price, other benefits are also obtained, namely, maintaining the brand integrity and preventing from engaging in price war.



**KI Kastoba Indah**  
Tours & Travel

**BROMO SUN RICE TOUR PACKAGE**

<b>2 pax (Xenia/APV)</b>	<b>Rp. 495.000</b>
<b>3 pax (Xenia/APV)</b>	<b>Rp. 365.000</b>
<b>4-5 Pax (Xenia/APV)</b>	<b>Rp. 295.000</b>
<b>7-9 Pax (Elf)</b>	<b>Rp. 265.000</b>
<b>10-11 Pax (Elf)</b>	<b>Rp. 215.000</b>

Harga Termasuk:

1. Transportasi AC (Malang-Bromo PP)
2. Oper Jeep Penanjakan dan lautan pasir
3. Coffee Break 1X di Penanjakan
4. Tiket masuk Taman Nasional BTS
5. Snack 1X
6. Tour Leader

Harga tidak Termasuk:

1. Naik kuda di lautan pasir
2. Pengeluaran Pribadi

Source: <http://kastoba2travel.blogspot.com>.

Figure 2. Example of Tour Package Brochure to Mount Bromo

## 6.2 Programming without Packaging

Observation on tourism programming in Indonesia has resulted in a conclusion that several tourism offices (both at national and local levels) have in fact created some creative tourism programs. The programs can be events, festivals, sport championships, activities, etc. Several of highlighted regular programs are Tour de Singkarak in West Sumatra (a cycling competition—see Figure 3), Jogja Java Carnival (a street cultural festival) in Jogja, and Solo Batik Carnival (a street cultural festival) in Solo. Many other programs have also been created with regular schedules or as single-year events.

Nevertheless, such good programming is not yet marketed in packages. Travel agents and tour operators do not seem to optimally bundle the programs in their regular tour package offer.



Source: <http://www.indonesia.travel>.

Figure 3a. Tour de Singkarak is an Annual Event of Cycling Championship Held in West Sumatra



Source: <http://www.jogjavacarnival.com>

Figure 3b. Jogja Java Carnival is an Annual Street Cultural Festival Held in Yogyakarta

Lack of coordination between the event creators/organizer and the travel operators may cause this problem. Since travel operators have to promote and sell tour packages in advance

(at least 3 or 6 months before), they need advance information from the organizers. On the other hands, tour operators should actively look for information from any potential event/program creator for good programs to be included in their tour packages.

### 6.3 Branding without Packaging and Programming

Indonesian tourism products have been branded pretty well. We can observe that a lot of tourism brochure have presented and describe a series of tourism products under a unique brand positioning, good slogan, and tagline. The developed brand positioning seems to have implicitly identified and targeted certain market segments for the tourism products. This shows that the brand has been developed based on segmentation and targeting strategy. A series of well-segmented and well-branded tourism products have been even depicted as special interest products targeting niche markets, such as golf, spa, and shopping (see Figure 4).

While good branding strategy has been developed, it is not yet followed by packaging and programming of the tourism products. This can result in potential travelers finding difficulties in executing their decision to visit decision due to lack of price information. In time of crises, budget sensitive travelers will likely plan budget for their travel so price information will influence their decision to visit a destination. The absence of a good programming will not create perception of good value or best deals for especially budget-sensitive travelers. Moreover, while good brands establish good and unique images of the products, creative programming is the one, which will attract repeaters to visit the destinations.

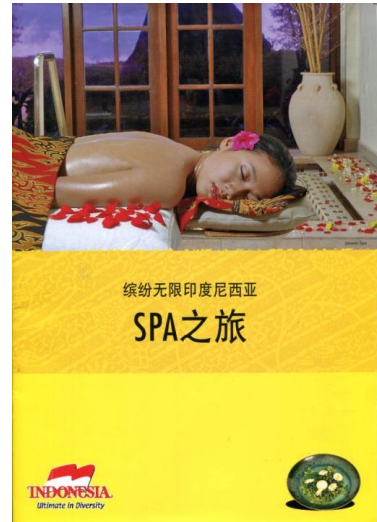


Figure 4. 'Ultimate in Spa' Booklet Is One of the Series of Special-Interest Tourism Products in Indonesia Developed by the Ministry of Culture and Tourism Republic of Indonesia.

### 6.4 Branding and Packaging

This research also observes good examples of tourism brochures, which market good package deals with the brand of the destination. Figure 5 shows the offers of tourism packages to visit various destinations in Indonesia, which are branded with "Enchanting Indonesia".

This shows a good strategy to shape the expectation of potential travelers by showing the brand of the destination. One drawback is that the brand depicted is not the one, which is developed and promoted by National Tourism Office. In 2010 when the brochure was released, the brand of Indonesian tourism was "Indonesia: Ultimate in Diversity." In 2011, the brand "Ultimate in Diversity" is replaced with a new brand of "Wonderful Indonesia" ([www.budpar.go.id](http://www.budpar.go.id)). This can indicate that the constant changes of Indonesian tourism are not well-followed by or not well-communicated to tourism stakeholders.



Source: <http://www.traveltodaylah.com>

Figure 5. Offering Tourism Packages with Overarching Brand of Enchanting Indonesia

## 7. Conclusion and Implications

This paper discusses the role of creative packaging and programming in creating tourism competitiveness. Packaging and programming are to be consistent and help promote a destination brand. On the other hand, the destination brand helps shape expectation of the tour package and program developed in the destination.

However, textual analysis on Indonesia tourism brochures show that packaging and programming is not yet developed integratively. Tourist branding is also developed solely and not yet executed with package selling and event/activities programming.

Indonesian tourism stakeholders seem to be already engaged in packaging and programming. Nevertheless, more efforts and innovations should be poured especially when world tourism industry is in intense competition. Destinations' competitiveness oftentimes is not based on the number of potential tourist objects or attractions they have but on creativity in product packaging and programming. A good brand also plays an important role.

While Indonesian tourism stakeholders have shown attempts to develop good brand, variety of packages, and programming, failure to integrate them will not result in optimum

result. The lack of integrative branding-packaging-programming seems to indicate the lack of coordination and partnerships amongst tourism stakeholders in Indonesia.

The lack of coordination may have a institutional implication. That is, there is a need for the establishment of certain institution or mechanism to facilitate coordination amongst tourism stakeholders in Indonesia, in terms of national and local government (the public-public partnership), government and industry (the public-private partnership), and amongst government, industry, and society (the public-private-people partnership). Government (both national and local) should play a leading role in such coordination and partnership building.

Due to strategic role of creative programming and packaging, more extensive and systematic research on this subject should be developed. Future research can broaden the research objects by examining brochures of various destinations in Indonesia and include, in the research methods, interviews and survey with tourism stakeholders.

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# International Marketing Program of Coffee by Farmers that Join Coffee Cooperative in Pangalengan

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## *Abstract*

*Coffee has been known all over the world and become the second commodity that is marketed in the global market actively. One of famous coffee in Europe is Preanger Coffee and it comes from Pangalengan, West Java. People of Pangalengan planted Arabica coffee as well as Robusta. But, most of them planted Arabica type now days because international markets require Arabica type with certain condition. Those people are farmers and they join Koperasi Warga Masyarakat Desa Hutan (KOWAMAH). The aim of this research is to find out International marketing Program of KOWAMAH to market their product globally. Research objects are management of KOWAMAH and Dinas Perkebunan, West Java Province. This study uses descriptive method. Interview, observation and documentation are used to collect data. Research found that Coffee demand by international market is Coffee specialty which is Arabica and planted on 1000 metres over sea level and has flavor, aroma, body, acidity, bitterness and astringent. Kowamah has marketing program are product, price, place and promotional activities through marketing public relations. One of key success factors owned by Kowamah is total supported by Government, namely Dinas Perkebunan, West Java Province. Buyer of Preanger Coffee is organizational scale and one of them who are interested to buy a company from Australia. Kowamah chooses indirect exporting to abroad and product adaptation strategy. Kowamah manages their international marketing activities through export departments. Kowamah started it's first export to Australia on February 2010.*

*Keywords: entrepreneurship, International marketing, coffee, cooperative*

## **1. Introduction**

Coffee is one of international commodity and had been being cultivated by West Java farmers at Pangalengan, South Bandung since 1994. It was new commodity for Pangalengan farmers, but lately, they could receive it as one one promising commodity to be cultivated and could give them higher profitability compared to others.

Based on interview with Mr. Djamhur, one of coffee farmer in Pangalengan, for the first time, this commodity was not familiar with Pangalengan people because they had been being cultivating tea, fruits and other vegetables. It took several years to introduce coffee to farmers. They even provided coffee seeds to be distributed to farmers. It was given based on contracts such as paying after farmers harvesting it. This strategy could be an effective way to introduce coffee to farmers, unfortunately, it was not total acceptable by farmers. They seem did not believe yet to coffee compare to their existing cultivation.

Farmers cooperated with management of PT. Perkebunan Nusantara (PTPN) VIII, as one of stated owned company in West Java which

run their business in the area of plantation. They cover their business by managing forest around west Java ([www.pn8.co.id](http://www.pn8.co.id)) The role of PTPN VIII was very important because farmers use PTPN VIII land for cultivating coffee. It was planted between trees owned by PTPN VIII. This cooperation was based on win-win solution to both of parties. Management of PTPN VIII could get advantages from this cooperation by keeping land from deforestation by community around their land. Community needs land for cultivating their commodity like tea, vegetables, fruits and others. Farmers need land more and more to expand their plantation. This condition become a serious threat for management of PTPN VIII.

Another advantage for management of PTPN VIII was their involvement in the community and they can help surrounding community to support their life. The system used to develop coffee with farmers was contractual system for certain years. Farmers can use land for fifteen years and management of PTPN VIII can get profit share from coffee which is cultivated by farmers. Based on interview with Mr. Rusnandar, chairman of

Kowamah, farmers should give 15% of total production to PTPN VIII and it had been agreed by both parties. It is clear that cooperation between Management of PTPN VIII with farmers to cultivate coffee is beneficial to them.

Farmers are also beneficial from this cooperation since this area was owned by Management of PTPN VIII and this land suits to cultivate coffee based on geographically requirement..

After several years, farmers who had been being cultivating coffee get result of their work hard since they were also supported by Dinas Perkebunan West Java Province which are really related to this commodity. It indicated by their total support to farmers to cultivate coffee. Based on interview by Dinas Perkebunan official, Mr. Iyus, he declared that government of Java Province through Dinas Perkebunan West Java provinces, always support Coffee farmers in Pangalengan. Some real activities to support farmers had been executed. He said that he had promoted coffee from Pangalengan to abroad especially Europe, Asia and Australian coffee businessmen.

This condition had been able to attract pangalengan people to cultivate coffee. Most of farmers change their commodity to coffee eventhough they need more time to harvest coffee.

Number of farmers who cultivate coffee are increasing and they set up a cooperative namely Koperasi Warga Masyarakat Desa Hutan or KOWAMAH and it was legitimated by Dinas Koperasi Kabupaten Bandung No. 11/BH/PAD/518-Kop/XI/2004. This cooperative is guided by Dinas Perkebunan, West Java Province

For the first time, KOWAMAH did not focus on coffee and in 2004, it focused on coffee. Now days, KOWAMAH has 400 members who are from surrounding Pangalengan and have coffee plantation.

Based on Griffin, cooperative is form of ownership in which a group of sole proprietorships and/or partnerships agree to work together for common benefit (Griffin & Ebert, 2006: 106).

Actually, foreigners are very interested for coffee from Pangalengan with popular brand, Preanger Coffee. Those foreigners have their memorable things while consuming this coffee. Based on previous observation, coffee from farmers are sent to Medan or Surabaya to be exported to foreign countries. This means,

consumers from abroad are still consuming coffee from Pangalengan, but this condition is not optimal yet in increasing KOWAMAH members prosperity.

Kowamah as a cooperative has a problem how to market preanger coffee internationally since it has been known internationally. Using exporters to market Preanger coffee from Kowamah has not given direct advantages to farmers and cooperative. Management of Kowamah tries to market it internationally. Unfortunately, the find problems to market it while coffee is one of international commodity and it has made people around the world to consume it.

Coffee is one of commodity that is interested business market. The major industries making up the business market are agri culture, forestry, and fisheries, mining, manufacturing, construction, transportation, communication,, public utilities, banking, finance and insurance, distribution and services (Kotler & Keller, 2009: 222).

The aim of this research is to know and analysis international marketing program of Kowamah to market coffee from Kowamah members to international market.

## **2. Relevant Work which is Done, the Theories under Layer**

Sometimes, groups of sole proprietorship or partnership agree to work together for their common benefit by forming cooperatives. Cooperative combines the freedom of sole proprietorship with financial power of corporations. They give members greater production power, greater marketing power, or both. On other hand, they are limited to serving the specific needs of their members (Griffin & Ebert, 2006: 106).

The principles of cooperative based on International Labor Organization (ILO) are:

1. Association of member
2. Open Membership and voluntarily
3. Achieve the certain economic purposes
4. Building as a business organization, monitoring and controlling through democratic way
5. Fairness contribution to the capital share are needed
6. Risk and benefit as equal as getting the member

International Co-operative Alliance defines cooperative as an autonomous association of

persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (2009). This definition can be understood based on *Undang-Undang No. 25 Tahun 1992, Koperasi adalah badan usaha yang beranggotakan orang-seorang atau badan hukum Koperasi dengan melandaskan kegiatannya berdasarkan prinsip Koperasi sekaligus sebagai gerakan ekonomi rakyat yang berdasar atas asas kekeluargaan* (the cooperative is a business entity consisting of a cooperative or a legal entity with bases its activities on the principle of cooperative movement as well as the people's economy is based on the principle of kinship).

The goal of Cooperative in *Undang-Undang Perkoperasian*: “*Koperasi bertujuan memajukan kesejahteraan anggota pada khususnya dan masyarakat pada umumnya serta ikut membangun tatanan perekonomian nasional dalam rangka mewujudkan masyarakat yang maju, adil, dan makmur berlandaskan Pancasila dan Undang-Undang Dasar 1945.*”(Undang-Undang Republik Indonesia No. 25 Tahun 1992 tentang *Perkoperasian beserta Peraturan Pemerintah, 1992*) (Cooperatives Act: “Cooperation seeks to promote the welfare of members in particular and society in general and helped build the national economic structure in order to create an advanced society, just, and prosperous society based on Pancasila and the Constitution of 1945.”).

