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## **Analysis of Marketing Performance on Silk Industry through Mix Marketing Strategy and Competitive Advantage**

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### **ABSTRACT**

*The national silk industries is one of agro-industry subsector which are potentially to be developed due to the advantages and chances to be a big industry, beside, it will increase regional economy and regional welfare. The government is trying to reduce natural silk import from 618.8 tons in 2005 to 275 tons in 2010, so that in global competitiveness, silk industry has a competitive advantage.*

*The natural silk development was integrated carried out by stakeholders as a part of people economy development to increase the farmers revenue, increasing business opportunities, improving employment opportunities, increase regional revenue and foreign exchange, were begin with the action which are covered in the concept of marketing strategies (Craven David, 2003).*

*Customer satisfaction can be done by the right controlling and mix marketing strategic planning to achieve a competitive advantage. The silk industry is still conventional and needs an appropriate calculation to many aspects which are covered in a mix marketing to increase marketing performance and once again competitive advantage.*

*The subjects of this research are describing the mix marketing strategy, competitive advantage and marketing performance of silk industries in West Java, Indonesia, and to find out the influence of mix marketing and competitive advantage to the marketing performance in silk industries in West Java, Indonesia.*

*Methods used in this research are descriptive and explanatory survey, with questionnaires and interview as a tools in primary data collector. Unit analysis is 47 respondents which are entrepreneurs and sellers who involved in silk business in West Java, Indonesia. The analysis data method is using descriptive analysis and verificative method of path analysis.*

*The research found out that mix marketing strategy, competitive advantage are in an appropriate category, and marketing performance is in high category.*

*Mix marketing strategy through competitive advantage has a positive effect and significant in improving marketing performance compared to the partially effect on marketing performance, on silk industries in West Java, Indonesia.*

*Keywords: Mix Marketing Strategy, Competitive Advantage, Marketing Performance.*

### **1. Introduction**

The main processes on marketing, 1) opportunity identification, 2) new products development, 3) attracting costumers, 4) maintaining and development of costumers, 5) demand fulfilling. The enterprise who can handling these processes will succeeded, however if there is one process missed, the performance will not run smoothly.

The silk industry is one of sub-sector from agro industry which is potentially developed since it has many advantages, which are materials availability; it comes from local natural resource from mulberry plantation, seeding and silk worm maintenance, thread spinning, fabric weaving, and marketing.

The results from natural silk are worm cocoon, threads and fabrics, have a long serial activity since mulberry plantation (leaves production), worm seeding, silk worm maintenance



(cocoon production), cocoon processing, spinning and weaving. Production of cocoon and threads are favourable since it high benefit. A simple technology is applied, it can be done by everyone in the area and it can push the people economy, especially people in the village.

The potential national cocoons production is 250 ton per year, while the national demand is 2,400 tons per year, silk thread production is 32 tons per year, while the demand is 700 tons per year, and the silk development target was 6.18 million meters on 2005 will be increased to 44 million meters on 2012.

The natural silk development can be done integrated by the stakeholders as a part of the people economy development, to increase farmers and enterprises income, to increase enterprise and job opportunity, to increase regional income, and they are started from the right action which are covered in marketing strategy concept (David Craven:2008).

The problems in natural silk development are in aspects of, 1) there is no right model to be applied, 2) low competitive advantage of national production compare to other country (Industry and Trade Ministry:2008)

Many silk industries are still traditionally manufactured and not to concern about mix marketing for products, prices, distributions, nor promotions to fulfill bigger market share, and there is no good plan. Based on preliminary research, it is known that the silk industry was only following supply and demand mechanism, which means that marketing was done by the conventional way, static without concerning management marketing strategy. And with that reasons it would be the disadvantage of managing silk industry. Other reason is the SME has not found their advantage to be developed.

## **2. Methods**

This research is descriptive and verificative, descriptive research is aim to obtain variable characteristics, and in this research is to obtain the descriptions of mix marketing, competitive advantage, and marketing performance on silk industry in West Java, Indonesia.

