

Analysis of the Effect of Marketing Mix on Business Competitiveness (Case Study of Refill Drinking Water Depot in Makassar City)

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Abstract: The development of the number of business refill drinking water depot reached 593 business units with an investment of 36 billion or production value of approximately 923 billion. This study aimed at analyzing the effect of marketing mix on the competitiveness of Refill Drinking Water Depots in Makassar City. This study used primary data collected directly from the authentic source. Primary data was collected using: questionnaires, interviews, and documentation. The population was 593 rounded to 600, and then a sample of 145 was determined. The total sample of 145 business operators of refill drinking water refineries was then distributed proportionally to each district in Makassar City. The data analysis techniques used were univariate and bivariate analysis.

Keywords: Marketing Mix, Competitiveness

Date of Submission: 20-08-2020

Date of Acceptance: 06-09-2020

I. Introduction

The business sector that is carried out by small and medium businessmen is penetrated in all business sectors related to people's lives. Small and Medium Enterprises is a form of business that is currently experiencing globalization in the Indonesian economy, MSMEs are one of the driving factors for advancing the economic sector in Indonesia, this can be seen in the role of SMEs that help reducing unemployment and poverty, supplying funds for the State, increasing people's income and many more. The Ministry of Cooperatives and SMEs noted that the largest percentage of total income and business throughout Indonesia was achieved by SMEs which reached 56 million small and medium-sized businesses in 2013. The number was able to absorb 107 million workers or 97.16 percent of the total workforce which is in the State of Indonesia. Besides, SMEs can contribute 1,778.7 trillion or 53.3 percent of Gross Domestic Product (GDP) in Indonesia, a 10 percent increase in MSME performance can increase GDP by 5 percent, and SMEs absorbed the workforce by 85.4 million or 96, 81 percent of all workers in the State of Indonesia.

The development of the number of refill drinking water depot business in Makassar City in the last 5 years increased sharply, the number is spread in 15 districts in Makassar City. A total of 593 refill drinking water depot business units that have obtained business licenses both from the Trade Industry Office and the Makassar City Food and Drug Monitoring Agency. The development of the number of business refill drinking water depots reached 593 business units with an investment of 36 billion or production value of approximately 923 billion. The large value of the production illustrates that the refill drinking water depot in Makassar City has promising business potential and can be highly competitive.

The SME success was not only due to their skills, but also influenced by many factors, namely: a) entrepreneurial spirit and individual creativity who create innovation; b) availability of raw materials, business climate, financial support, availability of information, of knowledge and technology, market availability and infrastructure support. Business growth which inspired by creativity and innovation is an ideal model in a development framework that aims at optimizing the potential of available and participatory resources. Therefore, the disclosure of business tips and the transmission of business innovation is needed to reduce unemployment and increase people's income.

Prakosa (2005) found that positively and significantly affected business competitiveness. Likewise, Amabile's (1996) research found that innovation is a successful application of creative ideas in companies. Innovation is a company's mechanism to adapt to a dynamic environment. In addition, Porter (2000) sees innovation as important to the success of the company and shows that innovation and competitive success are often geographically concentrated, for example, entertainment in Hollywood, finance on Wall Street, and consumer electronics in Japan (Gudda, Bwisa and Kihoro, 2013). Therefore, companies are required to be able to create judgments and new ideas and offer innovative products.

The high competitiveness of companies is also inseparable from the marketing strategies of each businessman. In addition, Kotler and Keller (2009), argued that business competitiveness can go through major

marketing processes: 1) identifying opportunities, 2) developing new products, 3) attracting customers, 4) retaining customers and building loyalty, and 5) fulfilling orders. Companies that handle this process well will usually reach the success, but if in case there are companies that fail in just one of the processes above, then the performance will be disrupted

II. Literature Review

One strategy related to the company's marketing activities is the marketing mix strategy defined by Kotler and Armstrong (1997) which states that *marketing mix as the set of controllable marketing variables that the firm bleads to produce the response it wants in the target market* ". From the definition above, it can be interpreted that the marketing mix is controlled variables that are combined to produce the expected responses from the target market. For business service, there are 7 elements of the marketing mix (Marketing Mix-7p), namely: Products, Price, Promotion, Place, Participants, Process, and Physical Evidence.

