

# The Influence of Market Strategy and Value Creation on Marketing Performance

(A Survey on Bank Perkreditan Rakyat in West Java Province)

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## ABSTRACT

*BPR (microbanking industry) occupies a strategic role in the Indonesian economy, especially in encouraging the development of Micro, Small and Medium Business. The main key to success of BPR in providing these services is the location that close to the people who need a simple procedure and prefer the personal approach and flexibility of patterns and models of the loan. If we observe, developments in the BPR industry over the last few years we need to give an appreciation of its own.*

*However, BPR still weaknesses in facing competition, where the contribution of BPR nationally only 4% compared to commercial banks, in terms of the strategy of segmenting, targeting, and positioning are still performing sporadically does not lead to value creation strategy, which creates a unique product, differentiated for competitors' products. The results showed that the market strategy and value creation positively affect marketing performance. But the effect of value creation is greater than the influence of market strategy on marketing performance. This reflects that in order to optimize marketing performance, BPR should pay attention to the value creation to improve marketing performance and subsequently increasing the benefits of BPR.*

**Keywords :** Market Strategy, value creation, marketing performance.

## 1. INTRODUCTION

BPR is one form of microfinance institutions in Indonesia having roots in the social economy of rural communities in Indonesia. In addition, special characters to be owned by BPR is to have various forms of financial savings and lending services to serve small businesses and rural communities with simple systems and procedures and in accordance with the needs of Small and Micro Enterprises (Sutopo, 2005). Solid partnership and mutuality to be main sources of benefits of BPR in contrast to commercial banks (Pikiran Rakyat, July 2004, Rahman, 2004).

In general, the role of rural BPR of UMKM in Indonesia, is still very small compared to commercial banks, which is only Rp 26,881 billion or 4%, while the dominant role that provided by private national banks amounted to Rp 282,552 billion or 42,05%. The role of banks towards and BPR is shown in Picture 1 below.

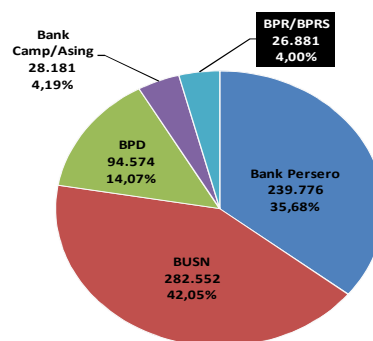


Figure 1 : BPR and Banking Role Of UMKM

Until early 2010 the amount of BPR is still concentrated in Java and Bali, which reached 67% (sixty seven percent), indicating that competition in Java and Bali has been very tight, then the BPR needs to create a product market strategy and value creation which effective and efficient, so have optimal marketing performance.

When viewed from the distribution of the number of BPR in Indonesia, West Java, is in first position.. West Java most is dominated by UMKM for its market potential to be developed in terms of employment creation, provision of goods and services for communities, equitable development, technology transfer and entrepreneurial apprenticeship candidates (Tambunan, 2006), in addition to environmental factors and socio-cultural community which is very supportive encouraging spirit. This indicates that there is tremendous potential for the development of local financial institutions to play a bigger role in strengthening regional economic growth.

From the viewpoint of marketing management perspective, BPR is still facing a number of problems:

- a. Lack of innovation in marketing. Most of the BPR has not been able to develop new innovative products to compete with large financial institutions and among. This is because the BPR has a generally low quality of human resources, limited funds to finance research and market development activities, and do not have a strategy to overcome these obstacles, so we need the right strategies to overcome them.
- b. BPR Marketing performance problems. In 5 (five) last year showed an average increase of 39%, which largely due to the increasing number of community savings and loans. Meanwhile, third-party funding in the form of savings increased by 30% with approximately 4.9 million savers, while deposits increased by 48% with approximately 438 thousand depositors (Directorate of Bank Indonesia's BPR Supervision, 2009). Until now, customers still perceive the relative performance of BPR in general is still not optimal. (Media BPR, No. 25, 2010).

Consequently, the here below conceptual model is the focus of empirical investigation reported in this article.