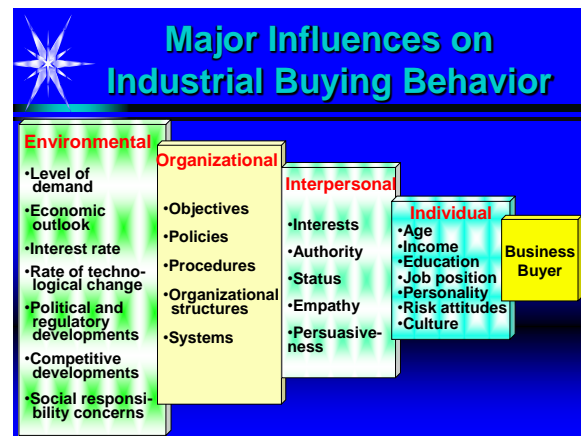
As an institution, which runs business, Kowamah also run marketing to market coffee abroad.

Marketing Management is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange that satisfy individuals and organizations goals. (<http://www.marketingpower.com/library/dictionary>).

Kotler and Keller said that marketing is an organizational function and a set of process for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders (2009: 45).

Marketing Mix is the set of marketing tools that the firm uses to pursue is marketing objectives in the target market (Kotler & Armstrong, 2006: 425).

Marketing program becomes marketing stimuli at the customer purchase decision. Every organization has specific purchasing objectives, policies, procedures, organizational structures, and systems. Business marketers need to be aware of the following organizational trends in purchasing.



Source: Kotler (2002: 115).

Figure 1. Major Influences on Industrial Buying Behavior

Webster and Wind define in Kotler and Keller, organizational buying as the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers (2009: 222).

Kotler and Keller said the business market consists of all the organizations that acquire goods and services that are sold, rented or supplied to others (2009: 222).

Business market, however, has several characteristics that contrast sharply with those of consumer market:

- Fewer, larger buyers
- Close supplier-customer relationship
- Professional purchasing
- Multiple buying influences
- Multiple sales call
- Derived demand
- Inelastic demand
- Fluctuating demand
- Geographically concentrated demand
- Direct purchasing (Kotler & Keller, 2009: 222-225)

Industrial buying passes through eight stages called *buyphases*, as identified by Robinson and associates in the *buygrid* framework

1. Problem recognition, the buying process begins when someone in the company recognizes a problem or need that can be met by acquiring a good or service. The recognition can be triggered by internal or external stimuli. Internally, problem recognition commonly occurs when a firm decides to develop a new product and needs new equipment and materials, when a machine breaks down and requires new parts, when purchased material turns out to be unsatisfactory, and when a purchasing manager senses an opportunity to obtain lower prices or better quality. Externally, problem recognition can occur when a buyer gets new ideas at a trade show, sees a supplier's ad, or is contacted by a sales representative offering a better product or a lower price.
  2. General need description, Once a problem has been recognized; the buyer has to determine the needed item's general characteristics and the required quantity. For standard items, this is not a very involved process. For complex items, the buyer will work with others—engineers, users, and so on—to define the needed characteristics. These may include reliability, durability, price, or other attributes. In this stage, business marketers can assist buyers by describing how their products would meet such needs.
  3. Product specification, With a general need description in hand, the buying organization can develop the item's technical specifications.
  4. Supplier search, The buyer now tries to identify the most appropriate suppliers, by examining trade directories, doing a computer search, phoning other firms for recommendations, scanning trade advertisements, and attending trade shows.
  5. Proposal solicitation, the buyer is ready to invite qualified suppliers to submit proposals. When the item is complex or expensive, the buyer will require a detailed written proposal from each qualified supplier. After evaluating the proposals, the buyer will invite a few suppliers to make formal presentations.
  6. Supplier selection, before selecting a supplier, the buying center will specify desired supplier attributes (such as product reliability and service reliability) and indicate their relative importance. It will then rate each supplier on these attributes to identify the most attractive one.
  7. Order-routine specification, after selecting suppliers, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the delivery schedule, and so on.
  8. Performance review, In the final stage of the buying process, the buyer periodically reviews the performance of the chosen supplier(s) (Kotler, 2001: 117-120).
- Major tools in Marketing Public Relations:
1. Publications: Companies rely extensively on published materials to reach and influence target markets, including annual reports, brochures, articles, printed and on-line newsletters and magazines, and audiovisual materials.
  2. Events: Companies can draw attention to new products or other company activities by arranging special events like news conferences, on-line chats, seminars, exhibits, contests and competitions, and sport and cultural sponsorships that will reach the target publics.
  3. News: One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people. The next step—getting the media to accept press releases and attend press conferences—calls for marketing and interpersonal skills.
  4. Speeches: Speeches are another tool for creating product and company publicity and building the company's image.
  5. Public-Service Activities: Companies can build goodwill by contributing money and time to good causes.
  6. Identity Media: To attract attention and spark recognition, the firm's visual identity is carried by its logos, stationery, brochures, signs, business forms, business cards, Web site, buildings, uniforms, and dress codes.
- The world is rapidly shrinking with the advent of faster communication, transportation, and financial flows. Products developed in one country—Gucci purses, Mont Blanc pens, McDonald's hamburgers, Japanese sushi, Chanel suits, German BMWs—are finding enthusiastic acceptance in other countries (Kotler, 2002: 366).
- In deciding to go abroad, the company needs to define its international marketing

objectives and policies. What proportion of foreign to total sales will it seek? Most companies start small when they venture abroad. Some plan to stay small. Others have bigger plans, believing that their foreign business will eventually be equal to, or even more important than their domestic business. “Going abroad” on the Internet poses special challenges; see the Marketing for the Millennium box, “WWW.TheWorldIsYourOyster.com: The Ins and Outs of Global E-Commerce.” The company must decide whether to market in a few countries or many countries and determine how fast to expand (Kotler, 2002: 369).

Major Decisions in International Marketing:

1. Deciding whether to go
2. Deciding which markets to enter
3. Deciding how to enter
4. Deciding on the marketing program
5. Deciding on the marketing organization

Once a company decides to target a particular country, it has to determine the best mode of entry. Its broad choices are *indirect exporting*, *direct exporting*, *licensing*, *joint ventures*, and *direct investment*. The normal way to get involved in a foreign market is through export. *Occasional exporting* is a passive level of involvement in which the company exports from time to time, either on its own initiative or in response to unsolicited orders from abroad. *Active exporting* takes place when the company makes a commitment to expand its exports to a particular market. In either case, the company produces its goods in the home country and might or might not adapt them to the foreign market.

Companies typically start with *indirect exporting*—that is, they work through independent intermediaries to export their product. There are four types of intermediaries:

1. *Domestic-based export merchants* buy the manufacturer’s products and then sell them abroad.
2. *Domestic-based export agents* seek and negotiate foreign purchases and are paid a commission. Included in this group are trading companies.
3. *Cooperative organizations* carry on exporting activities on behalf of several producers and are partly under their administrative control. They are often used

by producers of primary products such as fruits or nuts.

4. *Export-management companies* agree to manage a company’s export activities for a fee. Indirect export has two advantages. First, it involves less investment. The firm does not have to develop an export department, an overseas sales force, or a set of foreign contacts. Second, it involves less risk. Because international marketing intermediaries bring know-how and services to the relationship, the seller will normally make fewer mistakes (Kotler, 2002: 374).

International companies must decide how much to adapt their marketing strategy to local conditions. At one extreme are companies that use a globally *standardized marketing mix* worldwide. Standardization of the product, advertising, and distribution channels promises the lowest costs. At the other extreme is an *adapted marketing mix*, where the producer adjusts the marketing-mix elements to each target market (Kotler, 2002: 379).

Keegan in Kotler, has distinguished five adaptation strategies of product and promotion to a foreign market:

1. *Straight extension* means introducing the product in the foreign market without any change
2. *Product adaptation* involves altering the product to meet local conditions or preferences
3. Communication adaptation, don not change the product, adapt promotion
4. Dual adaptation, adapt product and promotion
5. Product invention, develop new product with or without adaption in promotion (Kotler, 2002: 379).

Companies manage their international marketing activities in three ways: through export departments, international divisions, or a global organization (Kotler, 2002: 386).

### 3. Design, Model, and Implementation

Unit analysis of this research are management of Kowamah, Jl. Adang No. 8, RT 01/RW 06 Pasanggrahan Kulon Desa/Kecamatan Pangalengan, Kabupaten Bandung and Dinas Perkebunan West Java Province. This study uses descriptive method. Descriptive analysis is used to analyze data.

Population is used to interview and observe objects.

Primary and secondary source of data collection can be used in this research. Primary source is object of observation that directly gives data to the researcher while secondary source is object of observation that gives data to researcher indirectly.

In using qualitative technique approach, data collection is taken in natural setting. Data collection techniques that can be used are as follow observation, in depth interview and documentation

## **4. Implication/Result**

### **4.1 Description of Kowamah**

This cooperative was set up in 2000 where KOWAMAH stands for Koperasi Warga Al Mukaromah to develop business among korp haji in Kecamatan Pangalengan. Main activity of this cooperative was agribusiness.

In 2001, some farmers who had been member of KOWAMAH develop coffee, which had been tried since 1994. In 2004, Kowamah changed become Koperasi Petani Kopi Warga Masyarakat Hutan.

Kowamah was the first coffee farmers cooperative in West Java Province and its activity was not limited by government administrative region. This cooperative always synergizes their activity with Asosiasi Petani Kopi Indonesia DPW West Java and they are also supported by Dinas Perkebunan West Java Province especially from guidance and marketing aspects.

Kowamah vision is the realization of a prosperous coffee farmers and independent and makes coffee as a commodity commodity West Java. Kowamah missions are:

1. Empowering farmers in terms of skills in cultivating coffee,
2. Increasing processing, marketing and revenue,
3. Increasing the dignity, and welfare of coffee farmers,
4. Promote togetherness in marketing coffee among farmers,
5. Mobilising the pattern of mutually beneficial business partnership

Kowamah also has organizational values in running their business:

1. Start from today and from what we can do as well as from small little things first

2. Come up with cooperatives cultural to always say I am, cooperative and remove the custom to say the word: servant, I was in the interests of Cooperative Kowamah
3. The sooner the better
4. Catch all the opportunities that exist
5. United we are strong, our divorce destroyed
6. Be we as hosts his own home
7. Eliminate self-interest, come up with the spirit of mutual interest
8. Behavior of mutual-Realize that each positive in everyday life

This condition is increasing both the frequency and intensity after KOWAMAH efforts in introducing coffee grown products in South Bandung area both at home and abroad with the emergence of buyer-buyer cooperation abroad that want to market products through the cooperative coffee KOWAMAH.

Based on interview and observation in Kowamah, this cooperative consists of individuals or farmers, groups of sole proprietorship or partnership who agree to work together for their common benefit by forming cooperatives. Kowamah combines the freedom of sole proprietorship with financial power of corporations. Kowamah gives members greater production power, greater marketing power, or both.

Kowamah efforts to achieve it's goal based on *Undang- Undang Perkoperasian: "Koperasi bertujuan memajukan kesejahteraan anggota pada khususnya dan masyarakat pada umumnya serta ikut membangun tatanan perekonomian nasional dalam rangka mewujudkan masyarakat yang maju, adil, dan makmur berlandaskan Pancasila dan Undang-Undang Dasar 1945.*

### **4.2 International Marketing program**

Coffee is one of the major food trade value on the world stage occupied the second place after petroleum. Lately the quality of coffee has an important role in the world coffee trade, as consumers increasingly demanding high quality, particularly in specialty market segments. The latest development of consumers not only demand good quality coffee, but also a healthy coffee (safe to health).

Specialty coffee is Arabica type and planted at an altitude of 1000 meters above sea level (higher is better) and have a desirable flavor coffee lovers. Coffee flavors are obtained



depending on how the processing of raw and ready way of roasting coffee to drink.

Based on interviews with Mr. Djamhur, coffee flavors are referred categorized on several things:

- a. Flavor
- b. Aroma
- c. Body
- d. Acidity
- e. Bitterness
- f. Astringent

Kowamah has to decide its marketing program and Kotler said International companies must decide how much to adapt their marketing strategy to local conditions. At one extreme are companies that use a globally *standardized marketing mix* worldwide. Standardization of the product, advertising, and distribution channels promises the lowest costs. At the other extreme is an *adapted marketing mix*, where the producer adjusts the marketing-mix elements to each target market (Kotler, 2002: 379).

Marketing program, which was executed by Kowamah, are first, product. Product of Pangalengan coffee is Arabica coffee with high quality standards based on buyer's demand.

Second, price. Price which is used by Kowamah to transaction is market based price where L/C is used to payment process. Third, Place. The coverage is abroad since most of Preanger coffee was exported to abroad through exporter in Medan, West Sumatera and Surabaya, East Java. Transportation used to export is container and ship as transportation mode.

Promotional activities consist of marketing public relations. First, publications. Companies rely extensively on published materials to reach and influence target markets, including annual reports, brochures, articles, printed and on-line newsletters and magazines, and audiovisual materials. It is also executed by Kowamah and supported by Dinas Perkebunan, West Java Province. One of key success factors owned by Kowamah is total supported by Government, namely Dinas Perkebunan, West Java Province. Publication was executed by Dinas Perkebunan, West Java Province.

Second tool is events. Coffee from Pangalengan was taken to exhibition abroad. Dinas Perkebunan, West Java Province participates in the exhibition abroad, especially

coffee exhibition. This marketing event had made people interested on Preanger coffee.

Third, news. One of the major tasks of PR professionals is to find or create favorable news about the company, its products, and its people. The next step—getting the media to accept press releases and attend press conferences—calls for marketing and interpersonal skills. Kowamah management often does press conferences to media about Kowamah activities.