1. Product

Product is anything in the form of objects (physical) and not objects that can be offered or sold to consumers or markets to meet the needs or desires of consumers. In Estte Lauder and Hearst point of view, market orientation is more directed to the product concept which assumes that consumers prefer market offer in the form of good quality and innovative products. Estee Lauder and Hearst are included in the classification of products or consumables, which are products that are often purchased and consumed and then used up.

2. Price

According to Monroe (2005) price is an economic sacrifice by the customer to obtain a product or service. In addition, price is one of the important factors for consumers to decide whether or not to make a transaction (Engel, Blackwell and Miniard, 1996).

3. Promotion (Promotion)

Promotion is the activity of communicating information from the seller to consumers or other parties in the sales channel to influence attitudes and behavior. Through advertising, a company directs persuasive communication to target buyers and the public through media called mass media such as newspapers, magazines, tabloids, radio, television and direct mail (Baker, 2000, p.7). Promotional media that can be used in this business include (1) Advertisement, (2) Sales promotion, (3) Publicity and public relations, and (4) Direct marketing. The determination of promotional media to be used is based on the type and form of the product itself.

4. Place

Kotler (2000, p.96) states that "Distribution channels consist of a set of institutions that carry out all the activities (Functions) that are used to distribute products and the status of their owners from producers to consumers". From the definition above, it can be interpreted that the distribution channel of an item is the whole activity or function to move the product along with the rights of the owner from the producer to the final consumer or industrial user.

The place is a variety of company activities to make products produced/sold affordable and available to the target market. Included in this place classification include distribution channels, coverage, assortments, locations, inventory, and transportation. An interesting point in the CEO Exchange discussion this episode is the Distribution Channel strategy chosen by Estee lauder and Hearst. Products can be obtained by customers through *distribution channels*, which are a series of companies or individuals who participate in the flow of goods and services from producers to end-users or consumers.

The priority issue in the distribution channel chain is the smooth delivery and transfer of goods as well as property rights over the control of the product, starting from large traders, middle traders, and retailers until finally into the hands of consumers. So the distribution channel concerns the flow of products and ownership or control over the product.

William Lauder, as the third generation of Estee Lauder, innovates in distributing products by choosing the concept of stand-alone stores that focus on distributing their respective brands. This concept was chosen because William Lauder considers that each Estee Lauder product has its segment and positioning. The price is said to be expensive, cheap or mediocre from each individual does not have to be the same, because it depends on the individual's perception that is based on the environment and individual conditions (Schifman and Kanuk, 2001).

5. People

What is meant by participants here are employees of service providers and sales, or people who are directly or indirectly involved in the service process itself, for example in beauty services: including receptionists, doctors, and beauty therapists.

6. Process

The process is an activity that shows how services are provided to consumers during the purchase of goods. Business managers through the front liner often offer various forms of service to attract consumers.

7. Physical Evidence

The physical environment is a state or condition which also includes the atmosphere. Characteristics of the physical environment are the most visible aspects concerning the situation. What is meant by this situation is the situation and condition of geography and the environment of the institution, decoration, space, sound, aroma, light, weather, appearance and layout that appear or are important environments as objects of stimulation (Belk 1974 in Assael 1992).

Porter (1995, p.5) said: "*Competition is at the core of the success or failure of firms.* Competition is the core of a company's success or failure. There are two sides to competition, namely the success side because it encourages companies to be more dynamic and competitive in producing products and providing the best service for their markets, so competition is seen as a motivating opportunity. While the other side is a failure because it will weaken static companies, fear of competition and unable to produce quality products, so competition is a threat to the company. According to Muhardi (2007, p.39), Operational competitiveness is an operation function that is not only oriented inward (internal) but also externally (externally), ie proactively responding to the target market of its business.