While verificative research is to test the hypothesis through collecting data, and this research will test whether mix marketing has an effect to competitive advantage and it's implication to marketing performance.

Research was done by a survey to respondents, which are national silk entrepreneurs in West Java, Indonesia. Data used in this research is a primary data, collected from questionnaires and secondary data collected from the government institution, and have been analyzed using path analysis.

The research time horizon that is cross section, which is the information from sample respondents, was collected directly from the original site to obtain the opinions from the population.

Table 1. Operation for X variable

Variable	Concept	Sub Variable	Indicator	Measurement	Scale
Mix Marketing Strategy (X) Source: Kotler & Leong Tai, (2003); Craven, (2003)	Mix of controlled variables to obtain a desire marketing volume	Product (X <sub>1</sub> ) Product policy	<ul style="list-style-type: none"> <li>- Product Type</li> <li>- Product Quality</li> <li>- Design products</li> <li>- Brands</li> <li>- Size</li> <li>- Packaging</li> <li>- Services</li> <li>- Warranty</li> <li>- Product development</li> </ul>	<ul style="list-style-type: none"> <li>- The accuracy of selecting a product type</li> <li>- Compliance to the quality to needs and price</li> <li>- Accuracy brand name</li> <li>- The accuracy of product size</li> <li>- The accuracy of attractive packaging</li> <li>- Accuracy in quality of service</li> <li>- Guarantees for sold products</li> <li>- Accuracy in product development plans</li> </ul>	Ordinal
		Price (X <sub>2</sub> ) Price policy, correlated to a benefit value to customers	<ul style="list-style-type: none"> <li>- Determination of sale price</li> <li>- Discount</li> <li>- Terms of Payment</li> <li>- Term of payment</li> <li>- Price Discrimination</li> </ul>	<ul style="list-style-type: none"> <li>- Compliance to quality to discounted price</li> <li>- The difference in price according to the number of purchase</li> <li>- Compliance of the ability of the customer payment</li> <li>- The difference in price in different market segments</li> </ul>	
		Place (X <sub>3</sub> ) Policy of distribution channel on products supply to customers	<ul style="list-style-type: none"> <li>- Channel type</li> <li>- Coverage</li> <li>- Location</li> <li>- Distribution equipment</li> <li>- Transportation</li> </ul>	<ul style="list-style-type: none"> <li>- The accuracy of channels type</li> <li>- Compliance of channel coverage</li> <li>- Compliance of site selection</li> <li>- The accuracy of equipment usage</li> <li>- The accuracy of delivery tools usage</li> <li>- Delivery time</li> </ul>	
		Promotion (X <sub>4</sub> ) Policy of promotion to communicate the enterprise and products to customers	<ul style="list-style-type: none"> <li>- Advertising strategy</li> <li>- Personal selling</li> <li>- Sales promotion</li> <li>- Publicity</li> <li>- Salesman</li> </ul>	<ul style="list-style-type: none"> <li>- Accuracy advertising media selection</li> <li>- The accuracy of personnel usage</li> <li>- The accuracy of the model usage</li> <li>- The accuracy of choosing the situation for publicity</li> <li>- Accuracy salesman usage</li> </ul>	

Table 2. Operational for Y and Z variable

Variable	Concept	Indicator	Measurement	Scale
Competitive Advantage (Y) Source: Porter (1998)	The advantage of value creation for a reliable enterprise	- Product differentiation strategy - Low cost strategy - Focus strategy	- The accuracy of differentiation strategy - The enterprise ability in cost reduction - The enterprise ability in selecting a special market	Ordinal
Marketing Performance (Z) Source: Tjptonohadi (2005), Cravens Pierce (2003), dan Andrian (2001)	Performance as reference to marketing achievement	- Silk sales - Partnership with other industry - Innovation	- The accuracy of sales from the view of entrepreneurs - The accuracy in selecting partnership - The accuracy in product innovation	

The hypothesis test in this research is using path analysis, is one of multivariate technique to check a serial dependency among variables. Usually used if one dependent variable become independent variable for the next dependency.