Buyer of Preanger Coffee is organizational scale and one of them who are interested to buy a company from Australia. As Kotler and Keller said that business market consists of all the organizations that acquire goods and services that are sold, rented or supplied to others. This process also took place in some steps and they were represented by Mr. Toby Smith dan Mr. Garret

As Kotler and Keller said that, one of characteristic of business market is professional demand and Kowamah buyer was also uses eight stages as Robinson and Associate in the buy grid framework

1. Problem recognition, this is the first stage where buyers need more coffee for their café in Indonesia as well as other countries.
2. General need description, Once a problem has been recognized; the buyer has to determine the needed item's general characteristics and the required quantity. Buyers stated their general needs description such as coffee from Flavor, Aroma, Body, Acidity, Bitterness and Astringent. They found this specification in Coffee from Pangalengan, which is Arabika.
3. Product specification, with a general need description in hand, the buying organization can develop the item's technical specifications. Those coffees should be harvested with special techniques and so does packaging and warehousing standards.
4. Supplier search, The buyer now tries to identify the most appropriate suppliers, by examining trade directories, doing a computer search, phoning other firms for recommendations, scanning trade advertisements, and attending trade shows. Kowamah is expected to fulfill this requirement.
5. Proposal solicitation, the buyer is ready to invite qualified suppliers to submit proposals. Kowamah had been asked to

propose solicitation based on buyers demand.

6. Supplier selection, Kowamah had been selected to export coffee based on buyer demand.
7. Order-routine specification. Quantity demand from buyer was 20 containers with 20 feet per a month
8. Performance review, In the final stage of the buying process, the buyer periodically reviews the performance of the chosen supplier(s). Kowamah is also been reviewed by buyer.

Kowamah didn't export directly to Australia but cooperative with an exporter namely PT Morning Glory Coffee. Once a company decides to target a particular country, it has to determine the best mode of entry. Its broad choices are *indirect exporting*, *direct exporting*, *licensing*, *joint ventures*, and *direct investment*. In this case, Kowamah choose indirect exporting to abroad.

In this agreement, Kowamah tries to be *active exporting where it* takes place when the company makes a commitment to expand its exports to a particular market. In either case, the company produces its goods in the home country and might or might not adapt them to the foreign market.

Companies typically start with *indirect exporting*—that is, they work through independent intermediaries to export their product. *Cooperative organizations* carry on exporting activities on behalf of several producers and are partly under their administrative control. They are often used by producers of primary products such as fruits or nuts. In this case, Kowamah is a cooperative which export coffee from their members.

Based of Keegan in Kotler, adaptation used by Kowamah is *Product adaptation* involves altering the product to meet local conditions or preferences

Kowamah manages their international marketing activities through export departments.

Based on data from Dinas Perkebunan West java Province, a number of coffee farmers in production centers Priangan in Bandung, south, began to export their crop to Australia at the beginning of harvest season this year 2010. Prime export is done through the Cooperative Union of Forest Village Community (Kowamah) district. Pangalengan, Kab.

Bandung, thus opening opportunities for coffee farmers in the export path is greater.

Based on Chairman Kowamah, Mr. Rusnandar, the initial export to Australia is as much as 18 tons of coffee beans which depart from Terminal dry Gedebage Bandung. Exports to these countries is done through the partnership with coffee exporting company in Bandung PT Morning Glory Coffee. The company was also ordered from this center to be exported to Italy and Korea.

Initial export is actually still in small quantities because of the new coffee harvest season a little. Large harvest is expected to last April. According to him, orders from Australia, Italy, and Korea, lives filled with supplies in quantity and quality of their set.

Mr. Iyus Spriatna, with South Bandung coffee exported to Australia, and the orders from Italy and Korea, making coffee farmers in this region began passionately to market their coffee to go abroad. According to him, the three countries has been the benchmark of business and trade in coffee, whether in the form of semi-finished and ready to drink products.

International marketing program of Kowamah has resulted market interest to buy coffee from Pangalengan farmers.

## 5. Conclusion

Kowamah was the first coffee farmers cooperative in West Java Province and it's activity was not limited by government administrative region. This cooperative always synergizes their activity with Asosiasi Petani Kopi Indonesia DPW West Java and they are also supported by Dinas Perkebunan West java Province especially from guidance and marketing aspects.

Kowamah has Vision and mission and try to achieve its goal based on Undang- Undang Perkoperasian.

Kowamah has to decide it marketing program are first, product. Product of Pangalengan coffee is Arabica coffee with high quality standards based on buyer's demand. Second, price. Price, which is used by Kowamah to transaction, is market-based price where L/C is used to payment process. Third, Place. The coverage is abroad since most of Preanger coffee was exported to abroad through exporter in Medan, West Sumatera and Surabaya, East java. Transportation used to export is container and ship as transportation moda. Promotional activities consist of

marketing public relations. First, publications. Companies rely extensively on published materials to reach and influence target markets, including annual reports, brochures, articles, printed and on-line newsletters and magazines, and audiovisual materials. It is also executed by Kowamah and supported by Dinas Perkebunan, West Java Province. One of key success factors owned by Kowamah is total supported by Government, namely Dinas Perkebunan, West Java Province. Publication, events and news.

Buyer of Preanger Coffee is organizational scale and one of them who are interested to buy a company from Australia. Buyer was also uses eight stages as Robinson and Associate in the buy grid framework Problem recognition, General need description, Product specification, Supplier search, Proposal solicitation, Supplier selection, Order-routine specification and Performance review

Kowamah choose indirect exporting to abroad. and *Product adaptation*. Kowamah manages their international marketing activities through export departments. Kowamah started it's first export to Australia on February 2010.

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# Ratio Analysis on Entrepreneurial Service Quality: A Case Study in a Motorcycle Dealership in East Java

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## Abstract

*In any business practices, quality is regarded as the important measure in sustaining the business operations. In goods productions, quality may be considered from several view points. For business organizations whose main activities are not dominated by goods production, however, given the nature the intangibilities, service operations may rely more on quality measurements.*

*Using CV Dealer Motor ("CVDM"), as a particular motorcycle dealership in East Java, this paper attempts to study how the entrepreneurial spirit develop and implementation of service quality especially in small/medium enterprises (SME). This study incorporates primary and secondary data; from questionnaires and financial statements of CVDM. It is expected that this study is able to bring up the tips and tricks on how entrepreneurs face and survive the competition via service quality, as part of the selling strategy in motorcycle market.*

*This research attempts to demonstrate the entrepreneurs' aspects and service quality variable that been exhaustedly used by the entrepreneurs in striving for goals. Other variable to consider is the fact that competitiveness in Indonesia's motorcycle industry continues to spike despite the country's economic downturns, and the soaring world's oil prices.*

*Keywords: business agreements, entrepreneurship, service quality, customer satisfaction, ratio analysis, organizational performance, key success factors*

## 1. Introduction

It is undoubtedly true that entrepreneurial spirit has been a big theme in the business world for the past centuries (Hisrich, *et al.*, 2005; Witt, 1998a; 1998b; 2000). This is evident by many inventions and innovations following the big boom in the technology and internet era. Though many entrepreneurs started with small ventures, often times were sourced out from family funds, they are constantly hoping for the continuous growth over time (Witt, 1998a; 1998b; 2000). In the emerging economies like Indonesia, the development of a stronger economic base in the area of micro/small/medium enterprises (SME) has proven to become the backbone of the country's economy. A German scholar had extensively studied Indonesian entrepreneurs and SME (Pratama, 2006). The ultimate finding was that Indonesian entrepreneurs and SME face double jeopardy; the economic slowdown, and increasingly tight competitions, particularly from larger counterparts (Pratama, 2006). It could be said as "blessing in disguise", even with the unfavorable economic condition, the level of demand is not always low and/or diminishing. This is the difficult

arena that entrepreneurs must play; running the business, progressing the business, and a precise calculation on risks (Hisrich, *et al.*, 2005; Witt, 1998a; 1998b; 2000). For entrepreneurs, it portrays a great opportunity to start something different or unique in the attempt to meet people's demand. This may cover the usual marketing mix to lure people into the buying modes. Also, this may put-forth the importance of service quality that ultimately influences the more impulse buying decision.

A specific example of an SME is in the motorcycle dealerships. The reason is simple as this is mainly due to the fact that motorcycles play an important role in the country's economic development by simply moving goods and/or people around to speed-up the transaction processes. Indonesia's motorcycle industry is characterized by a tight competition, particularly among Japanese brands, such as; Honda, Yamaha, Suzuki, and Kawasaki. The competitions among these Japanese brands are visible in four stroke types of motorcycles, by showing-off their technology, model, price, promotion, including financing deals. Though there are other brands

from China, Korea, Italy, Germany, USA, and India, for instance, but these other brands only occupy a small portion in the overall motorcycle market.

As stated earlier, in Indonesia, motorcycles play a dominant role as the mode of transportation. This has been mainly true for the middle and lower income group of people. In recent years, however, as roads in major cities are continually packed with traffic jams; middle and upper income group of people have also sway into using motorcycles as their favorable modes of transportations. This is the reason for the increasing sales of motorcycle. With the growth of motorcycle demands, opening-up motorcycle dealerships become an attractive business opportunity for entrepreneurs. This study focuses on how the entrepreneurial service quality is developing in Indonesia. The reason is because becoming entrepreneurs in motorcycle business is can be a good way to reduce unemployment, due to high level of unemployment and the business is still booming.

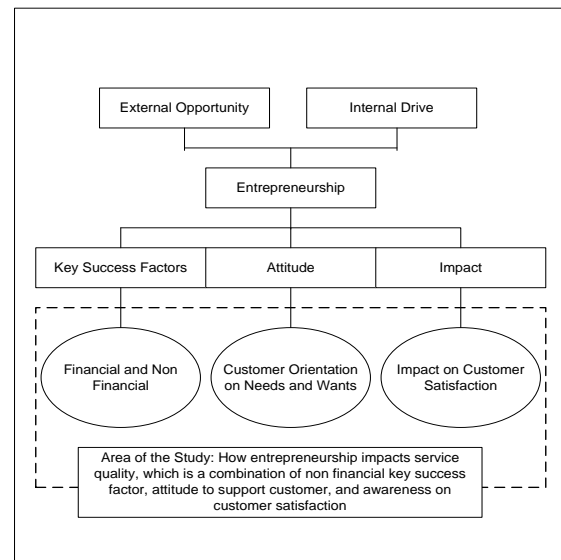
Following the prescribed steps by Hisrich, *et al.* (2005), this paper incorporates several important issues in building up the arguments toward service quality, which covers the financial and non-financial measurements in justifying the entrepreneurial service quality (Witt, 1998b). Also, by considering the entrepreneurial theory of the firm (Witt, 2000), or otherwise known also as “entrepreneurial growth theory of the firm”, as the foundation to build up theoretical arguments toward entrepreneurial service quality in today’s business environment (Witt, 1998b). It is expected that theory of the entrepreneurial-growth-firm is able to provide the foundation closer to the reality of the firm’s operational and managerial activities, than the original theory of the firm, which accounted firms only as black boxes with many unknown substances (Anantadjaya, 2008; 2010).

In the dynamic environment, certain developmental processes are common in entrepreneurial firms (Anantadjaya, 2008; 2010; Witt, 1998b; 2000). Mobilizing resources are the key to form a resource base, which is capable of generating hefty returns. Entrepreneurs do not just perceived opportunities that have existed in the market as a result of various types of changes in prices or preferences, but entrepreneurs do attempt to create many opportunities (Witt, 1998b; 2000).

To realize opportunities, entrepreneurs must organize business activities. Firm’s resource base needs to be present and mobilize before entrepreneurs can attempt to organize business activities. Thus, entrepreneurs need match up market opportunities to the available resources for firms to start growing (Anantadjaya 2008; 2010; Colombo and Grilli, 2005; Westaby, 2005; Whincop, 2000; Witt, 1998b; 2000).

The following illustration provides the framework of thinking in approaching this study. Although it begins with the opportunities for entrepreneurial choices, the focus on this paper is mainly concerned only with the financial and non-financial key success factors, and their impacts on the customer satisfaction given the service quality of entrepreneurs.

Figure 1. Framework of Thinking



## 2. Theoretical References

### 2.1 Theory of Entrepreneurship

Based on the definition suggested by Hisrich, *et al.* (2005), entrepreneurship is referred to as the combination of processes between one’s attempts to create something new, risks assumptions, and potential rewards. This definition points out, at least, four basic aspects to become entrepreneurs; creating something new, setting aside time and effort, willingness to assume risks, and achieving potential rewards as bonuses. These basic ingredients provide a huge effect on entrepreneurial decision process.

Given that customers are now seeking for sophisticated and unique products, it is crucial that entrepreneurs should ensure that products can really satisfy customers' needs and wants. There are four major factors that can influence a consumer's buying behavior; cultural factors, social factors, personal factors, and psychological factors (Pratama, 2006; Witt 1998b; 2000). To win customers' choice, entrepreneurs must learn the affecting factors in buying process. This certainly influences the intention to buy for customers (Anantadjaya, *et al.*, 2007b; Pratama, 2006).

Another important factor to improve the service quality is known as Total Quality Service (TQS), which puts emphasize on employees and customers (Pratama, 2006). TQS approach holds on to the notion that employees are the vital part of the entrepreneurs' asset inside the business, and customers are the essential external element of the entrepreneurs' asset. Both of these types of assets have a strong link toward each other. This is how the word of mouth communication has provided the entrepreneurs the competitive edge in the marketplaces. Customers would expect at least the same/similar service quality in future acquaintances with the organizations (Anantadjaya, *et al.*, 2007; Pratama, 2006), or otherwise known as Customer Value Packages (CVP), according to Pratama (2006).

Pratama (2006) provide some notable examples in relations to CVP. Though it is non-operational anymore, Sempati airline was once attempted to recognize the importance of on-time departure and arrival. Bank Mandiri is yet another notable example, which attempted to increase CVP, by presenting stuffed-toy-animals for customer referrals. Singapore's Changi airport provides candies for arriving passengers. Though such CVPs are very much intangible, customers are put at ease. This is supported by the entrepreneurial growth theory of the firm, whereby, the roles of entrepreneurs, or otherwise referred to as intrapreneurs, in today's understanding, are just vital for the expansion of organizations (Anantadjaya, 2008; 2010; Anantadjaya and Mulawarman, 2010; Charan, 2006; Forman, 2006a; Forman, 2006b; Stam, *et al.*, 2006).