Dimensions of competitiveness of a company as proposed by Muhardi (2007, p.40) by quoting Ward et. al (1998, p.1036-1037) are composed of costs, quality, delivery, and flexibility. The four dimensions are further explained by Muhardi (2007, p.41) in the following indicators:

a. Cost is a dimension of operational competitiveness that includes four indicators, namely production costs, labor productivity, use of production capacity and inventory. The element of competitiveness consisting of costs is capital that is owned by a company which includes financing its production, labor productivity, utilization of the company's production capacity and the existence of production reserves (inventories) which can be used at any time by the company to support the smooth running of the company.

b. Quality, as intended by Muhardi, is a dimension of competitiveness that is also very important, which includes various indicators including product display, product acceptance period, product durability, speed of resolution of consumer complaints, and product conformity to design specifications. Product appearance can be reflected in the design of the product or service, a good product display is one that has a simple design but has a high value.

c. Delivery is a dimension of competitiveness that includes various indicators including the timeliness of production, reduction of production waiting time, and the timeliness of product delivery. The three indicators are related, the timeliness of product delivery can be influenced by the timeliness of production and the length of time the product is waiting.

d. The flexibility is a dimension of operational competitiveness that includes various indicators including the types of products produced, speed of adjusting to environmental interests.

III. Methodology

The research method used was survey research with a quantitative analysis approach. This study was designed as *explanatory* research, because it aims at explaining the effect of cause and effect relationships between variables in the research problem that have been identified, namely the influence of marketing mix on power Makassar city refill drinking water refill business competitiveness.

This research is classified as a quantitative descriptive study using descriptive statistical analysis which aims at describing the knowledge and attitudes of the business operators of refill drinking water depots in 14 districts in Makassar City. The total number of businessmen as a population is 593 businesses.

Furthermore, the population is categorized as homogeneous, then in determining the sample of the population, the research used the Krejcie and Morgan (1970) table approach in Uma Sekaran (1992), in which if the population is 593 or rounded to 600 then a sample of 145 is determined. Drinking refill subsequently distributed proportionally to each district area in Makassar City Data Collection Techniques.

This study used data collected directly from the source (primary data). Primary data was collected using: questionnaires, interviews, and documentation. The data analysis technique used were Univariate analysis and bivariate t with statistical tests with the smart PLS method.

IV. Results And Discussions

1. Coefficient of Determination

The calculation result R^2 for each latent variable endogenous in Table 4.1 show that the value of R^2 is in the range 0.670 to 0.764 value. According to Chin (1998), the value of R^2 is considered weak, moderate and strong if it shows in sequence around 0.19, 0.33, and 0.67 respectively (Ghozali, 2014). In this research model, all endogenous variables are classified strong because their values are, 0.67. The value of R^2 to construct competitiveness endogenous 0.639 indicates that endogenous construct variations of competitiveness can be explained by exogenous variables, constructs individual characteristics and innovation strategy at 63.9 % while the remainder is equal to 36.1 % influenced by other variables which are not contained in the research model. Meanwhile, the value of R^2 to construct endogenous marketing mix of 0.762 indicates that the variation of the construct of the marketing mix can be explained by the variable constructs individual characteristics, strategy innovation, and competitiveness of 76.2 0% while the remainder is equal to 23.8 % is influenced by variables others that are not contained in the research model. It can also be said that the latent variable of competitiveness and the mix of marketing models is strong structural and the strongest structural model is the structural model of the marketing mix.

Table.4.1. Value of R^2 Endogenous Constructions

	R Square
Competitiveness	0.639
Marketing Mix	0.762

2. Evaluation of Second-Order Constructions

The evaluation of the *second-order* construct is carried out from the *second-order* construct to the *first-order* construct that is the dimension. According to Wold (1982) in Latan and Ghozali (2012), the evaluation of the *second-order* construct can be done using the *repeated indicators approach* or also called the *hierarchical component model*. In PLS, *repeated indicators approach* can be done by modifying the *first-order* construct into the *second-order* construct indicator so that the factor value of the *first order* construct will be the indicator value for the *second-order* construct (Kock, 2011). Formative evaluation of *second-order* constructs can be done by looking at the significance of the *weight*, so that validity and reliability tests are not needed (Ghozali, 2014).

According to Kock (2014), in PLS to measure the significance of the *weight* of constructs or latent variables in the form of formative that is by looking at the *p-value* (Kock, 2014). According to Miller and Wichern (1977), Mueller (1996) in Kock (2014) states that an item or indicator is considered valid if it has a *p-value* of less than 0.05.

