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The Influence of Marketing Mix and Customer Relationship Marketing on Marketing Performance of Digital Creative Industry

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ABSTRACT

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The creative industries are snowballing. The most rapid growth is industry-based creative digital technology. It is influenced by the development of internet technology that has entered various aspects of human life in society and the state. Today, almost all the activities and business processes intersect and take advantage of the internet. This phenomenon is known as a digital transformation, where any business that wants to develop must be connected via the internet to be able to reach more consumers through telecommunications technology. However, the performance marketing of digital creative industry currently is not classified as optimal. That is because the problems related to the implementation of the marketing mix and customer relationship marketing are not optimal. This study aims to examine the influence of the marketing mix and customer relationship marketing on marketing performance of the digital creative industry in West Java, Indonesia. Using a primary data collected from 50 companies, the results show that marketing mix and customer relationship marketing significantly influence marketing performance of the digital creative industry.

INTRODUCTION

The growing of creative industries has led to a global superpower countries with a stable economy. Meanwhile, according to the Ministry of Trade of Indonesia, in 2007, the contribution of the creative industries to GDP of Indonesia was still lagging. Creative industries in Indonesia are reported five years behind other countries. In 2007, the contribution of the creative industries to GDP in Indonesia amounted to 5.80% whereas in the USA the contribution of 5.9% was achieved in 2001.

The Indonesian government has paid serious attention to the creative industries with the publication of the Republic of Indonesia Presidential Instruction No. 6 of 2009 on Creative Economy Development Policy 2009-2015. It emphasizes the development of economic activities based on the creativity, skills and individual talents to create creative individuals who have economic value and impact on the welfare of the Indonesian people. Based on the Presidential Instruction, today the development of creative industries in Indonesia directed at some subsectors of creativity-based industries:

1. Subsector Group of publications and presentations industry through the media (Media Publishing and Presence), namely: subsector of Publishing-Printing and Advertising subsector.
2. Subsector group of the industry with cultural content delivered via electronic media (Electronic Media Presentation with Cultural Content: namely sub-sector and sub-sector TV and Radio Film Video and Photography.
3. Subsector group of the industry with cultural content that is displayed to the public either directly or through electronic media (Cultural Presentation) namely Music and Performing Arts.
4. Subsector group of the industry with a solid content of art and culture (Arts & Culture Intensive), namely Craft and art goods markets.
5. Subsector Group of industrial design, namely Design, Fashion and subsector Architecture.
6. Subsector Group of creative industry with technology payloads (Creativity with Technology): Research and Development Interactive Games and Information Technology Software Services.

The creative industries are proliferating. The most rapid growth is industry-based creative digital technology. It is influenced by the development of internet technology that has entered various aspects of human life in society and the state. It could be seen from the concept of *e* (electronic), such as e-government, e-commerce, e-news, etc. Today, almost all the activities and business processes intersect and take advantage of the internet. This is known as a digital transformation, where any business that wants to develop must be connected via the internet to be able to reach more consumers through telecommunications technology.

The development of telecommunications in Indonesia is reflected by the high rate of GDP growth in the communications sector. The communications sector includes all activities engaged in telecommunications. Telecommunication technology development undeniable has given a very fundamental change in the management of business activities. Distance and territorial borders of a country are not barriers anymore with their telecommunications technology.

However, the facts show that sales growth in the range of only 5% to 10% per year, while the average sales growth of this industry can reach 20% per year.

Similarly, the level of profitability of the business is still relatively low, at around 20% per year. Whereas for the business services industry, the level of profitability should have been able to achieve 40% to 50% per year because it does not require product inventory costs. This evidence shows that the performance of marketing in the digital creative industry in Indonesia is far from optimal. It could be due to issues relating to Customer Relationship Marketing (CRM). Parvatiyar and Sheth (2002) mentions the CRM programs realized in the form of Continuity Marketing, One-to-One Marketing, and Partnering/Co-Marketing. Continuity Marketing Program provides loyalty programs and membership cards where customers are often rewarded by loyalty and membership relations with the company. The company could give of awards or prizes such as specialized services, reward points, rebates including discounts for other products. The One-to-One Marketing is intended to be able to meet and satisfy every customer's needs individually and uniquely. Partnering program is a partnership between the customer and the company in order to serve the needs of end users.

Psychological benefits received by customers is not included satisfactory and obtain the lowest perception of the customer. In addition, there are still customers who feel that the services provided do not fully meet their needs.