Pratama (2006) confirm various quality dimensions on service quality. They are; (1) tangibility, which is referred to appearance of physical facilities, equipment, personnel, printed and visual materials, (2) reliability,

which is referred to performance of accurate and dependable promised service, (3) responsiveness, which is referred to staff willingness to assist customers, and providing prompt services, (4) competence, which is referred to the attainment of required skills and knowledge, (5) courtesy, which is referred to politeness, respect, consideration and friendliness of contact personnel, (6) credibility, which is referred to trustworthiness, believability, and honesty of the service provider, (7) security, which is referred to freedom from danger and risks, (8) access, which is referred to as approachability and ease of contact, (9) communication, which is referred to keeping in touch with customers by listening to them, and acknowledging comments, and (10) understanding the customer, which is referred to making efforts to learn customers needs and wants.

As an alternative measurement for customer satisfaction is the basic five dimensions of service quality (Anantadjaya, *et al.*, 2007; Zeithaml, *et al.*, 1990). Those dimensions are;

- (1) Tangibility, which covers issues on appearance of physical facilities, equipment, personnel, and communication material;
- (2) Reliability, which covers issues on the ability to perform the promised service dependably and accurately;
- (3) Responsiveness, which covers issues on the willingness to help customers and provide prompt service;
- (4) Assurance, which covers issues on knowledge and courtesy of employees and their ability to inspire trust and confidence; and
- (5) Empathy, which covers issues on caring, individualized attention the firm provides to its customer.

## 2.2 Entrepreneurial-Growth Theory of the Firm

Traditionally, the theory of the firm is targeted merely to provide responses on some basic questions—why were there firms, what would the boundaries of firms be in relation to the surrounding marketplaces, and what would the firm's internal organization be (Stam, *et al.*, 2006). During these early studies, price mechanism was used to justify the production activities, formation of firms, and movements of resources (Anantadjaya, 2008; 2009; 2010).

At the time, the existence of firms was particularly beneficial for individuals and business groups in terms of the power of negotiation and closing out contractual agreements for each exchange transactions in the market (Anantadjaya, 2008; 2009; 2010; Anantadjaya & Mulawarman, 2010).

The allocation of factors of productions was later labeled as the sources of sustainable competitive advantage in the management field. The prominent signals toward allocation of factors of productions in relation to firm's sustainability have been emerging in recent years through the rise of strategic management. Questions toward sources of firm's performance have certainly emerged from both the industrial effect, including from any other specific capabilities, as well as how firms can reach and potentially sustain their competitive advantage (Anantadjaya, 2008; 2009; Jensen, 2001; Sampurno, 2006; Sangkala, 2006).

Since firm's initial focus was relatively limited to only the installed and utilized resources, the scarce availability of firm's resources portrayed hurdles toward firm's growth and expansion. In order to maintain, and/or otherwise improve the production activities, additional external resources needed to be considered. Firms are not necessarily confined to any given products, but the series of activities that those firms are moving into are somewhat related to their existing resources. This shows that there is a relatively close connection between various kinds of resources, and development of ideas and knowledge for managers. According to several previous studies; Anantadjaya (2008; 2009), Anantadjaya and Mulawarman (2010), Jensen, (2001), Sampurno (2006), and Sangkala (2006), management and entrepreneurs are constantly faced with demands for expansion, innovation, and making a good use of all sources of competitive advantage. Existing products provides factual grounding on numerous product developments to obtain all firms' potentials.

Aside from the various product manufacturing of a given firms, managerial styles and entrepreneurial activities are often contradictory. Conservatism attitudes toward financial dealings, or general precautions toward various investment decisions, are often labeled as total failure to maximize profits. Thus, it is said to be a major failure toward supporting growth of the firm (Stam, et al,

2006). The fact of the matter today is that managerial styles and entrepreneurial efforts often create substantial growth of the firm (Anantadjaya, 2010; Anantadjaya & Nawangwulan, 2006; Cardy & Selvarajan, 2006; Carroll & Hunter, 2005; Noe, *et al.*, 2006).

There are people, who believe that firms' existence and roles of entrepreneurs cannot be separated from each other. The existence of firms and firms' abilities to evolve in the marketplace are mainly due to the roles of entrepreneurs and management members (Anantadjaya, 2008; 2010; Anantadjaya & Mulawarman, 2010; Charan, 2006; Forman, 2006a; Forman, 2006b; Stam, *et al.*, 2006). Likewise, entrepreneurs require firms to provide their productive roles in creative thinking and managing the dynamic interaction among people of colors; not only inside the firms, but also with others outside the firms (Foss & Klein, 2004; Garnsey, *et al.*, 2004).

The theory of the entrepreneurial-growth-firm represents the dynamic entity of a firm. It is closer to the reality of the firm's operational and managerial activities. In the dynamic environment, certain developmental processes are common in entrepreneurial firms. Mobilizing resources are the key to form a resource base, which is capable of generating hefty returns. This way of thinking is certainly supported by Penrosean theory of the growth of the firm (Anantadjaya 2008; 2009; 2010; Stam, *et al.*, 2006); that was, growth is a cumulative process whereby members build knowledge and competence together. Growth for firms is perpetuated by "productive opportunity", which occurs in cumulative processes of interaction between the firm's productive base and market opportunities. This is the area where entrepreneurs seek to secure the productive opportunities, which may include of all the productive possibilities that entrepreneurs can take advantage of. Entrepreneurs do not just perceived opportunities that have existed in the market as a result of various types of changes in prices or preferences. Entrepreneurs do attempt to create many opportunities. To realize opportunities, entrepreneurs must organize business activities. Firm's resource base needs to be present and mobilize before entrepreneurs can attempt to organize business activities. Thus, entrepreneurs need match up market opportunities to the available resources for



firms to start growing (Colombo & Grilli, 2005; Westaby, 2005; Whincop, 2000).

As firm grows, dynamic processes occur internally. The main ingredient for sustainable growth is the combination of ability to build solid resources base, and responding to new opportunities. Since market and opportunities vary over time, firms may mobilize resources to generate maximum returns from any productive activities. As it becomes relatively logical for firms to continuously growing, failure to do so may put the firms into jeopardy as firms are challenged by demands for growth (Stam, *et al.*, 2006; Yogaswara, *et al.*, 2005).

As in the previous theories, the entrepreneurship-growth theory of the firm maintains solid grasp that entrepreneurs and managers are rational. Thus, as mentioned, this states that entrepreneurs and managers will act and/or otherwise response rationally to achieve the organization's maximum profits (Stam, *et al.*, 2006). In addition, rational human resources will attempt to create high-performance work practices (Jensen, 2001; Kohlbeck & Mayhew, 2006). It means that they will look for innovative ways of achieving high-performance work practices (McKoy, 2006): feedback mechanism (Carson, 2006), quality control, balanced scorecard (Anantadjaya, 2007a), and measurements on corporate governance (Bauer, *et al.*, 2004, Tabalujan, 2002). Also, as rational human resources, people tend to create and/or otherwise seek value-added approach in managing human resources. This becomes very important for firms as to establish the real source of organizational competitive advantage (Fulghieri and Suominen, 2005). Integrating various business operational activities from multi-departments is also critical as firms must adapt to changing environment (Colombo & Grilli, 2005; McKoy, 2006).

Hence, these combinations of theories are used as the foundation to support the notion of entrepreneurial service quality as key success factors that brings about customer satisfaction.

### **2.3 Entrepreneurship in Motorcycle Dealerships/Showrooms**

In Indonesia, motorcycle business is considered as a huge money-making opportunity. Perhaps, this is also true for most of Asian countries, whereby motorcycles and scooters are very popular means of transportation. Due to the high level of

demand, the Indonesian 1999's deregulation attempted to attract new investors in the motorcycle industry (Pratama, 2006). Such facts were supported by informal interview with a senior representative of a publicly-listed financing/leasing firm in Indonesia. Since there are lots of delinquent motorcycle credits, which are potentially bring-down the firm's bottom line, once firms have reposed those motorcycles, firms prefer to re-sell those motorcycles at about 30% discounted price from the prevailing market price. Looking at this particular condition, it creates a relatively easy entry to the motorcycle dealerships (Pratama, 2006).

Becoming motorcycle dealers is a huge opportunity for entrepreneurs. With a limited capital and constant support from financing firms, entrepreneurs can start opening up a motorcycle dealership/showroom (Pratama, 2006). Entrepreneurs in motorcycle business must monitor the level of demand and the trend. This is the key of the success (Pratama, 2006; Witt, 1998a; 1998b; 2000). The dynamic economic condition, which occurs not only in Indonesia, but also in other Asian countries, can actually boost the motorcycle industry, especially for small-engine motorcycle with a maximum of 150 cc (Pratama, 2006).

As the demand for motorcycles in Indonesia continues to increase, financing firms flourishes. According Pratama (2006), the role of motorcycles financing firms has increased in the past three years. Demand for the service of leasing and consumer finance companies grew by 20% annually. About 85% of motorcycle acquisitions were credit purchases (Pratama, 2006).

Studies by High Beam Research in 2005 (Pratama, 2006) indicated that in 1998, sales of motorcycles were amounted to around 430,000 units, with a total value of Rp 1,799 billion. The business in motorcycle finances declined substantially. In that year alone, only 60% of motorcycle buyers used the available credit facilities. Though such a condition held up in the following year, financing business began to revive. This was marked with radical jump in sales of automobile and motorcycles. By the year 2000, around 90% of motorcycle purchases were credit sales. Overall, in 2003, these financing firms have extended around Rp 21,182 billion in credit sales of motorcycles purchases, and the total value of motorcycles

sales amounted to Rp 35,304 billion (Pratama, 2006).

Table 1. Total Sales and Unit Price (1999-2003)

Year	Total sales (thousands of units)	Price/unit (Rp thousands/unit)
1999	537	8,025
2000	1,129	7,100
2001	1,850	9,595
2002	2,252	11,440
2003	2,810	12,564

Source: Pratama (2006).

Table 2. Total Sales Value and Required Funds (1999-2003)

Year	Sales Value (Rp billion)	Required Funds (Rp. billion)
1999	4,309	1,939
2000	8,016	4,810
2001	17,751	15,456
2002	25,761	15,456
2003	35,304	21,182

Source: Pratama (2006).

As shown in the above tables, as well as the following table, the demand for motorcycles remains high. Nonetheless, a closer look into the table indicates a raised-of-eye-brows-type-of situation. The total units of production were less than the total units of sales. The difference represents the market share of Chinese motorcycles, especially in countries like Indonesia, Vietnam and Thailand (Pratama, 2006).

Table 3. Production and Sales Figure of AISI members (January-December 2001)

Brand	Production	Sales
Honda	939,069	942,003
Kawasaki	65,685	66,709
Piaggio	6,764	6,690
Suzuki	300,103	299,643
Yamaha	332,512	335,725
Total	1,644,133	1,650,770

Source: Pratama (2006).

### 3. Research Method

This research is solely based on a case study from a particular motorcycle dealership in East Java, CVDM. A case study is used in this study to evaluate the real business scenarios. This study incorporates qualitative data, which consists of information on the operational arrangement of CVDM. The quantitative data was gathered from two-year financial reports in 2004 and 2005. Questions

on service qualities were developed based on Parasuraman's 10-dimensions (Pratama, 2006), and Zeithaml's 5-dimensions of ServQual (Anantadjaya, *et al.*, 2007; Zeithaml, *et al.*, 1990).

Following the non-probability convenience sampling method, questionnaires were distributed to customers, who visited CVDM during weekdays and weekends. Those questionnaires were distributed to customers of CVDM to learn about their satisfaction level on the actual performance of CVDM.

### 3.1 Research Model

The research model in this study is as illustrated in the diagram. The diagram shows the possible ingredients on boosting the level of customer satisfaction. In turn, the higher level of customer satisfaction is expected to influence the overall organizational key success factors ("KSF"). These KSFs are analyzed using financial ratios from CVDM's financial statements. It is expected that both measures are able to note the level of customer satisfaction, and reveal its significance to the organizational KSF.

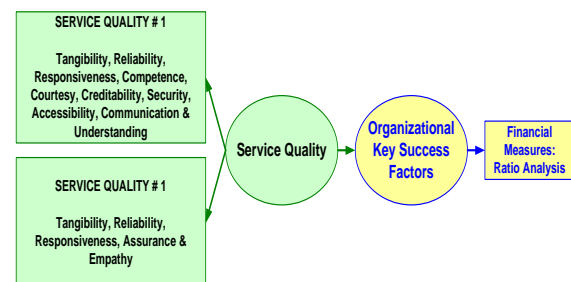


Figure 2. Research Model

### 3.2 Research Variables

Variables chosen to note the organizational KSFs are derived from financial measures. The financial measures are solely based on several ratio analyses from CVDM's unaudited financial statements. In this case study, it is expected that CVDM is able to show how its business can create a positive image in the community. In the beginning years, it opened-up a convenient counter for customers to pay their installments. This resulted in many more customers, who decided to make purchase from this dealership.

Variable chosen to note the level of customer satisfaction follows the Parasuraman's 10-dimensions of service quality (Pratama, 2006), and Zeithaml's 5-

dimensions of service quality (Anantadjaya, et al, 2007; Zeithaml, *et al.*, 1990). It is expected that as the level of customer satisfaction rises, the organizational KSFs show the necessary evidence of improvement.

### 3.3 Research Object

The motorcycle dealership, CVDM, is a one of many Yamaha motor dealerships in Gresik, the province of East Java. CVDM began opening its doors in 2003, and had already expanded the business by opening up two more branch locations within the same province. CVDM was originally established by two individuals, who initially put up a total capital of around Rp 1 billion. To-date, CVDM constantly competes with three other Yamaha dealerships in the city of Gresik. Aside from Yamaha dealerships, the motorcycle market in Gresik is also packed with pressures from other brands, particularly, Suzuki, Honda, Kawasaki, and dealerships that sell Chinese brands of motorcycle. The structures in CVDM consist of only 8 people: 1 head of sales, 3 salespersons, 2 drivers, 1 pre-delivery inspector, and 1 accountant.

## 4. Results and Discussion

### 4.1 Overview of the Study

The original sample consisted only 50 respondents, who visited CVDM during weekdays. Those respondents were chosen conveniently during weekdays. Aside from simply increasing the number of respondents, additional 75 respondents was conveniently chosen during weekends to test whether there were significant differences between weekdays' customers and weekends' customers. Based on the preliminary analysis, since there were no significant differences in responses regardless of the time of visit (weekdays or weekends), their responses were combined.