### 3. Discussion

This research is descriptive and verificative, descriptive research is aim to obtain variable characteristics, and in this research is to obtain the descriptions of mix marketing, competitive advantage, and marketing performance on silk industry in West Java, Indonesia.

While verificative research is to test the hypothesis through collecting data, and this research will test whether mix marketing has an effect to competitive advantage and it's implication to marketing performance.

Research was done by a survey to respondents, which are national silk entrepreneurs in West Java, Indonesia. Data used in this research is a primary data, collected from questionnaires and secondary data collected from the government institution, and have been analyzed using path analysis.

#### 3.1. Descriptive Analysis

##### 3.1.1 Descriptive Analysis for Mix Marketing Strategy

To determine mix marketing on the national silk industry in West Java, Indonesia, based on silk enterprise perception, is using 4 dimensions of mix marketing and consisting 23 indicators which are 8 indicators of product, 5 indicators of price, 5 indicators of distribution, and 5 indicators of promotion, and distributed to 376 respondents that used in developing of mix marketing strategy (Kotler (1997:3)), as shows on Table 3.

Based on Table 3, it shows that the achievement of silk industry mix marketing in West Java total score is 68.82% or in the good category (high), and all of the 4 dimensions are in category good (high)

It means that silk industry in West Java has done a high standard on mix marketing strategy. However the optimal strategy needs to be improved to increase its competitive advantage. According to the respondent perception, these are a basic measurement of mix marketing in 5 categories, which are very low, low, average, good, and very good

Table 3. Response to Variable of Mix Marketing Strategy (X)

Weight	Score				Total
	Mix Marketing Strategy				
	Product	Price	Distribution	Promotion	
1	0	0	0	0	0
2	120	80	80	80	360
3	495	282	270	270	1317
4	380	240	204	204	1028
5	280	205	270	270	1025
Total	1275	807	824	824	3730
Ideal Score	1880	1180	1180	1180	5420
Achievement	67.82%	68.39%	69.83%	69.83%	68.82%
Category	Good	Good	Good	Good	Good

Table 4. Achievement Category

No	Achievement	Category
1	80% to 100%	Very Good
2	60% to 79.9%	Good
3	40% to 59.9%	Fair
4	20% to 39.9%	Low
5	0% to 19.9%	Very Low

Product can be measured by a) quality, b) packaging, c) brand, d) design, e) warranty, f) service, and g) product path (Kotler (2003:452))

The result shows that product, the customer will buy silk textile or silk product because of quality, design, looks, and price. There is tends that the high economy person will select and buy a good quality, the mid economy person will select and buy a middle quality, and the low economy person will select and buy a low quality.

The research also shows that place to sell silk products is depend on price and quality. The silk producers also produce goods to be sold to distributors and retailers and also make a direct sell to customers. And also they are a producer of cocoon.

### 3.1.2 Descriptive Analysis for Competitive Advantage

To determine the competitive advantage based on silk entrepreneurs is used 3 dimensions of competitive advantage which are consist of 3 indicators according to Porter, as shown on Table 5.

Based on the table, it shows that the achievement of competitive advantage based on the questionnaires is 68.23 or in the good category, it means that the silk industry has reach above standard of competitive advantage; however it needs to be improved.

The result shows that the competitive advantage of the national silk industry compared to the import goods (China, India, Pakistan), but has advantage and disadvantage, mainly in a) the Indonesian silk price relatively cheaper, b) the same quality, c) the Indonesian silk products relatively rough, d) the Indonesia silk is more variety in design, e) the Indonesian silk tends to be interested by mid class while the imported silk is interested by high class

Table 5. Response to Variable of Competitive Advantage (Y)

Weight	Competitive Advantage			Total
	CA1	CA2	CA3	
1	0	0	0	0
2	8	12	6	26
3	45	33	42	120
4	64	48	68	180
5	60	90	65	215
Total	117	183	181	481
Ideal Score	235	235	235	705
Achievement	49.79%	77.87%	77.02%	68.23%
Category	Fair	Good	Good	Good