Meanwhile, Raza and Rehman (2012) showed that customer satisfaction is mainly influenced by the quality of service. That means that if the quality of the service exceeds the price perception and brand image, the satisfaction will increase. Quality of care also affects the customer's trust. Lee (2005) showed that the addition of components interactivity, user perception, response, connectivity, connectivity everywhere, and contextual have a significant effect on consumer confidence in mobile commerce. Ofoegbu & Udom (2013) found that customers are more likely to leave their current telecom providers if they do not do a good sales pitch as an incentive for buyers or compensation. The customer is ready to move on to other telecommunications providers are offering attractive sales promotions.

In principle, everything that exists in the digital creative industry is a commodity that can be offered to customers, and to the success of a company in the long term, it must create services that satisfy the needs and wants of its customers. In order to create a satisfactory service, the institution created the marketing mix. Kotler and Keller (2012) state "*Marketing mix as a set of controllable, tactical marketing tools that the firm blends to produce the result it wants in the target market.*" Elements of the marketing mix consist of (7P) with descriptions P1 is Product, P2, P3 Place, P4, P5 People, P6 and P7 Process Physical Evidence.

Meanwhile, Wahab et al. (2010) showed the relationship between the performance of CRM with e-service quality and ease of use. Also, the findings of Schoenbachler and Gordon (2002) studied provide some support for the role of trust in building relationships and identify factors that are important in building that trust.

Based on this background, researchers interested in conducting research on the influence of Marketing Mix and Customer Relationship Marketing on the marketing performance of the digital creative industry in West Java.

LITERATURE REVIEW

Marketing Mix

The company must create and present it to the customer to meet customer needs by looking at product mix, pricing, promotion and distribution (Kotler & Keller, 2012). Moreover, Kotler (2012, p.107) states "*Marketing mix as a set of controllable,*

tactical marketing tools that the firm blends to produce the result it wants in the target market". Meanwhile Peter and Olson (2008, p.386) stated that:

"Many marketing mix decisions are made in conjunction with rather than after target market selection. Selecting the target market and designing the marketing mix go hand in hand, and thus many marketing mix decisions should have already been carefully considered".

The opinion illustrates that decisions relating to the selection of the marketing mix so that selection of target market selection and design of the marketing mix must work together.

Kotler and Keller (2012, p.500) stated: *"Marketing communications mix consists of eight main lines of communication, namely advertising, sales promotion, events and experiences, Public Relations and publicity, direct marketing, interactive marketing, word-of-mouth marketing personal selling."*

McCarthy in Kotler and Keller (2012, p. 47) says that the marketing mix known as the 4P consists of products, price, place, and promotion. However, Kotler and Keller (2012) stated that in line with the development of cutting-edge marketing concepts formulated in holistic marketing then the 4P concept is no longer adequate to modern developed four Ps of marketing management which includes human resources (people), the process, programs, and performance.

In this study, the marketing mix is measured by the dimensions of production, price, place, promotion, human resources, infrastructure/facilities.

Customer Relationship Marketing

Nagasimha (2008, p.4) stated: *"relationship marketing refers to a wide range of 'relationship type strategies' that have developed over the past few decades in the product as well as service markets and in consumer as well as business to business sectors."* Wahab et al. (2010) measured CRM performance by quality, of e-service and ease of use. Sweeney and Webb (2007) stated that the dimensions of *Customer Relationship Management* namely *Social Benefits, Psychological Benefits, Functional Benefits*. Referring to Parvatiyar and Sheth (2002), they said that CRM programs are implemented in the form of *Continuity Marketing, One-to-One Marketing, and Partnering/Co-Marketing*. Program of *Continuity Marketing* contains loyalty programs and membership cards where customers are often rewarded by loyalty and membership relations with the company. The forms of awards or prizes could be specialized services, reward points, rebates including discounts for other products. The *One-to-One Marketing* is intended to be able to meet and satisfy every customer's needs individually and uniquely. *Partnering Program* is a partnership between the customer and the company in order to serve the needs of end users. Rahaman et al. (2011) examined the role of CRM in Bangladesh telecom operator and uses five dimensions namely thankful, responsiveness and relationship, appropriateness, caring, and keep in touch.