### 4.2 Design and Procedures of the Study

All participants were distributed a set of questions concerning the dimensions used to measure service quality. Both perspectives of service quality measurements, the Parasuraman's 10-dimensions and the Zeithaml's 5-dimensions were distributed in weekdays and weekends to customers of CVDM. Few preliminary statistical analyses are processed using SPSS student version, to

note the reliability of questionnaires and the expected responses.

Table 4. Case Processing Summary

Case Processing Summary		N	%
Cases	Valid	125	100.0
	Excluded <sup>(a)</sup>	0	.0
	Total	125	100.0

(a) Listwise deletion based on all variables in the procedure.

The reliability analysis on the data indicates that out of 125 respondents in the studies, about 100% (one hundred percent) of the data are considered valid. The reliability statistics indicate that the data are considered 75% reliable. Since the descriptive statistics indicate that there are large variations in terms of the scaling on the original data, a standardization process on scaling is deemed necessary. Standardized Z-scores are used in further analysis. The sampling adequacy measure indicates that the samples used in this study are marginally sufficient.

Table 5. Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.722	.745	10

Incorporating the 5-scale Likert of 5 ("strongly satisfied"), 4 ("satisfied"), 3 ("neutral"), 2 ("dissatisfied"), and 1 ("strongly dissatisfied"), the positive responses on questionnaires indicate that CVDM has already implemented the total service quality. The following summarizes such responses;

Tangibility—there were about 68% of respondents, who indicated that they were strongly satisfied with CVDM's neatness. Also, there were about 56% of respondents, who indicated that they were strongly satisfied with CVDM's available facilities.

Table 6. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.631
Bartlett's Test of Sphericity	Approx. Chi-Square	897.376
	Df	300
	Sig.	.000

Reliability—CVDM has numerous experiences in conforming to various managerial commitments, from on-time delivery, speedy service on motorcycle titles and registrations, to the actual customers' call-backs on particular back-orders. There were about 52% of respondents, who indicated that they were strongly satisfied with CVDM's promised service. In terms of back-orders, there were about 72% of respondents, who indicated that they were strongly satisfied with the process on product back-orders.

Responsiveness—CVDM has certainly attempted to push the responsiveness in its customer service programs. There were about 52% of respondents, who indicated that they were strongly satisfied with responses/reactions of CVDM's staffs. There were about 75% of respondents, who indicated that they were strongly satisfied with the immediate solutions offered by CVDM's staff.

Competence—there were about 56% of respondents, who indicated that they were strongly satisfied with CVDM's staff in performing their jobs. In addition, there were about 80% of respondent, who indicated that they were strongly satisfied with CVDM's staff ability in performing required tasks.

Courtesy—there were about 76% of respondent, who indicated that they were strongly satisfied with CVDM's friendliness during the actual service transactions.

Credibility—there were about 77% of respondents, who indicated that they were strongly satisfied with CVDM's service quality. With regard to the issue on CVDM's service guarantee and service responses, there were about 65% of respondents, who indicated that they were strongly satisfied.

Security—there were about 67% of respondents, who indicated that they were strongly satisfied with CVDM's security level.

Access—there were about 80% of respondents, who indicated that they were strongly satisfied with CVDM's accessibility.

Communication—there were about 65% of respondents, who indicated that they were strongly satisfied with CVDM's communication and complaint management. On the issue of staff explanation about products, and product guarantee, there were 70% of respondents, who indicated that they were strongly satisfied.

Understanding Customers—at a brief glance, it appears similar to the communication

dimension above. Nevertheless, the basic difference is in CVDM's reactions to customers. If there were mistakes, the person in-charge must be held responsible. There were about 70% of respondents, who indicated that they were strongly satisfied that CVDM's has strived for maximum level of customer understanding.

From the summary of analysis above, which was based on Parasuraman's 10-dimensions (Pratama, 2006), it is evident that CVDM has implemented the necessary service quality. Similar results were obtained from the 5-dimensions of Zeithaml's service quality measurements (Anantadjaya, *et al.*, 2007; Zeithaml, *et al.*, 1990). The respondents' results on Zeithaml's 5-dimensions range from 70%-90% satisfied with the tangibility, reliability, responsiveness, assurance, and empathy. The analysis shows that what the basic requirements on customer needs toward service quality and the actual delivery of services were strongly matched to the customer expectation. Such measurements on service quality should be regarded important for entrepreneurs of all sizes. In CVDM, it is evident that the implementation of service quality has satisfactory fulfilled the Parasuraman's 10-dimensions and Zeithaml's 5-dimensions service quality frameworks.

Concerning the available financial ratios of CVDM, the following table provides the summary on some selected ratios.

Table 7. Organizational Performance

	2004	2005
Current Ratio	1.29%	1.16%
Receivable Ratio	22.47%	69.26%
Inventory Turnover	21.87x	13.49x
Fixed Asset Turnover	99.86x	146.74x
Total Asset Turnover	5.24x	7.71x
Debt to Asset Ratio	0.73%	0.82%
Debt to Equity Ratio	2.77%	4.44%
Equity Multiplier Ratio	3.77%	5.44%
Total Asset Growth Rate	-	14.07%
Equity Growth	-	-20.89%
Net Margin Ratio	0.02%	0.01%
Return on Asset	0.13%	0.08%
Return on Equity	0.50%	0.44%
Net Sales Growth	-	67.88%
Expenses Growth	-	88.80%
Net Profit Growth	-	-29.87%

From the finding and analysis, it is apparent that CVDM portrays a progressive business development, not only from the

perspective of service quality (based on questionnaires), but also evident in the selected ratios. Though the financial statements used in this study were limited to only 2 years, it is able to show a promising upward trend. It may show the entrepreneurial service quality in managing the relatively new business establishment. On the contrary, since this study can only obtain limited financial information, the direct relationships among all dimensions used in this study were not possible to be elaborated further. Nevertheless, the findings are able to show preliminary foundation on the entrepreneurial service quality in this context.

In order to further improve the financial conditions of CVDM, the owner has set strategies to increase sales via additional flexibilities in monthly installments and total down payment. This brings down the overall purchase price. Undoubtedly, it is expected that people would be flocking in more to purchase Yamaha motorcycle.

From these preliminary findings, it appears safe to conclude that the relationship between service quality and financial conditions of organizations are relatively tight. This is to say that, on one side, it has become a common knowledge that entrepreneurs play an important role in organization. On the other side, however, focusing on dimensions of service quality has proven beneficial. This may be where the attention has been lacking for SME.

## 5. Conclusions and Recommendation

### 5.1 Conclusion

At the ground level, this study is able to show some relationships between variables in signifying the service quality that entrepreneurs have done. Nevertheless, though substantial statistical evidence is minimal to show the intended relationships between of service quality and organizational performance, this research provides the preliminary rationales toward further studies, particularly on the organizational performance and the use of financial ratios. Perhaps, by adding additional years of financial records, future studies can closely monitor the relationships over the years.

Another important point to conclude is that this study has successfully provided the necessary foundation on the relationships between objective measurements (financial

records) and subjective measurements (service quality).

### 5.2 Recommendation

Although this study is limited to a particular organization, this study appears to have provided the preliminary foundation on the relationships between entrepreneurial service quality, and organizational performance. Further studies can certainly include more variables and measurements to attempt a better formation of such relationships. Also, future studies can include a much greater sample outside the motorcycle dealerships, and may incorporate bigger firms.

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# Consumers Choice of Natural Medicines Compare with Chemical Medicines in Indonesia

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## **Abstract**

*Natural medicine has been known since very long time ago in Indonesia through generations, to restore health and prevent diseases. Although natural medicine have been created and famous since very long time in Indonesia, but as far as the author know there is no market research about consumers choice in Indonesia; whether they like better to choose natural medicines or chemical medicines. Accordingly the intention of this research is to find out about consumers choice of natural medicines compare with chemical medicines. An observation and survey of the current situation regarding the issue commenced in South of Bandung city which has one area (cluster) consists compete society economic stages (upper, middle and lower class) to represent whole economic stages of Indonesian population. The expectation of this research is to present some useful information for all readers about natural medicine market in Indonesia.*

*Keywords: consumer choice, medicines*

## **1. Introduction**

Indonesia is one of rich in natural resources countries in the world. Natural resources especially medicinal plants in Indonesia have always been plenty growing and available to be used for health propose.

Since very long time ago, Indonesian ancestors had tried out much kind of leaves, flower, roots and tubers with the intention of discovering various combinations of different ingredients to be diverse natural formulas to restore health and prevent diseases.

The result of these endeavors have been handed down through generations, with some alterations and additions being needed so that today, we are inheritors of age-old, reliable system of natural health care called “*jamu*”.

There are different *jamu* forms in Indonesia, like powder in sachets to be mixed with water; mixture solution in bottles ready to drink, pills and capsules. *Jamu* which is a mixture solution in the bottles usually to be sold by a girl or woman, carried in a traditional basket on her back called “*jamu gendong*”. The girl or woman selling *jamu* called *tukang jamu*; they have to go on foot and walk through some residency areas. The small shop that sells *jamu* called “*depot jamu*”. Natural medicines in Indonesia nowadays can be found in pharmacies, shops, mini markets, supermarkets, etc. The blending process of natural medicines is improving over the time; from traditional way using traditional tools to modern production by sophisticated machines in numerous factories.

The traditional way on making natural medicines is simple like boiling all natural raw materials in water, until the amount of water become half of it. The other classic way is slicing all the natural raw materials, and then smashing them by traditional tools until it become like powder or paste, depend on purposes.

Natural medicines in Indonesia many of them had clinically proven to be able to keep and maintain the health and even cure some diseases. Additionally, natural medicines have been well known have less side effects and cheaper compare with chemical medicines.

Some of natural medicines come from our home gardens. As a result, the perception of people in Indonesia about natural medicines most probably as good as the chemical ones; maybe even better. Especially there have been “back to nature” trend all over the world including in Indonesia for the past few years.

The price of chemical medicine in Indonesia is always rising every year. The current rise of chemical medicines price most probably caused by a new Indonesian government regulation issued by Ministry of Finances of Indonesia (Peraturan Menteri Keuangan No. 241/PMK.011/2011), from zero percent tax became 5-10% for any imported raw materials, including chemical substances and medicines.

Only a few days after the rise of imported raw materials tax became the headline news everywhere, the price of chemical medicine

generally had risen to 10 percent. This condition may lead the consumer in Indonesia to be more aware on spending for chemical medicines, from branded one switch to generic medicines or maybe looking for other option like natural medicines.

Although natural medicine have been created and famous since very long time in Indonesia, but as far as the author know there is no marketing research about consumers choice in Indonesia; whether they like better to choose natural medicines or chemical medicines. Accordingly, this research propose to find out about consumers choice of natural medicines compare with chemical medicines. The expectation of this research is to present some useful information for all readers about natural medicines market in Indonesia.

## 2. Natural Medicines in Indonesia

According to Indonesian Food and Drug Administration called BPOMRI, natural medicines are medicines made from natural resources in Indonesia (BPOMRI, 2004). Natural medicines classification in Indonesia as follow (BPOMRI, 2004).

### 2.1 Jamu

Natural medicines that should met three criteria, includes as safe as the official requirements, data empirical proven of indication, and fulfilled the official quality standard (BPOMRI, 2004). The packaging must have the following logo on the left upper side of container/box/leaflet (BPOMRI, 2004):



### 2.2 Obat Herbal Terstandar (Standardized Herb Medicine)

Natural medicines that have to fulfill criteria as safe as the official requirements, scientific/pre-clinical proven of indication, made from standardized material sources, and met the official quality standard (BPOMRI, 2004). The packaging must have the following logo on the left upper side of container/box/leaflet (BPOMRI, 2004):



### 2.3 Fitofarmaka

Natural medicines that must performed as safe as the official requirements, clinically proven of indication, made from standardized material sources, and met the official quality standard (BPOMRI, 2004). The packaging must have the following logo the left upper side of container/box/leaflet (BPOMRI, 2004):



## 3. Consumer Choice

There are many factors that may affect consumer choice, includes psychological influences and sociological influence. Psychological influences includes symbolic consumption, self image, personality, personal values, lifestyles, psychographics, and relationships; memory, learning, perception, and cognition; motivation, emotion, mood, and involvement; beliefs, affect, attitude, and intention; communication and persuasion (Lindquist & Sirgy, 2009).

Social influences consist of Cultural (perspective, generalizations, cross-cultural perspective); Sub cultural; Social Class and reference group; Household and family (Lindquist & Sirgy, 2009).

Consumer choices are often systematically influenced by preference fluency, i.e., the subjective feeling that forming a preference for a specific option is easy or difficult (Novemsky *et al.*, 2007).

## 4. Research Question

1. What is consumers' habit of taking medicine during illness in Indonesia?
2. How far is the society awareness about natural medicines in Indonesia?
3. What is society perception toward natural medicines in Indonesia?
4. What are the main influencing factors of consumers on deciding natural or chemical medicines?
5. What is the customers' favorite choice in Indonesia; natural or chemical medicines?

## 5. Hypotheses

*H1*: Consumers' habit of taking medicine during illness in Indonesia is taking natural medicines.

*H2*: Most of consumers do not know exactly the natural medicines classification in Indonesia.

*H3*: Most of consumers have positive perception toward natural medicines in Indonesia.

*H4*: Culture and rationality are the main influencing factors of consumers on deciding natural or chemical medicines.

*H5*: Natural medicines are favorite medicine choice in Indonesia.

## **6. Research Method**

### **6.1 Study 1**

An exploration conducted in South of Bandung city that has one area (cluster) consist complete society economic stages (upper, middle and lower class). The exploration used a structures observation involves recording the behavioral patterns of people, objects and events in a systematic manner to obtain information about the phenomenon of interest. Structures observation specifies in detail what is to be observed and how the measurement is to be recorded (Malhotra, 2007).

### **6.2 Study 2**

The author conducted a survey using structured questionnaire using Likert Scale: 1-5, strongly disagree-strongly agree (Neuman, 2006) for three different economic stages (upper, middle and lower class). Total sample size is 349 participants ( $N = \infty$ , degree of error = 5%, Sugiono, 2008), using cluster sampling method (Zelin & Stubbs, 2005), the total sample divided into three cluster includes 35 participants of Cluster A (upper class), 268 participants of Cluster B (middle class) and 46 participants of Cluster C (lower class). This Because of the research time was very limited, the author could collected 35 participants of Cluster A (completed), only 72 participants of Cluster B and 46 participants of Cluster C (completed). Accordingly, the current collected total sample is only 153 participants. The remains 196 participants (middle class) will be for further research.