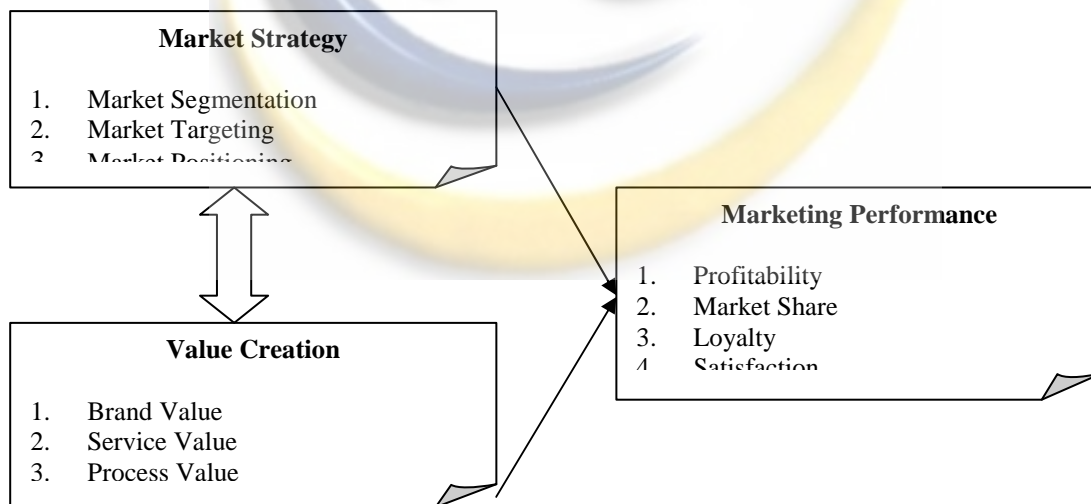
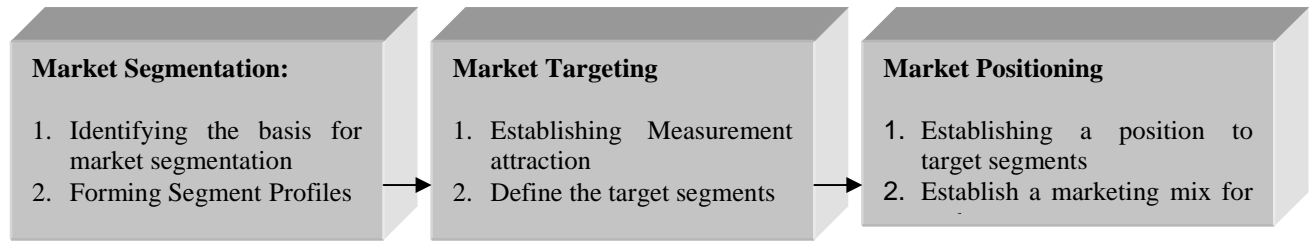


Figure 2 : Research Design

## 2. LITERATURE REVIEW

### 2.1 Market Strategy

Kotler and Armstrong (2009: 245) says that the market strategy consists of 3 (three) stages, namely stages of market segmentation, target market determination, and placement. The main steps for each stage are shown in Picture 3 below.



Source: **Kotler and Keller** (2008: 245)

Figure 3 : Steps in Market Segmentation, Market Targeting and Market Positioning

**2.2 Value Creation**

According Hermawan Kartajaya (2003: 421) value must be able to reflect the 3 (three) elements, namely: 1) Brand, 2) Service, and 3) Process. Drawn as shown in Table 1 below.

Table 1 : Value Conceptual Framework

<b>VALUE</b>	<b>BRAND</b>	<b>Just a name</b>	<b>Brand Awareness</b>	<b>Brand Association</b>	<b>Perceived Quality</b>	<b>Brand Loyalty</b>
	<b>SERVICE</b>	One Business Category	Value Added Business	Value In Use Business	Customer Satisfying Business	The Only Business Category
	<b>PROCESS</b>	System & Procedure Implementation	Interfunctional Team Work	Functionals Streamlining	Total Delivery Reengineering	Extended Value Chain

Based on existing data, especially BPR tends to face a situation of same competition and relatively very difficult to find a sustainable competitive advantage. Market strategy adopted by any bank very easily and quickly copied by competitors and have a relative cycle short. Competition in the BPR tends to either head to head with fellow BPRs and commercial banks. As revealed by Kim and Mauborgne (2005: 79) which states that the new view can be changed into blue ocean companies through creation as written in the following Table.