Marketing Performance

Voss and Voss (2000) define marketing performance as a measurement of the level of performance, which includes sales turnover, number of customers, profits, and sales growth. Da Gama (2011, p.645) explains:

"The word "marketing" is commonly used to delineate very different things. On the one hand, it is considered as a management philosophy that seeks to express

the why and how a company should adapt to and influence its market. On the other hand, it embodies the corporate subsystem, often with the name of the department, which develops a set of tasks regarding marketing implementation. In both definitions, although with differing emphasis, it is possible to identify three dimensions underlying the concept:

- (1) *an action dimension;*
- (2) *an analysis dimension; and*
- (3) *a culture dimension”*

Table 1. Marketing Mix KPIs

Marketing mix dimension	Performance indicators	Comments / Cautions
Advertising	% Cost per thousand # Frequency of exposure # Gross rating point	Allocating advertising budget Analyzing campaign results and separating them from other marketing mix elements
Online and direct marketing	% Conversion rate # Pageview # Visit	The ease of monitoring in all stages (prospecting, purchase, re-purchase)
Public relations	\$ Cost per event # Exposures per event # Positive media exposures	PR techniques differ from advertising, but objectives are similar
Loyalty programs	% Participation rate rate # Purchase frequency	Differentiate based on client categories
CRM and customer service	# Customer engagement % Customer satisfaction level	Synergy between people and technology
Sales promotion	\$ Cost per promotion % Coupon conversion # Samples	Difficulty to create loyalty and long-term relations
New product development %	% Revenue from new products	Difficulty to evaluate innovation from a quantitative perspective

Source: Ambler (2003) in Mone et al. (2012:135)

Da Gama (2011) described the evolution of marketing measure that stems from the measurement of multi-dimensional measuring marketing audit and market orientation, continue to measure nonfinancial measure of market share, service quality, customer satisfaction, customer loyalty, brand equity, and the last turn to financial measures that are measured from sales, profit, and cash flow.

Mone et al. (2012) by taking the opinion of CMG Partners and Chadwick Martin Bailey (2010) and Patterson (2007, p. 271) argue that marketing performance demonstrate the efficiency and value in marketing. Moreover, Mone et al. (2012) explained that the measure and manage marketing performance at a tactical level refers to the marketing mix. Taking the opinion of Ambler (2003) that to explore the level of performance on a particular element should analyze the complete marketing mix and context. Categories identified by Mone et al. (2012) are relevant from this

point of view (Table 1).

METHODOLOGY

This study is verification to test the truth/facts/principles of knowledge that already exists. Observations using a scope (time horizon) is cross section/one shot, means any information or data obtained are the result of research conducted at one particular time, namely in 2017. The unit of analysis in this study is digital creative companies in West Java with the respondent amounted to 50. Hypothesis testing is done by using PLS.

RESULT AND DISCUSSION

Analysis of structural model (Inner Model) and measurement model (Outer Model)

Partial Least Square (PLS) consists of the inner and outer model. The analysis of inner model shows the relationship between latent variables - dimensions and indicators. Inner model is evaluated by using *Goodness of Fit Model (GoF)*, that show the differences between the values of the observations result with the values predicted by the model.

Table 2. Goodness of Fit Model

Variable	Cronbach's Alpha	Composite Reliability	R Square	Q square
Marketing Mix	0.881	0.899	-	0.476
Customer Relationship Marketing	0.681	0.889	-	0.450
Marketing Performance	0.635	0.652	0.867	0.473

This test is indicated by the value of R Square on endogenous constructs and *Prediction relevance* (Q square) or known as Stone-Geisser's; it is used to know the capability of prediction with *blindfolding* procedure. If the value obtained 0.02 (minor), 0.15 (medium) and 0.35 (large), and only used for the endogenous construct with the reflective indicator. Refer to Chin (1998), the value of R square amounted to 0.67 (strong), 0.33 (medium) and 0.19 (weak).

The table shows that the value of R² of Marketing Performance as an endogenous variable is in a strong criteria and the value of Q square is in a great criteria, so it can be concluded that empirical condition supports the research model or the model is fit.

Measurement Model (*outer model*)

Analysis of *outer model* used as validity and reliability test to measure latent variable and indicator in measuring dimension that is constructed. It can be explained by the value of *Composite reliability* and *Cronbach's Alpha* that is to see the reliability

of dimension in measuring variables. *Composite reliability* and *Cronbach's Alpha* of variables > 0.70 (Nunnaly, 1994) suggest that all of the variables in the model estimated to fulfill the criteria of discriminant validity. Then, it can be concluded that all of the variables have a good reliability.

The result of measurement model of latent variables on their dimensions shows to what extent the validity of dimensions in measuring latent variables. The following table shows the result of a measurement model for each latent variables on dimensions.