The whole data analyzed by SPSS includes Reliability Test, Validity Test, Confirmatory Factor Analysis (CFA) and MULTIPLE DISCRIMINANT DATA ANALYSIS (MDA).

The main statistics method is MDA because this marketing research has one dependent variable (Choice) with non metric scale (1 = Natural Medicines, 2 = Chemical Medicines, 3 = Both Natural and Chemical) and three independent variables (habit, knowledge, and influencing factors). The table of all variables and indicators see Appendix 1.

## **6.3 Data Analysis**

The whole data was analysed statistically using Statistical Package for the Social Sciences (SPSS), includes Reliability test, Validity test, Chi-Square Test (Hypothesis 1); t-test (Hypothesis 2 and 3); and Multiple Discriminant Analysis (Hypothesis 4 and 5). Also Analysis of Variance (ANOVA) as additional tool.

## **7. Results and Discussion**

### **7.1 Reliability Test**

Cronbach Alpha = 92.7 % means that the result data is reliable, because the Cronbach Alpha > 60 %, respondents are consistent (Ghozali, 2009).

### **7.2 Validity test**

Validity test has done by Confirmatory Factor Analysis (CFA). The result of Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA) of Habit (0.596), Knowledge (0.511), Influencing Factors (0.827), and Choice (0.695), show that Factor Analysis can be continued because all variables have KMO MSA > 0.50.

The result of Bartlett's Test of Sphericity showed that all variables have Sig. 0.000 (far less than.005), indicate that correlation between variables is 100%.

There are 135 valid samples and also 18 samples excluded from total 153 samples.

From component matrix result, there are two component for Habit, so Habit should be divided into Need (health maintenance and repetition) and Alternative (alternative medication and price).

The same thing happen for List of Value or LOV (Kahle, 1983 in Thompson, 2009) should be divided into two components as Personal Value (self-fulfillment, self-respect, excitement, sense of accomplishment) and Social Value (Sense of belonging, being well respected, Fun & enjoyment, Warm relationship with other). The variables after CFA see Table 2. The variables before CFA see Table 1.

Table 1. Variables before CFA

Variables	Sub Variables	Indicators
Habit	Motivation	Health maintenance need
		Alternative medication
		Price
		Buying repetition
Influencing Factors	List of Value (LOV)	Self-fulfillment
		Self-respect
		Excitement
		Sense of accomplishment
		Sense of belonging (family)
		Sense of belonging (society)
		Being well respected
		Security
		Fun and enjoyment
		Warm relationship with others

Table 2. Variables after CFA

Variables	Sub Variables	Indicators
Habit	Motivation a. Need	Health maintenance
		Buying repetition
	b. Alternative	Alternative medication
		Price
Influencing Factors	List of Value (LOV) a. Personal	Self-fulfillment
		Self-respect
		Excitement
		Sense of accomplishment
		Security
	b. Social	Sense of belonging (family)
		Sense of belonging (society)
		Being well respected
		Fun and enjoyment
		Warm relationship with others

### 7.3 Chi-Square Test

The result of Chi-square Test show that each medicine choice has equal probability (45.3), whether the observed results show there are ninety four participants chose medicine choice 1 (Natural), twelve participants chose medicine choice 2 (Chemical) and twenty nine participants chose medicine choice 3 (both natural and chemical). These results demonstrate that most of participants chose Natural medicine. Accordingly, Hypothesis 1 (Consumers' habit of taking medicine during illness in Indonesia is taking natural medicines) is accepted.

### 7.4 t-Tests

The questionnaire used 1-5 Likert Scale (strongly disagree to strongly agree), The test value for t-test is 3 (not that agree). The t-Test result for participants' knowledge (awareness) show the mean of classification is 3.81 (mean < 4), indicate that consumer do not really know about the natural medicine classification in Indonesia (*Jamu, Obat Herbal Terstandar, Fitofarmaka*). Accordingly, Hypothesis 2 is accepted. The t-Test result for participants' Perception show that Safety and Side Effect

have mean > 4 (agree), indicate that most of participants have positive perception toward natural medicine based on safety and side effect, but not based on indication (the mean less than 4). Accordingly, Hypothesis 3 (Most of consumers have positive perception toward natural medicines in Indonesia) generally can be accepted.

### 7.5 Multiple Discriminant Analysis (MDA)

The result of Eigenvalue 3.599 is good (>1, Ghazali, 2009); Wilks' Lambda 0.135 with Chi-square 236.569 and Sig. 0.000. These indicate that Discriminant model all over can be accepted (Ghozali, 2009).

The MDA result (canonical coefficient) show that the main influencing factors on consumers decision are Survival need (26.171), security (21.683) and enjoyment (15.984). In view of that, H4 (Culture and rationality are the main influencing factors of consumers on deciding natural or chemical medicines) is rejected.

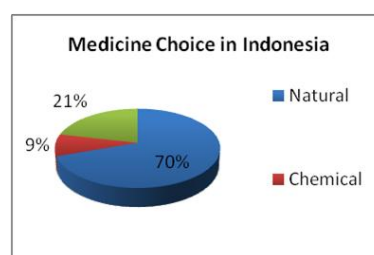
From the MDA Classification result, there are 94 respondents had chosen Natural Medicine, 12 respondents had chosen Chemical Medicine, and 29 respondents had chosen both medicines (natural and chemical) with 89.6% of original grouped cases correctly classified. Consequently, H5 is accepted.

Another result from MDA (Canonical Function Coefficient) shows that most of respondents prefer natural medicine made by *tukang jamu*.

### 7.6 Analysis of Variance (ANOVA)

The result of ANOVA show that all social class consists of Cluster A (Upper Class society), Cluster B (Middle class society) and Cluster C (Lower class society) preferred Natural Medicine, with composition of (26:54:14).

Participants from middle class society are the biggest consumers that chose natural medicines.



## 8. Conclusions

Consumers' habit of taking medicine during illness in Indonesia is taking natural medicines with motivation of survival need, security and enjoyment.

Most of consumers do not know exactly the natural medicines classification in Indonesia.

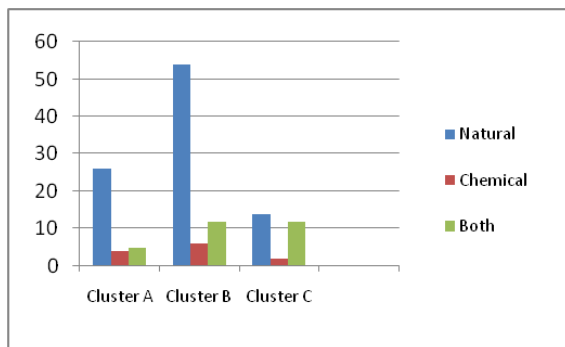
Most of consumers have positive perception toward natural medicines in Indonesia, particularly on property (indication) and side effect.

Culture and rationality are not the main influencing factors of consumers on deciding natural or chemical medicines. It should be survival need, security and enjoyment.

A natural medicine is favorite medicine choice in Indonesia.

Most of consumers in Indonesia prefer natural medicine made by *tukang jamu*.

Middle class society is the biggest consumers that chose natural medicines.



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## Appendix

Variables	Sub Variables	Indicators
Habit	Motivation	Health maintenance
	c. Need	Buying repetition
	d. Alternative	Alternative medication
		Price
Influencing Factors	List of Value (LOV)	Self-fulfillment
	c. Personal	Self-respect
		Excitement
		Sense of accomplishment
		Security
	d. Social	Sense of belonging (family)
		Sense of belonging (society)
		Being well respected
		Fun and enjoyment
		Warm relationship with others
	Norm	Health legality (Ministry of Health of Indonesia Product Registration)
		Religion legality (Majelis Ulama Indonesia Halal Registration)
	Culture	Tradition
Rationality	Ingredients	
	Indication/uses	
Choice	Preference	Buy preference (shop)
		Product preference (factory)
		Product Preference ( <i>tukang jamu</i> )
		Product Preference (self made)
	Decision Making	
	Compensatory	Brand view
	Lexicographic	Brand performance



# Consumers Segmentation Based on Their Perceived Value toward Recycled Products

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## *Abstract*

*The increasing of people's environmental concern has been an opportunity for companies to develop recycled products, as one of environmentally-friendly products, and to reach market segment of ecologically-conscious consumer. The identification of this segment has typically been done by researchers through several demographic and psychographic variables. Although some researchers suggest that demographic factor is not a significant predictor, this factor is still used for determining ecologically-conscious consumer characteristics. Using demographic (age, sex, education level, and social status) and psychographic (social and environmental values) variables, this research classifies and identifies consumers according to their perceived value towards recycled products through survey method. The results show that there were three clusters of consumer: non-pro-recycled product, pro-recycled product, and pro-but not choose-recycled product. The consumers who are pro-recycled product are those with age 18-25, from middle social class, graduated from high school, and mostly female. In addition, helpfulness, respect to parents, and openness to change were found to have significant effect on consumer's perceived value toward recycled product.*

*Keywords: consumer segmentation, ecologically-conscious consumer, recycled products*

## **1. Introduction**

Concern in ecology has been initiated in 1960s, from the ecology movement which focused in pollution problems and energy conservation, to the recent use of environmental issues as a source of competitive advantage in business and politics (Straughan & Roberts, 1999). Evident regarding the increasing concern to environment can be seen in ecologically-conscious behavior people have done in daily life. Such behavior might pertain to a wide range of activities such as, consuming organic foods, planting plants, using recycled stuffs, not-using pesticide for agriculture, natural conservation, and saving water and energy. The increasing of people's ecologically-conscious behavior had been an opportunity for companies, especially in developed countries, to have them as alternative market segment for recycled products, as one of environmentally-friendly products.

However, the ecologically-conscious consumers are more likely to be people who have higher income and do not have objection to spend more money to buy those products. Prior researches mentioned that people who have awareness regarding environment and want to buy environmentally-friendly products were influenced by demographic (sex, age, income, education) and psychographic (values, attitudes) characteristics. Demographically, green consumers are typically older females, have better education and high income, whereas

psychographically, green consumers are those who have environmentally-friendly attitudes and liberal orientation (Shrum *et al.*, 1995). Nevertheless, until present there is still debate in using demographic segmentation as a way to targeting green consumers. Most study mentioned that the psychographic factors have more influence in determining green consumer behavior rather than demographic factors.

In Indonesia, many companies also develop their products to fulfill the segment of ecologically-conscious consumers. Nevertheless, Indonesian people generally still do not pay attention to the consumption of environmentally-friendly products, or specifically recycled products, because Indonesia is a developing country where most of its population is still concern about primary or physiological needs. Therefore, companies must understand the ecologically-conscious consumers' profile in Indonesia if they want to market their recycled products. Instead of determining ecologically-conscious consumers' profile who are willing to pay more for such products, this research focuses on segmenting people based on their perceived value toward environmentally-friendly products and identifying their characteristics. This is important because people who perceive recycled products as more valuable than other products are potential to be the future ecologically-conscious consumer. This research seeks for consumer segmentation and also analyses the

relationship of demographic characteristics, personal value, and environmental value on consumers' perceived value towards recycled products. This research is aimed to answer the following questions:

1. How can consumers be divided into clusters based on their perceived value toward recycled products?
2. What are the characteristics of consumer cluster who perceived recycled products as more valuable than non-recycled products?
3. Is there any difference between consumer clusters in terms of demographic characteristics and personal and environmental values?
4. What characteristics have significant effect on consumer perceived value toward recycled products?

## **2. Environmental Concern and Ecologically-Conscious Consumer Behavior**

According to Roberts and Bacon (1997), the continued growth in the environmental movement has spawned alternative and competing set of beliefs and values labeled the New Environmental Paradigm (NEP), which was developed by Dunlap and Van Liere (1978), where the focus is on the desirability of restricting growth, protecting the integrity of ecosystems, and living in harmony with nature. The NEP scale has been used widely by researchers because it is reliable and valid across different samples (Vining & Ebreo, 1992 in Roberts & Bacon, 1997). Geller and Lasley (1985) also in Roberts and Bacon (1997) mentioned that the NEP scale measures a spectrum of attitudes that represent the respondent's adherence to the ecologically integrative view that: (1) humans are a part of nature; (2) there are limits to the carrying capacity of the ecosystem; and (3) the ability of technological progress to solve environmental problems.

Researchers have suggested that individuals with a higher level of environmental concern should be more likely to engage in ecologically-conscious consumer behavior. Shrum et al. (1995) consider the ecologically-conscious consumer to be anyone whose purchase behavior is influenced by environmental concerns. Yet, even though research shows the environment to be important to consumers, its importance does not seem to translate into a change in purchase behavior (Schlossberg, 1991 in Shrum *et al.*,

1995). Roberts and Bacon (1997) stated that a person's level of environmental concern should be correlated with his or her likelihood of performing a variety of ecologically-conscious consumer behaviors. Nevertheless, researcher found that the attitude-behavior relationship regarding the ecologically-conscious consumer was not consistent. Research in general indicated a positive relationship between environmental attitudes and behavior: individuals who expressed higher levels of environmental concern were more likely to have reported engaging in such activities as recycling, petitioning, and energy conservation (Hines *et al.*, 1987). Such research suggests that attitudes such as environmental concern can be useful in predicting ecologically-conscious consumer behaviors.

## **3. Ecologically-Conscious Consumer Characteristics**

Researchers typically determined the characteristics of green consumers based on traditional demographic (age, gender, income, education) and psychographic (attitudes, values) segmentation variables where the most green tended to be older females with better education, high income, and liberal orientation (Shrum *et al.*, 1995). Yet, Shrum also mentioned that demographic characteristics have less significant influence to the environmental attitudes and behaviors than the psychographic one.