Table 2 : Blue Ocean Creation

	<b>Head To Head Competition</b>	<b>Blue Ocean Creation</b>
Industry	Focuses on rivals within its industry	Looks across alternatives industries
Strategic Group	Focuses on competition position within strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Redefines the industry buyer group
Scope of product or service offering	Focuses on improving price performance within the functional emotional orientation of its industry	Look across to complementary product and service offerings
Functional-emotional orientation	Focuses on adapting to external trends as they occur	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

Source: **Kim and Mauborgne** (2005: 79)

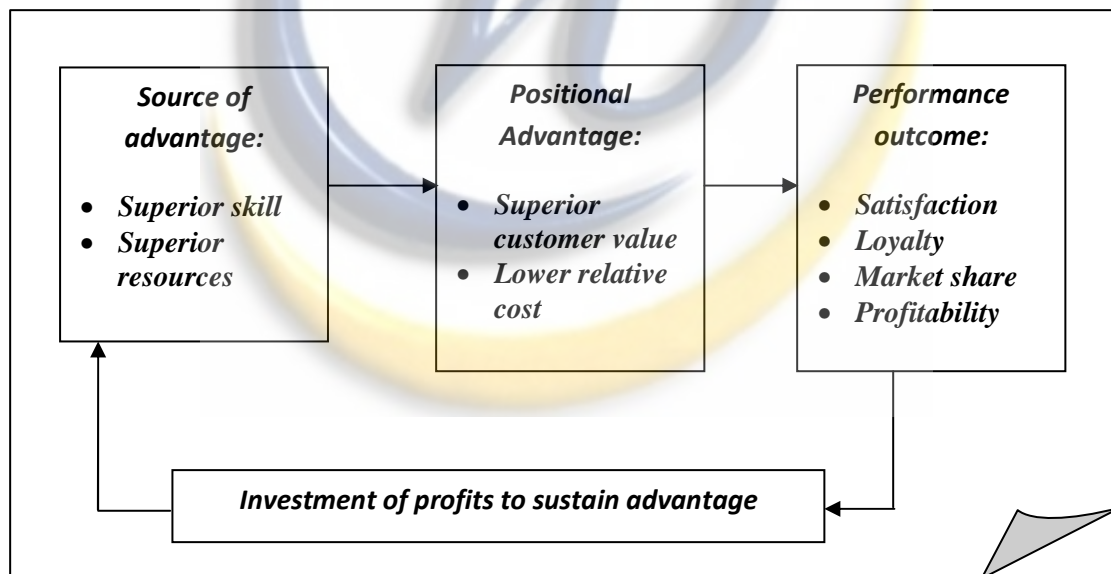
In the banking industry in particular BPR, which is a service offering, the competition head to head done by focusing on the functional-emotional orientation to improve marketing performance by adopting the trend of external influences that

occurred. Explanation in the blue ocean strategy, namely strategic focus is directed to facilitate value creation through complementary product and service offered by rethinking the functional-emotional in the banking industry. In addition, confirmed also by Kotler et.al (2009: 34-35) marketing mix should also support the marketing strategy (segmenting-targeting-positioning) and other marketing tactic principle (differentiation-selling). In addition, there are two (2) marketing mix to avoid the me-too-marketing mix, which only mimics the marketing mix of companies competing in the same industry and destructive marketing mix, which is the marketing mix that does not give added value to customers and not able to build brand marketing and company performance.

### 2.3 Marketing Performance

Performance marketing is a complex construct for a company (Greve, 1998: 69). Marketing performance which is good for management is not necessarily considered good by the owner or employees of the company. In assessing a performance, a manager tends to use his perception than using the criteria defined by corporate objectives. In the terminology that is widely used, performance is considered successful if the actual exceeds the target set. Marketing performance measurement should use objective criteria, and subjective criteria such as perception managers, and stakeholders overall perception together (Katsikeas, Leonidou and Morgan, 2000). Thus it can be said of marketing performance level depends on the measurement process, the approach used and the standards used.

Marketing performance according to Kotler, Hayes and Bloom (2002: 23) said the performance measure is to be based on marketing services company profits, the company's market share and value for customers. The elements of competitive advantage is also related to marketing performance (Day and Wensley: 1999: 3), as shown in the following picture.