Table 4.2. Weight Indicator Values

<i>Second-Order</i> constructs	<i>First Order</i> Constructions	<i>Weight</i> value	<i>p-value</i>
Marketing Mix (X)	Product	0.460	0,000
	Price	.394	0,000
	The place	0.726	0,000
	Promotion	0.926	0,000
	Participant	0.871	0,000
	Process	0.788	0,000
	Environment	0.861	0,000
Competitiveness (Y)	Cost	.643	0,000
	Quality	0.820	0,000
	Time	.671	0,000
	Differentiation	0.664	0,000

From the results of the Smart-PLS output in Table 4.2, it can be seen that all *first-order* constructs are declared valid where the *p-value* is less than 0.05 which indicates that all *first-order* constructs are valid in measuring different aspects of the *second-order* construct.

3. Hypothesis testing

This hypothesis testing phase is carried out after the *structural model* evaluation phase is carried out. This stage is carried out to find out whether the research hypotheses submitted to the research model are accepted or rejected. Path coefficient values in the range of -0.1 to 0.1 are considered insignificant, values greater than 0.1 are significant and directly proportional, and values smaller than -0.1 are significant values and inversely proportional (Hass & Lehner, 2009).

Another consideration is to use a significant value, minimal at $\alpha = 0.05$ so that it is considered significant if the *p-value* is less than 0.05. Therefore, the hypothesis is accepted if the path coefficient value is greater than 0.1 and the *p-value* is less than 0.05. In PLS, testing of each relationship is carried out using simulations with the *bootstrapping* method of the sample. This test aims at minimizing the problem of research data abnormalities. The test results using the *bootstrapping* method from SEM PLS analysis. Hypothesis testing results on the research model.

Table 4.3. Hypothesis testing results on the research model

Hypothesis	Pathway	Path coefficient	p-value	Information
D 1	Marketing Mix → competitiveness	0, 223	0, 093	Positive and significant

1. Individual Characteristics Influence Business Competitiveness

Based on the test results the path coefficient value is 0.223, this shows that the effect of the marketing mix on competitiveness is **positive**. It means that the existence of the marketing mix will increase competitiveness. The *p-value* is 0.093; the case shows the numbers *p-value* greater than 0.10. so the hypothesis "the effect of the marketing mix on competitiveness" is **supported** and it can be stated that the effect of competitiveness on the marketing mix is directly **significant**

The results of this study differ from the theory revealed by Moran (2000) that the ability of business/business acceleration depends on the ability of its human resources. Brophy and Kiely (2002) also revealed the same thing that HR is part of the development of organizational policies and planning for expanding organizational lines so that relevant competencies need to be identified aimed at improving HR performance, to enable the survival of the organization to achieve competitive success.

The results of this study are also different from the findings of Mawardi et al (2011), Karaev et al (2007), Prihadyanti (2013), and Khaliq et al (2014) which state that individual characteristics are social capital and innovation can be a factor for Small and Medium Enterprises to increase its competitiveness and be able to run better businesses and develop industrial clusters

The results of this study indicate that the marketing mix has a positive and significant effect on business competitiveness. The instruments consist of products, prices, places, promotions, participants, processes, and physical environments that form the marketing mix variables that affect the competitiveness of the drinking water depot business in Makassar City. The results of this study have been proven to be in line with the results of Wahyudi's (2000) research that in terms of the demand for information distribution through a *super high information* network that quickly makes consumers become more knowledgeable and smarter, which is manifested in various increasing demands on the products/services produced. The change in the concept of behavior causes a change in the orientation of the company from production targets to marketing targets and ultimately to financial targets. Thus, the basic concept of economic behavior will start from "the existence of market opportunities".

IV. Conclusion

Based on data analysis and discussion of research results, it can be concluded as follows: The marketing mix has a positive and significant influence on business competitive-ness. The instruments consist of products, prices, places, promotions, participants, processes, and physical environments that form the marketing mix variables that affect the competitiveness of the drinking water depot business in Makassar City, it is recommended to use other exogenous variables or use intervening variables that affect the competitiveness of the business so that the result of coefficient of determination becomes larger. In future studies, interviews can be carried out *in-depth* to support the results of statistical analysis

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Arjang, et. al. "Analysis of the Effect of Marketing Mix on Business Competitiveness (Case Study of Refill Drinking Water Depot in Makassar City)." *IOSR Journal of Business and Management (IOSR-JBM)*, 22(9), 2020, pp. 01-06.