Gilg *et al.* (2005) identified three sets of variables that appear to be influential in classifying the green consumer: (1) environmental values and concern; (2) socio-demographic variables; and (3) psychological factors. Schwartz (1992) in Gilg *et al.* (1995) mentioned two essential social value dimensions: "altruistic-egoistic" (pro-social and pro-self) and "conservative-open to change", where environmentalists were more likely to be both altruists and more open to change, and hold non-material values. The socio-demographic variables were typically age, gender, education, political affiliation, and long working hours. Nevertheless, there are debates on the impact of age and income. And the psychological factors were based on perceived consumer effectiveness (PCE), self efficacy, social responsibility, and the interaction of the effects of price, quality, and brand loyalty. Their result showed that there were 4 clusters of environmentalists: committed environmentalists, mainstream environmentalists, occasional environmentalists,



and non-environmentalists. The more environmentalists people were, the more they are older, female, small household size, higher income, higher education, liberal, and members of community group. The environmentalist is less concerned with material wealth and personal influence, alongside holding values that place nature in an equal position with humans and believing that nature has critical limits which must not be crossed by human development.

Straughan and Roberts (1999) determined the green consumer demographic characteristics into age, sex, income, education, and place of residence and the psychographic into political orientation, altruism, PCE, and environmental concern. They mentioned that the demographic variables age, sex, and classification were significantly correlated with ecologically-conscious consumer behavior when considered individually, whereas income lacked significance. Also according to them, the psychographic variables altruism, environmental concern, and PCE were significantly correlated with ecologically-conscious consumer behavior, whereas liberalism was not.

Laroche *et al.* (2001) determined the green consumer characteristics based on consumers' demographic characteristics, knowledge or ecoliteracy, values, attitudes, and behaviors. Triandis (1993) in Laroche *et al.* (2001) suggested two values that influence consumer behavior: individualism and collectivism. Individualism focuses on his/her independent self; whereas collectivism implies cooperation, helpfulness, and consideration of the goals of the group rather than individual (these people tend to be friendlier to the environment). Their result showed that only gender, marital status, and number of children differentiated the two segments (people who are willing to pay more for environmentally-friendly products and people who are not willing to pay more for environmentally-friendly products). They also indicated that the values of collectivism and security were important principles guiding green consumers' lives. Attitudes were very good predictors of consumers' willingness to spend more for green products, whereas ecoliteracy was not.

The research of do *Paco et al.* (2009) classified consumer using variables of demography (age, gender, education level, and income) and environmental dimension (concern, affect, knowledge, environmentally-friendly behaviours, information search, activism, green

purchase, sensitivity to price, recycling, perceived efficiency and scepticism). They identified three segments of consumers. Segment 1 was "the uncommitted": aged 18-34, high educated, middle monthly income, negative positions to some environmental aspects despite they claim to have knowledge about the issue. Segment 2 was "the green activists": ages ranged 25-34 and 45-54, highest education level, higher income, favorable position to all environmental aspects. And the last segment was "the undefined": higher age group, lower educational level but high monthly income, very negative positions towards environmental issues yet activists which are curious.

Richins (2004) re-developed the material values scale (MVS) developed by Richins and Dawson (1992) to measure material values. The 18-item MVS consists of three subscales: success, centrality, and happiness. Environmentalists are expected to hold less material values, as suggested by Gilg *et al.* (1995).

## 4. Methodology

### 4.1 Survey

A structured questionnaire was designed and administered to a total of 165 respondents from general population. Cluster sampling technique was used to determining the sample, which represents all social class of the respondent (low, middle, and high). Using 4-point Likert scale (strongly disagree, disagree, agree, strongly agree), the questionnaire was composed of two main sections. The first section measures respondent's social value: altruism-egoism and openness to change-conservatism (Scwartz (1992), materialism (MVS, Richins, 2004); environmental value (NEP scale, Dunlap & Van Liere, 1978); and respondent's perceived value toward recycled product. The even point scale was used to avoid respondent's tendency to choose mostly neutral answers (most cases occur in Indonesia). In the second section, data were collected about the demographic characteristics of respondents (age, sex, and education). The questionnaires were delivered directly to the respondent's house by the researcher to determine the respondent's social class (therefore it is not necessary to asking respondent's income because they rarely answer this kind of question honestly). The measurement and operational variables can be seen in Table 1.

## 4.2 Analysis

The statistical analysis was done in four phases. In the first phase, the confirmatory factor analysis was conducted to examine the univariability of each construct. The second phase of analysis was classifying the respondents based on their perceived value toward recycled products using cluster analysis. Chi-Square analysis was used to determine each cluster's characteristics in the third phase. The fourth analysis was examining the difference between clusters using ANOVA, and the last was regression analysis to examine the relationship between the independent variables (demography, social value, and environmental value) and the perceived value toward recycled product.

*Table 1. Variables and Operational Variables Measured*

Variables	Operational Variables
Personal value: altruism, egoism, openness to change, conservativeness, materialism.	<ul style="list-style-type: none"> <li>• Altruism:               <ul style="list-style-type: none"> <li>- Loyalty</li> <li>- Equality</li> <li>- Social justice</li> <li>- Enjoying life</li> <li>- Helpful</li> </ul> </li> <li>• Egoism:               <ul style="list-style-type: none"> <li>- Wealth</li> <li>- Social power</li> <li>- Influential</li> </ul> </li> <li>• Openness to change:               <ul style="list-style-type: none"> <li>- Varied life</li> <li>- Exciting life</li> <li>- Curious</li> </ul> </li> <li>• Conservativeness:               <ul style="list-style-type: none"> <li>- Social order</li> <li>- Obedience</li> <li>- Authority</li> <li>- Unity</li> </ul> </li> <li>• Materialism (18-item MVS):               <ul style="list-style-type: none"> <li>- Happiness</li> <li>- Success</li> <li>- Centrality</li> </ul> </li> </ul>
Environmental value	12-item NEP Scale: <ul style="list-style-type: none"> <li>- Desire for harmony with nature</li> <li>- Relationship between human and nature</li> <li>- Concern for limiting growth</li> <li>- Preference for human adaptation than nature modification</li> </ul>
Perceived value toward recycled products	<ul style="list-style-type: none"> <li>- More/less valuable</li> <li>- Benefit</li> <li>- Willingness to buy</li> <li>- Willingness to choose</li> <li>- Contribute to environment</li> <li>- Suit personal value</li> </ul>

## 5. Results

### 5.1 Confirmatory Factor Analysis

Factor analysis shows that items of some variables are not correlated to form one single

factor. Altruism, egoism, conservatism, materialism, and environmental value are divided into several factors. Table 2 shows the constructs and the factors formed. The factors formed have high correlation (component transformation matrix > 0.5) which are good, except for Luxurious, Less concern to material, Human-nature relationship, and Exploit nature. The inability of items to explain only one factor may due to different conditions between prior and present research respondents, where in the present study the items of one construct were classified to explain several factors, not only one. The new 18 variables were then used as inputs in later analysis.

### 5.2 Cluster Analysis

A non-hierarchical (K-Means) cluster method was undertaken to classify the respondents into three groups based on their perceived value toward recycled products. Table 3 displays the three groups where group 1 consists of non pro-recycled product people who have the least value toward recycled product and do not have intention to buy; group 2 is the most pro-recycled product people who have the highest value toward recycled product and have intention to buy; and group 3 is people who are pro-recycled product but do not choose such product because they perceived it does not fit with their personality. The result of ANOVA shows that all variables of valuing recycled product were significantly different between the groups ( $p < 0.05$ ). Cluster 2 has the most members (82 members) compare to other clusters. This may become a good opportunity for marketers because the segment of pro-recycled product consumer has the most members, thus they have larger number of target consumer. The next step is to characterize each segment, especially the target segment.

### 5.3 Characterizing the Groups

To determine the demographic characteristic of each group, the cross tabulation with Chi-Square tests were undertaken. The results (Figure 1) show that most member of group 1 are from lower social class, graduated from high school, aged 36-45, and are dominated by male. Group 2 is dominated by people who are from middle social class, graduated from high school, aged 18-25, and are mostly female. Group 3 is dominated by people who are from middle social class, high school graduated, aged 18-25 and more than 45, and are mostly female. The

Pearson Chi-Square (see Table 4) reports that from the four variables, only age has significant correlation to the groups ( $\chi^2 = 26.698$ ,  $p = 0.000$ ). This means that the age of each group is significantly different to each other ( $p < 0.05$ ). In contrast, social class ( $p = 0.983$ ), education ( $p = 0.509$ ), and sex ( $p = 0.169$ ) are not significantly different between the groups ( $p > 0.05$ ).

Table 2. Factors Formed for Each Variable

Construct	Factor	Component Transformation Matrix
Altruism	Equality and enjoy life	.711
	Helpfulness	-.758
	Respect parents	.913
Egoism	Leading others	.891
	Self materialistic	.891
Openness to change	Openness to change	
Conservatism	Constant conditions	.731
	Obedience	-.731
Materialism (MVS)	Success	.877
	Simplicity	.813
	Luxurious	.341
	Desire to possess more	-.533
	Less concern to material	-.056
Environmental Value (NEP)	Limits to growth	.736
	Human-nature relationship	-.400
	Exploit nature	.408
	Environment conditions	.913
Perceived value toward recycled products	Perceived value toward recycled product	

Table 3. Cluster Analysis Results

Variable	Cluster			ANOVA	
	1	2	3	F	Sig.
Valuableness	2	3	3	113.607	.000
Benefit	2	3	3	75.831	.000
Intention to buy	2	3	3	48.848	.000
Choose recycled	2	3	2	97.699	.000
Contribute by buying	2	3	3	33.356	.000
Suits personal value	2	3	2	90.751	.000
More companies should recycle	3	3	3	8.679	.000
<b>Total case</b>	30	82	50		
Missing	3				

### 5.4 Value Differences between Groups

The differences of social and environmental values between the three groups are analyzed using one-way analysis of variance (ANOVA). The results demonstrate that people in group 1 (non pro-recycled product) have the lowest social value (equality, helpfulness, respect parents), are the most egoist (leading others, self-materialistic), have the least value of openness to change, are high materialistic, and have the lowest environmental values. Group 2 has the highest social value (except for respect parents), is the least egoist, is very open to change but also prefers constant conditions and has high obedience, is the least materialistic, and has high concern to the environment.

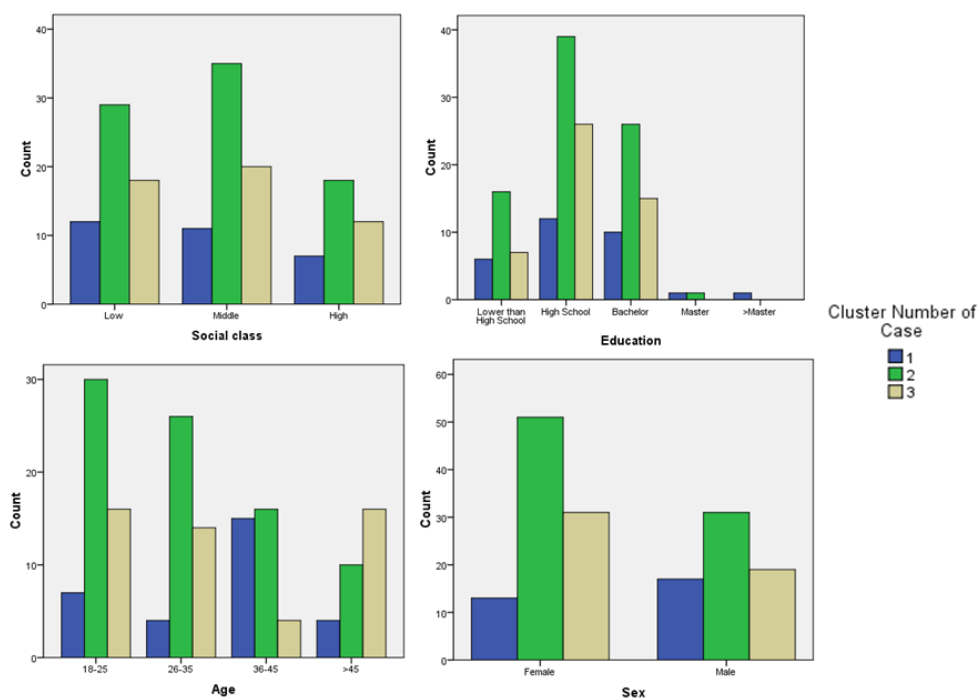


Figure 1. Group Descriptive

People in group 3 are those who have high social values but not higher than group 2, are quite egoist, are quite open to change, less prefer constant conditions, less obedience, quite materialistic, and have high environmental concern but not higher than group 2.

Table 5 provides information about the differences of each variable between the groups. The groups are significantly different ( $p < 0.05$ ) in helpfulness ( $p = 0.000$ ), openness to change ( $p = 0.000$ ), preference for constant conditions ( $p = 0.043$ ), less concern to material things ( $p = 0.039$ ), and understanding environmental conditions ( $p = 0.015$ ).

### 5.5 Relationship between Each Variable and Perceived Value toward Recycled Product

The regression analysis was done to examine the relationship between independent variables (demography, social value, environmental value) and dependent variable (perceived value toward recycled product). However, the result shows that the regression R squared is very low ( $R^2 = 0.329$ ). This means that the correlation between those variables and the perceived value toward recycled product is weak. Although they lack of correlation, some variables have significant effects to consumer's perceived value toward

recycled product (Table 6): helpfulness ( $p = 0.39$ ), respect parents ( $p = 0.28$ ), openness to change ( $p = 0.032$ ).