Source: Day and Wensley (1999: 3)

Figure 4 : Elements Of Competitive Advantage

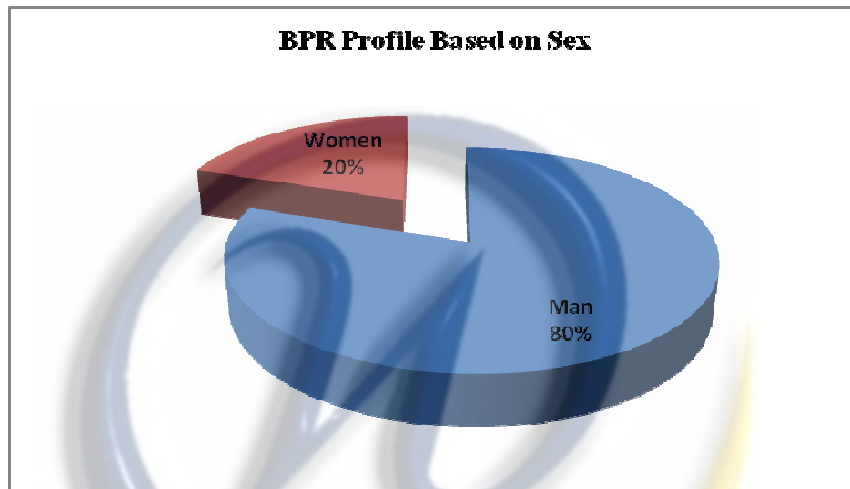
### 3. RESEARCH METHODS

This research is descriptive and verificate as well aimed to obtain research study that aims to obtain a picture or a description of market strategy, value creation, and marketing performance. While research verification is to reveal the relation between variables through a hypothesis testing based on empirical data. The unit of analysis in this primary research is the BPR in West Java Province. According to Gujarati (2003: 25-28) there are 3 (three) types of data

available for empirical analysis, namely time series, cross section, and pooled, which can be a combination of time series and cross section data. The observations in this study using a time horizon that is a cross section or one shoot, meaning the data or information obtained by the research conducted within a certain time ie by 2010. This type of data obtained at the Same point in time is called the cross-section data.

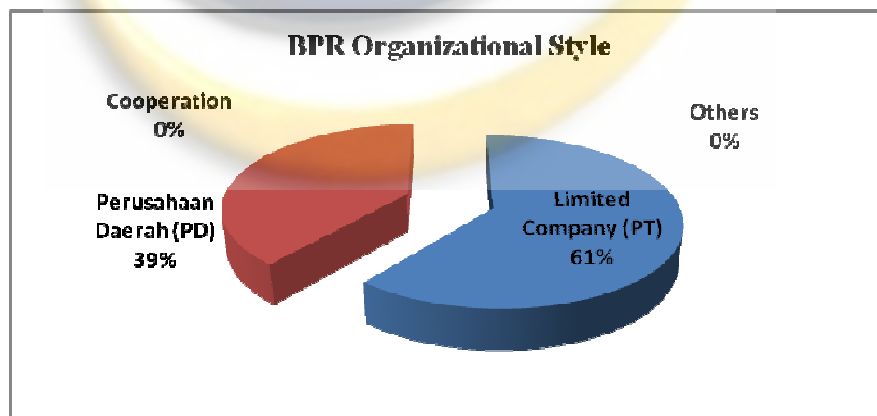
Taking into account the main objective of this study that measures the degree of influence of several independent variables (market strategy and value creation) to the dependent variable (performance marketing), the approach in the modeling and solution techniques will be used as a tool of analysis (analysis tools) in this dissertation complete regression method, and path analysis methods Structural Equation Modeling (SEM).