### 3.1.3 Descriptive Analysis of Marketing Performance

According to Tjiptonon, Crave, and Gasperz, silk industry can be run a marketing performance through, 1) Sales, 2) Silk product image, 3) Partnership with other industry, 4) Customer satisfaction, 5) Innovation

To determine marketing performance on the national silk industry in West Java, Indonesia, based on silk enterprise perception, is using 3 dimensions of mix marketing and consisting 5 indicators of marketing performance according to Tjiptono, Crave, and Gasperz, as follows,

Tabel 6. Response to Variable of Marketing Performance (Z)

Weight	Marketing Performance			Total
	MP1	MP2	MP3	
1	0	0	0	0
2	6	6	12	24
3	42	42	39	123
4	84	64	68	216
5	45	70	55	170
Total	177	182	174	533
Ideal Score	235	235	235	705
Achievement	75.32%	77.45%	74.04%	75.60%
Category	Good	Good	Good	Good

Based on Table 6, it shows that the achievement of marketing performance is 75.60% or in a good category. This means that the national silk industry has achieved a good standard of marketing performance.

The result shows that marketing performance in the international, national, or regional market, in marketing the silk products, entrepreneurs runs a) direct sales, b) to the stores with or without down payment, c) distributors

### 3.2. Analysis Verificative

#### 3.2.1. Mix Marketing, Competitive Advantage, Marketing Performance Correlation Analysis

Using path analysis, the correlation matrix among the endogenous variables of mix marketing, as follows,

Table 7. Correlation Matrix of Mix Marketing Causes

Pearson Correlation	Product	Price	Place	Promotion
Product	1.000	.511	0.468	0.395
Price	0.511	1.000	0.503	0.619
Place	0.468	0.503	1.000	0.488
Promotion	0.395	0.619	0.488	1.000
Sig. (1-tailed)	Product	Price	Place	Promotion
Product	.	0.000	0.000	0.003
Price	0.000	.	0.000	0.000
Place	0.000	0.000	.	0.000
Promotion	0.003	0.000	0.000	.

From Table 7, it shows that all correlations are positive, and all correlation of causes variables are significant.

While the correlation matrix for mix marketing, competitive advantage, and marketing performance are as follow,

Table 8. Correlation Matrix of Causes Variable, Intervening, and Effect

Variable		Mix Marketing	Competitive Advantage	Marketing Performance
Mix Marketing	Pearson Correlation	1	.412(**)	.578(**)
	Sig. (2-tailed)	.	.004	.000
	N	47	47	47
Competitive Advantage	Pearson Correlation	.412(**)	1	.471(**)
	Sig. (2-tailed)	.004	.	.001
	N	47	47	47
Marketing Performance	Pearson Correlation	.578(**)	.471(**)	1
	Sig. (2-tailed)	.000	.001	.
	N	47	47	47

Table 7. indicate that all correlation are positive. This means that the market and entrepreneurs have an excellent product in their market.

#### 3.2.2 Structural Model of The Effect of Mix Marketing Strategy to Competitive Advantage and its Implication to Marketing Performance

The model as follows,

1. Competitive Advantage (Y) as a dependent variable is effected by endogen variable Mix Marketing Strategy (X)
2. Marketing Performance (Z) as a dependent variable is effected by endogen variable Competitive Advantage (Y) and Mix Marketing Strategy (X)

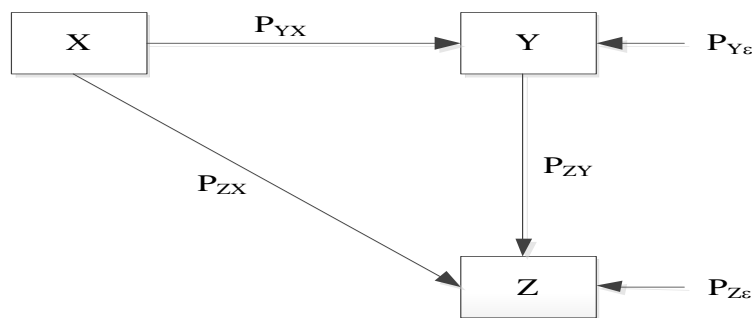


Figure 1. Structural Model of The Effect of Mix Marketing Strategy to Competitive Advantage and its Implication to Marketing Performance