Table 4. Chi-Square Tests

Variable	Pearson Chi-Square	
	Value	Sig.
Social class	.399	.983
Education	7.261	.509
Age	26.698	.000
Sex	3.558	.169

Table 5. ANOVA Results

	Values	F	Sig.
Equality enjoyment	1.570	.211	
Helpful	13.822	.000	
Respect parents	.195	.823	
Leading others	.933	.396	
Self-materialistic	1.816	.166	
Openness to change	9.296	.000	
Constant conditions	3.202	.043	
Obedience	1.123	.328	
Success	.765	.467	
Simplicity	.753	.473	
Luxurious	.610	.544	
Desire to possess more	.999	.371	
Less concern to material	3.308	.039	
Limits to growth	2.945	.056	
Human-nature relationship	.962	.384	
Exploit nature	.179	.837	
Environment conditions	4.332	.015	

Table 6. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.700	.380		1.840	.068
	Social class	.028	.126	.021	.220	.826
	Education	-.092	.135	-.070	-.680	.498
	Age	-.122	.087	-.138	-1.398	.165
	Sex	-.180	.172	-.091	-1.044	.299
	Equality enjoyment	.126	.095	.129	1.320	.189
	Helpful	.183	.088	.185	2.091	.039
	Respect parents	-.187	.084	-.194	-2.226	.028
	Leading others	-.061	.095	-.061	-.639	.524
	Self-materialistic	-.166	.108	-.161	-1.531	.129
	Openness to change	.236	.109	.237	2.167	.032
	Constant conditions	.007	.088	.007	.074	.941
	Obedience	-.021	.087	-.021	-.236	.814
	Success	.168	.105	.173	1.604	.112
	Simplicity	.066	.101	.070	.650	.517
	Luxurious	-.058	.087	-.057	-.662	.509
	Desire to possess more	-.013	.084	-.013	-.149	.882
	Less concern to material	.017	.096	.018	.177	.860
	Limits to growth	-.012	.096	-.013	-.127	.899
	Human-nature relationship	.096	.093	.100	1.039	.301
	Exploit nature	.032	.087	.035	.372	.711

a. Dependent Variable: Value toward recycled product

## 6. Conclusion

This research suggests three segments of consumers based on their perceived value toward recycled product: the non pro-recycled product, the pro-recycled product, and the pro-but not choose-recycled product. Marketers who want to market their recycled product should make the segment of pro-recycled product consumers as their target market and understand their characteristics demographically and psychographically (in this study are social and environmental value). The consumer's characteristics can be useful for formulating the best strategy of product development, communication, and advertising. Nevertheless, this study only involves recycled product in general. I suggest the future research would specify the product into high/low-risk product or high/low-involvement product, because consumer may have different perceived value toward different kind of recycled product.

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# Customer Satisfaction: Its Antecedents, Its Roles, and Its Consequences (A Literature-mapping Review of Empirical Findings)

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## *Abstract*

*This paper presents the result of bibliographical study of the antecedents and consequences of customer satisfaction. A map is developed to depict explicitly the links of all the constructs obtained from the literature, and produce the links of all the antecedents and consequences of customer satisfaction. The mapping suggests that both the antecedents and consequences of customer satisfaction can be categorized into two main dimensions: psychosocial dimension and strategic & economic dimension. The study reveals that the relationship between customer satisfaction and its antecedents is relatively stronger the relationship between customer relationship and its consequences. Thus, it is plausible to argue that the antecedent(s) bring about customer satisfaction; however, the resulting satisfaction does not necessarily make customers act on the consequences. The findings from this research are expected to bring further the understanding of customer satisfaction and its impact on the entire process of its antecedents and consequences.*

*Keywords: customer satisfaction*

## **1. Introduction**

Customer satisfaction has been a central concept in marketing and is adopted as an important out-come measure of service quality by service industries. It is determined by customers who feel that the product or service exceeds their expectation. More and more firms use customer satisfaction as a criterion for assessing the performance of a product or service. In modern management theory, customer satisfaction is considered as one of the most important drivers of long-term business success (Walter *et al.*, 2010). This brings up the importance of customer satisfaction. It has attracted significant research interest for more than two decades (Luo & Homburg, 2007).

Numerous theoretical and empirical studies discuss the positive effects of customer satisfaction. This is due, in part, to the fact that a satisfied customer is regarded as an indispensable means of creating a sustainable advantage in the competitive environment of the twenty first century (Patterson *et al.*, 1997). Understanding how customer satisfaction comes about and where it leads to is therefore essential.

In seeking for this understanding, many researches have been conducted to study the antecedents of customer satisfaction, and yet, relatively fewer studies investigate the consequences of customer satisfaction (Anderson *et al.*, 1994). Literature study reveals researches have been conducted to

investigate how such antecedents as perceived quality, confirmation or disconfirmation between expectation and performance, etc. relate with customer satisfaction, and how customer satisfaction relates to such consequences as market share, customer retention, willingness to pay, profitability, etc.

The objective of this paper is to present the result of bibliographical studies on 30 research articles on customer satisfaction. The questions that we tried to answer through this bibliographical study are:

- a. What are the antecedents and consequences of customer satisfaction construct?
- b. How can we categorize those antecedents and consequences?
- c. Does strongly-related antecedent(s) bring about strongly-related consequences too?

## **2. Methodology**

The innovative feature of this paper is the use of the conceptual mapping approach to visualize the literature and their interrelationship. The literature comes from various journals: Journal of Marketing, Journal of Marketing Research, Journal of Services Marketing, Journal of the Academy of Marketing Science, Journal of Retailing, Marketing Letters, Marketing Science, Information System Frontiers, European Retail Research, and Journal of Service Science. The time-span covers papers published in the last sixteen years, from 1994 to 2010, and the authors are academics and practitioners from

many different countries such as Sweden, Austria, Germany, Norway, Canada, U.S., China, India, and Singapore.

The articles that were examined center around various contexts, such as telecommunication services, e-service business, student-lecturer environment, sea food products, business-to-business professional services, mental health center, retail banking, retail chain of women apparel and home furnishing, and automobile after sales service. Various methodologies were employed in the studies, including lab experiment, field experiment, mathematical modeling, meta-analysis using secondary data, cross-sectional and longitudinal studies.

The 30 research articles being sampled for this paper were analyzed to apprehend the models and constructs studied in the papers. These constructs were then mapped to find the linkages between the models and constructs in an attempt to understand the antecedents, the roles, and the consequences of customer satisfaction in an effort to seek for the answers to the research questions mentioned above. Each of the articles is summarized to capture the objectives, context, methodology, construct, indicators of variables, findings of

the study, and critical view toward the article. The complete list of these articles can be seen in the reference list of this paper.

### 3. Literature Mapping

The importance of customers has been highlighted by many researchers and academicians. To be successful and sustainable, firms must take excellent care of the needs and wants of their customers. Today, customers have abundant choices on where and who to deal with for their needs and wants. As a result, the power has now shifted to the customers.

For this very reason, many researchers and academicians have continuously emphasized on the importance of customer satisfaction. Numerous concepts and constructs have been proposed, tested, and implemented in the field of customer satisfaction. As an attempt to start a baby step towards understanding customer satisfaction, this paper attempts to compile customer-satisfaction-related constructs from 30 research articles from various journals, as listed in the reference section.

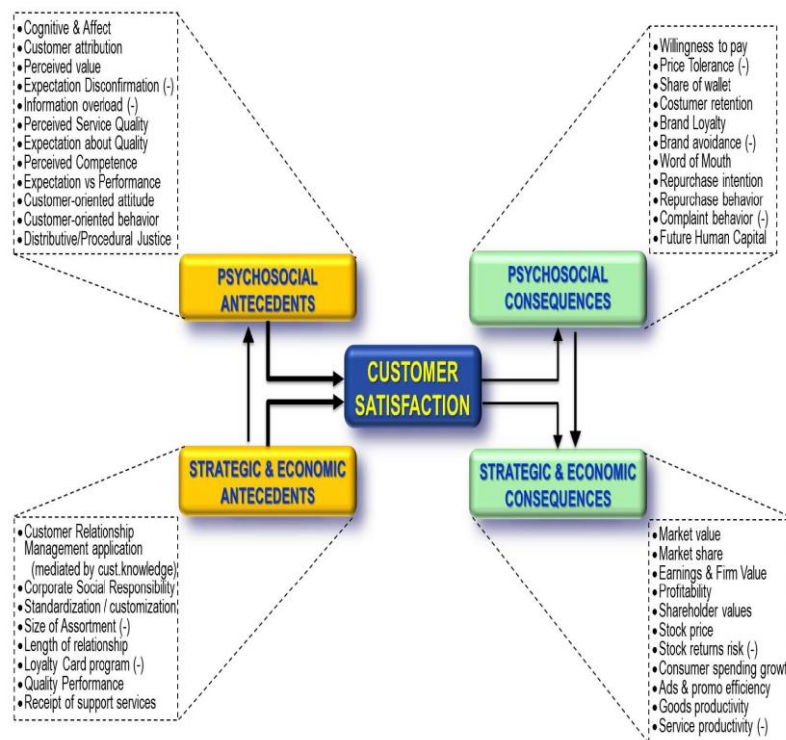


Figure 1. Conceptual Model of Customer Satisfaction



Compilation of these research articles result in a conceptual model of customer satisfaction in associations with its antecedents and consequences, as shown in the Figure 1. In general, the antecedents and consequences of customer satisfaction as elaborated in the articles can be categorized into psychosocial dimension and strategic & economic dimension. Negative signs in parentheses indicate negative relationship between the antecedent and customer satisfaction, or between customer satisfaction and the consequence.

The map in Figure 1 shows that customer satisfaction plays roles as both an independent variable and a dependent variable. It also acts as a mediating role in the relationship of corporate social responsibility (CSR) enacted by a firm and market value of the firm as perceived by the customers. From the map, we can generally group the antecedents and the consequences of customer satisfaction into two measures: psychosocial dimension and strategic & economic dimension.

#### 4. Discussion

The psychosocial dimension of customer satisfaction antecedents include the work of Homburg *et al.* (2006) who found that variances in customer satisfaction explained jointly by cognitive and affective factors increases over time. Ha and Janda (2006) study that perceived value may both directly and indirectly (via disconfirmation) affect not just customer satisfaction, but it may also indirectly positively affect customer attribution via disconfirmation. Through the study of the influence of assortment size on customer satisfaction, Diehl and Poynor (2010) found that larger assortments will decrease customer satisfaction relative to smaller assortments because of either less positive or more negative expectation disconfirmation. They also found that this effect of expectation disconfirmation operates independently of, but concurrently, with effects of information overload.

In the strategic dimension, Wang *et al.* (2010) reveals that, at any given level of standardization, the effect of customization on customer satisfaction is curvilinear and U-shaped (negative at low customization, bottoms out at about the mean, and turns positive at high customization). The same can be said for the effect of standardization at any given level of customization. The study

concluded that customer satisfaction can be achieved through either a high level of standardization or a high level of customization; however, high levels of both standardization and customization do not produce maximal satisfaction.

Customer relationship management (CRM) application is found by Mithas *et al.* (2005) to positively correlate with an improvement in customer knowledge, which is moderated by supply chain integration. Mediated by customer knowledge, they found that CRM is associated positively with customer satisfaction. Relationship between customer satisfaction and corporate social responsibility (CSR) is examined by Luo and Bhattachar (2006). This relationship is found to be moderated by innovativeness of the firm that implements CSR. In this construct, they argue that customer satisfaction serves as the mediator between CSR and the firm's market value, which is one of the customer satisfaction consequences in the strategic measures.

Improved market value as a consequence of an improved customer satisfaction is also studied by Fornell *et al.* (2006). They found that firms with highly satisfied customers generate positive returns. Interestingly, these returns are not associated with high risk, which is an anomaly of what traditional finance principle dictates (high return, high risk). In other words, they found satisfaction can cause high returns with low risk.

Other economic measures that consequences of customer satisfaction present include shareholder values (Anderson *et al.*, 2004), stock price and stock returns risk (Tuli *et al.*, 2009), consumer spending growth (Fornell *et al.*, 2010), and future advertising & promotional efficiency (Luo & Homburg, 2007). Anderson *et al.* (2004) found that customer satisfaction correlates positively with shareholder value, and that the relationship significantly varies across industries and firms. Tuli *et al.* (2009) found that a positive change in customer satisfaction results in a negative change in a firm's stock returns risk. Fornell *et al.* (2010) discover that lagged changes in customer satisfaction have significant impact on consumer spending growth, and that the impact is moderated by household debt-service ratio (i.e. consumer debts). Utilizing a three-year span of aggregate data of Fortune's 500 companies, Luo and Homburg (2007) discover

that customer satisfaction positively affects, and this effect is stronger in highly concentrated markets (i.e. markets with significantly few suppliers as compared with the consumers) than markets with low concentration.

The consequences of customer satisfaction are also obvious in the psychosocial measures. In addition to having impact on future advertising and promotion efficiency, Luo and Homburg (2007) also found that customer satisfaction positively influences future human capital performance (i.e. those candidate-employees to be hired in the future), and that this influence is stronger in highly concentrated markets than low concentrated markets. Ha and Janda (2006) found that customer satisfaction correlates significantly with customer loyalty and customer's intention to repurchase. Using national database of Swedia, Anderson *et al.* (1996) discover that there is a negative association between the level of customer satisfaction and the level of price tolerance exhibited by the customers. However, they found that there is a positive association between year-to-year changes in customer satisfaction and changes in price tolerance.

In a cross-sectional study of aggregate of 4319 households using 12,249 observations over a 5-year period, Cooil *et al.* (2007) discover that change in satisfaction correlate positively with share of wallet, which differs by customer segment and depends on base line satisfaction level. This correlation is negatively moderated by income & length of relationship. They found that other demographic factors, such as age, education, and level of expertise, have no impact. In the context of telecommunication services, Gustafsson *et al.* (2005) found that customer satisfaction has significant influence on customer retention, which varies across different types of customers. They further discover that the retention is positively influenced by affective commitment and calculative commitment. Their study also reveals that "customer satisfaction-customer retention" link is weaker for customers in either a situational or a reactional trigger condition. Seiders *et al.* (2005) use retail (which is characterized by low switching costs, comparison shopping behavior, and moderate repurchase frequency) context for their study. Their research is based on a national (U.S.) specialty retail chain that sells its own brand of up-scale women apparel and home furnishings.

The study reveals that repurchase behavior is significantly related with customer satisfaction, and that relationship convenience, competitive intensity, customer involvement, and household income.

## 5. Conclusion

A bibliographical study of a mere 30 research articles can reveal the central importance of customer satisfaction. Numerous antecedents are found to play key roles in influencing customer satisfaction. The study also found numerous consequences of customer satisfaction. These antecedents and con-sequences can generally be categorized into psychosocial dimension and strategic & economic dimension. It is implied from the literature that that the relationship between customer satisfaction and its antecedents is relatively stronger the relationship between customer relationship and its consequences. In other words, strongly-related antecedents do not necessarily bring about strongly-related consequences.

The researches examined in this paper were carried out in various contexts: telecommunication services, retail business, laboratory and field experiments, etc. Despite this variation in contexts, the map of the 30 integrated constructs clearly depicts the critical importance of customer satisfaction in business excellence. Therefore, it is essential for businesses to effectively manage the satisfaction of their customers. If they don't do it well, somebody else will.

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