**4. RESULT**



Source : The results of Data Processing BPR at West Java, 2010, n = 300

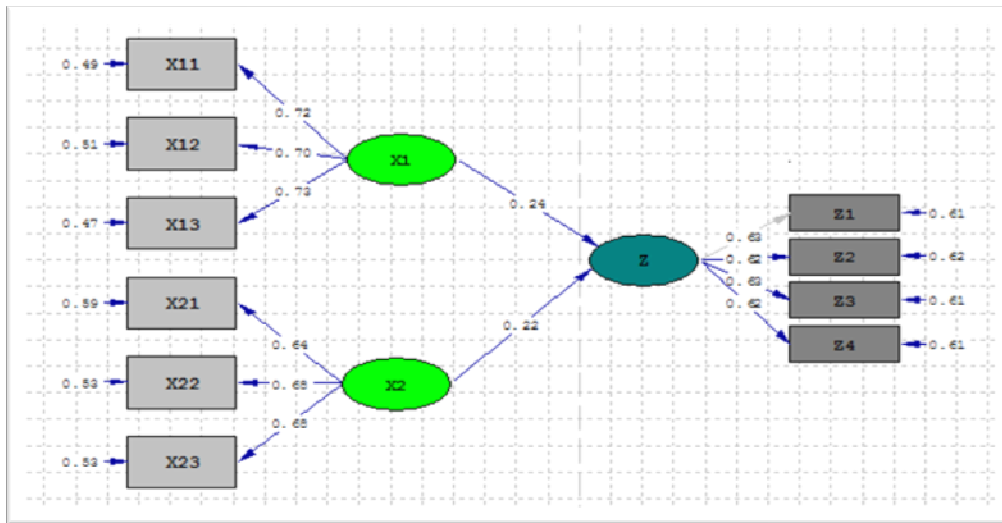
Figure 5 :The BPR Profile Based on Sex



Source : The results of Data Processing BPR at West Java, 2010, n = 300

Picture 6 : The BPR Organizational Style

Market strategy and value creation affect the marketing performance on BPR in West Java province, either partially or simultaneously. Here are standardized parameter estimates at each point along with the t test value as appears in Picture 7 below.



Source : The results of Data Processing With LISREL 8:50

Figure 7 :Path Diagram Value t Test

1) **Test Result: Overall**

To test whether the variable X1 (market strategy) and X2 (value creation) affect the Z (performance marketing) on the BPR in West Java province, then used the F test statistic with the following statistical hypotheses.

$$F = \frac{(n - k - 1)R^2_{y(x)}}{k(1 - R^2_{y(x)})} = \frac{(300 - 2 - 1)0,13}{2(1 - 0,13)} = 22,189$$

From these calculations that the information obtained.

Calculate the F-> F-table (= 3026) so that H<sub>0</sub> is rejected.

From the experiments, objective information that the path coefficient X1 (market strategy) and X2 (value creation) to Z (performance marketing) is statistically meaningless (proposition hypothesis is rejected). This gives an indication that the market strategy and value creation affect the marketing performance.

2) **Test Result: The Individual**

To determine the level of influence of each variable then can be seen through hypothesis testing in studies described in Table 3 below.

Table 3 : Path of Coefficient Significance Test

Examination	Variable	Path of Coefficient	(t test)	Information
Examination (a)	X <sub>1</sub> → Z	0,24	2,68	Significant
Examination (b)	X <sub>2</sub> → Z	0,22	2,47	Significant

Source : The results of Data Processing With LISREL 8:50

The direct effect (path coefficient) was observed from the path coefficients, with significance testing benchmark value CR (Critical Ratio) is equal to the value t count with table, where t count greater than table (= 1.98), then all paths are significant, so it can concluded that all indicators of the latent variable it is valid and effect between the latent



exogenous variables to endogenous latent variables is significant, meaning that this research supports the existing theories.

Marketing performance according to Kotler, Hayes and Bloom (2002: 23) said the performance was measured based marketing services company profits, the company's market share and value for customers. Determination of product market strategy and performance of BPR is very important to note, some experts said that "A market is the set of all actual and potential buyers of a market offer" (Kotler, 2009).

## 5. CONCLUSION

Market strategy and value creation affected significant on the marketing performance, in this market strategy greater impact than the creation of value. This reflects that in order to optimize the marketing performance, is still dominated by the market strategy.

## 6. RECOMMENDATION

1. The design of products / services, marketing strategy, and product market strategy (segmenting, targeting, and positioning) is good to be a crucial. Each BPR has to constantly develop new products / services and design products / services of his in order to maintain and build sales. This happens because the product / service that has been around for BPR is vulnerable to changing needs and tastes of customers, new technologies, and increased competition.
2. BPR needs to create a unique sustainable product, adapted to the characteristic of existing products in the region of BPR respectively.
3. Need to optimize linkage program between commercial banks with BPR in order to encourage the intermediation by empowering the UMKM.

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