3.2.3 The Effect of Mix Marketing to Competitive Advantage

The Effect of Mix Marketing to Competitive Advantage model is as follows,

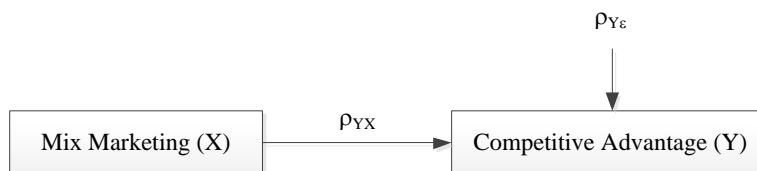


Figure 2. Structural Model of The Effect of Mix Marketing to Competitive Advantage

Operational and testing this structural model is using path analysis for a structural equation  $Y = \rho_{YX} X + \epsilon_{Y\epsilon}$  and the result using SPSS is,

Table 9. Path Analysis for X variable to Y Variable Result

R	0.412		
R Square	0.169		
Adjusted R Square	0.151		
F = 9.177	Sig. F = 0.004		
Variables in the Equation			
Variabel	Beta	t	Sig t
X	0.412	3.029	0.004

It it known that determination coefficient  $R^2 = 0.169$ , so that the effect of another variable outside the used variable is obtained by this equation,

$$\rho_{Y\epsilon} = \sqrt{1 - R^2_{YX}}$$

$$\rho_{Y\epsilon} = \sqrt{1 - 0,169} = 0,912$$

And the result will be,

$$Y = 0,412.X + \epsilon_Y$$

From those equations, the causal relationship as follows,

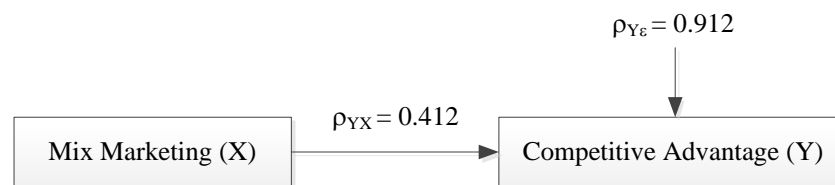


Figure 3. Path Coefficient Value of the Effect of Mix Marketing to Competitive Advantage

Operational and testing this structural model is using path analysis for a structural equation  $Y = \rho_{YX} X + \varepsilon_{Y\varepsilon}$  and the result using SPSS is,

Table 9. Path Analysis for X variable to Y Variable Result

R	0.412		
R Square	0.169		
Adjusted R Square	0.151		
F = 9.177	Sig. F = 0.004		
Variables in the Equation			
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$$\rho_{Y\varepsilon} = \sqrt{1 - R_{YX}^2}$$

$$\rho_{Y\varepsilon} = \sqrt{1 - 0,169} = 0,912$$

And the result will be,

$$Y = 0,412.X + \varepsilon_Y$$

From those equations, the causal relationship as follows,

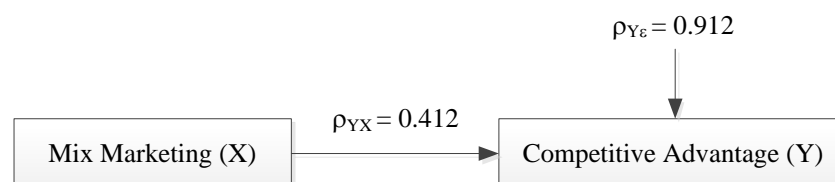


Figure 3. Path Coefficient Value of the Effect of Mix Marketing to Competitive Advantage

The proposed hypothesis can be made a statistical hypothesis as follows,

$H_0$  : There is no effect on Mix Marketing to Competitive Advantage

$H_1$  : There an effect on Mix Marketing to Competitive Advantage



Since F significance value is 0.0004 ( lower than  $\alpha = 0.05$ ), it means that  $H_0$  is denied, there is an effect on Mix Marketing to Competitive Advantage, and it can be tested individually.

To test individually, t value for X variable is 0.412, on significance level  $\alpha = 0.05$  it is known that X variable effected to Competitive Advantage

### 3.2.4 The Effect of Mix Marketing and Competitive Advantage to Marketing Performance

As it's shown on Figure 1, the operational and testing this structural model is using path analysis for a structural equation  $Z = \rho_{ZY}Y + \rho_{YX}X + \varepsilon_{Z\varepsilon}$  and the result using SPSS is,

Tabel 10. Path Analysis for X variable to Y Variable

R		0.632	
R Square		0.400	
Adjusted R Square		0.371	
F = 14,636		Sig. F = 0.000	
Variables in the Equation			
Variabel	Beta	t	Sig t
X	0.462	3.607	0.001
Y	0.281	2.191	0.034

$$\rho_{Y\varepsilon} = \sqrt{1 - R_{YX}^2}; \rho_{Y\varepsilon} = \sqrt{1 - 0,400} = 0,775$$

The path equation will be,

$$Z = 0,462.X + 0,281.Y + \varepsilon_Z$$

And the result is,

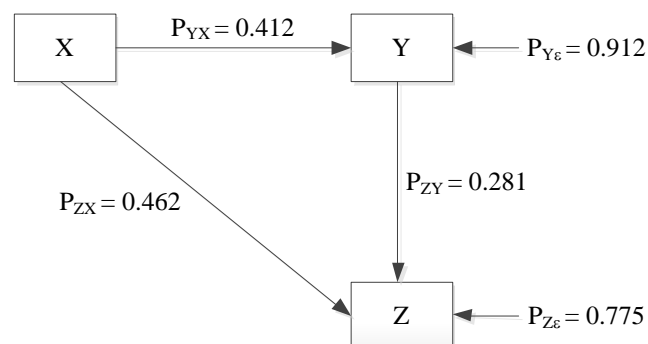


Figure 4. Path Coefficient Value of the Effect of Mix Marketing to Competitive Advantage

The proposed hypothesis can be made a statistical hypothesis as follows,

$H_0$  : There is no effect on Mix Marketing and Competitive Advantage to Marketing Performance

$H_1$  : There an effect on Mix Marketing and Competitive Advantage to Marketing Performance

Since F significance value is 0.000 ( lower than  $\alpha = 0.05$ ), it means that  $H_0$  is denied, there is an effect on Mix Marketing to Competitive Advantage, and it can be tested individually.

The calculation of variable with structural parameter values, as follows,

Tabel 11. Result of Direct and Indirect Effects of X, Y, and Z Variables

$\rho_{YX}$	$r_{XX}$	$\rho_{YX}$	Direct Effect (%)	Indirect Effect (%)
0.412	1	0.412	16.9	-
$\rho_{ZX}$	$r_{XY}$	$\rho_{ZX}$	Direct Effect (%)	Indirect Effect (%)
0.462	1	0.462	21.3	
$\rho_{ZX}$	$r_{XY}$	$\rho_{ZY}$	Direct Effect (%)	Indirect Effect (%)
0.462	0.412	0.281		5.4
$\rho_{ZY}$	$r_{yy}$	$\rho_{zy}$	Direct Effect (%)	Indirect Effect (%)
0.281	1	0.281	7.9	

#### 4. Conclusion

This research is obtain the conclusions as follows

1. Mix Marketing Strategy has a positive effect and significance to improve Competitive Advantage on national silk industry.
2. Competitive Advantage Strategy has a positive effect and significance to Marketing Performance
3. Mix Marketing Strategy has positive effect and significance to Marketing Performance.
4. Mix Marketing Strategy and Competitive Advantage have a positive effect and significance to Marketing Performance simultaneously dominant compared to an effect of Marketing Performance partially.

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