Table 3
Loading Factor of Laten Variable-Dimension-Indicator

Variable-Dimension	Indicator-Dimension	Coef.	t-value
Marketing Mix -> Product		0.619	5.636*
	Pro1 <- Product	0.691	4.781*
	Pro2 <- Product	0.898	4.036*
	Pro3 <- Product	0.929	4.326*
Marketing Mix -> Price		0.763	14.905*
	Pri1 <- Price	0.866	20.004*
	Pri2 <- Price	0.708	9.140*
	Pri3 <- Price	0.635	9.457*
	Pri4 <- Price	0.652	6.927*
Marketing Mix -> Place		0.746	15.493*
	Pl1 <- Place	0.863	17.098*
	Pl2 <- Place	0.771	10.676*
Marketing Mix -> Promotion		0.879	19.506*
	Prm1 <- Promotion	0.637	6.807*
	Prm2 <- Promotion	0.558	5.671*
	Prm3 <- Promotion	0.785	11.793*
	Prm4 <- Promotion	0.752	10.749*
	Prm5 <- Promotion	0.670	5.334*
Marketing Mix -> People		0.779	13.882*
	Peo1 <- People	0.726	3.633*
	Peo2 <- People	0.674	3.330*
	Peo3 <- People	0.622	6.287*
	Peo4 <- People	0.802	5.526*
	Peo5 <- People	0.672	8.293*
Marketing Mix -> Facility		0.624	6.426*
	Fac1 <- Facility	0.638	3.295*
	Fac2 <- Facility	0.745	7.194*
	Fac3 <- Facility	0.606	3.220*
	Fac4 <- Facility	0.594	4.960*
Customer Relationship Marketing->Customer priority		0.934	50.394*
	Cust1 <- Customer priority	0.723	11.472*
	Cust2 <- Customer priority	0.782	18.275*
	Cust3 <- Customer priority	0.736	14.652*

	Cust4 <- Customer priority	0.597	8.450*
Customer Relationship Marketing ->Reward		0.955	86.329*
	Rew1 <- Reward	0.786	16.194*
	Rew2 <- Reward	0.599	7.322*
	Rew3 <- Reward	0.750	14.513*
	Rew4 <- Reward	0.674	10.872*
Customer Relationship Marketing ->Gathering		0.907	33.669*
	Gat1 <- Gathering	0.818	18.746*
	Gat2 <- Gathering	0.657	4.971*
Marketing Performance ->Profit		0.726	8.089*
Marketing Performance ->Sales		0.665	8.334*

*valid (>2.01 (t table at $\alpha = 0.05$))

The following figure shows the complete path diagram:

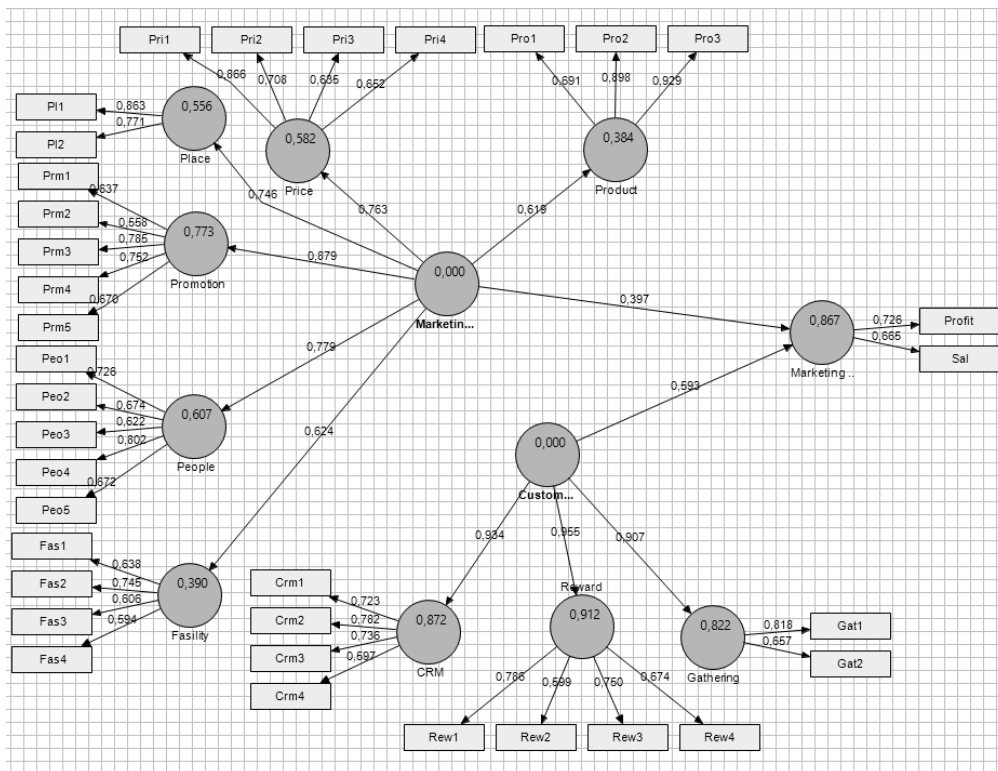


Figure 1. Path Diagram of Research Model

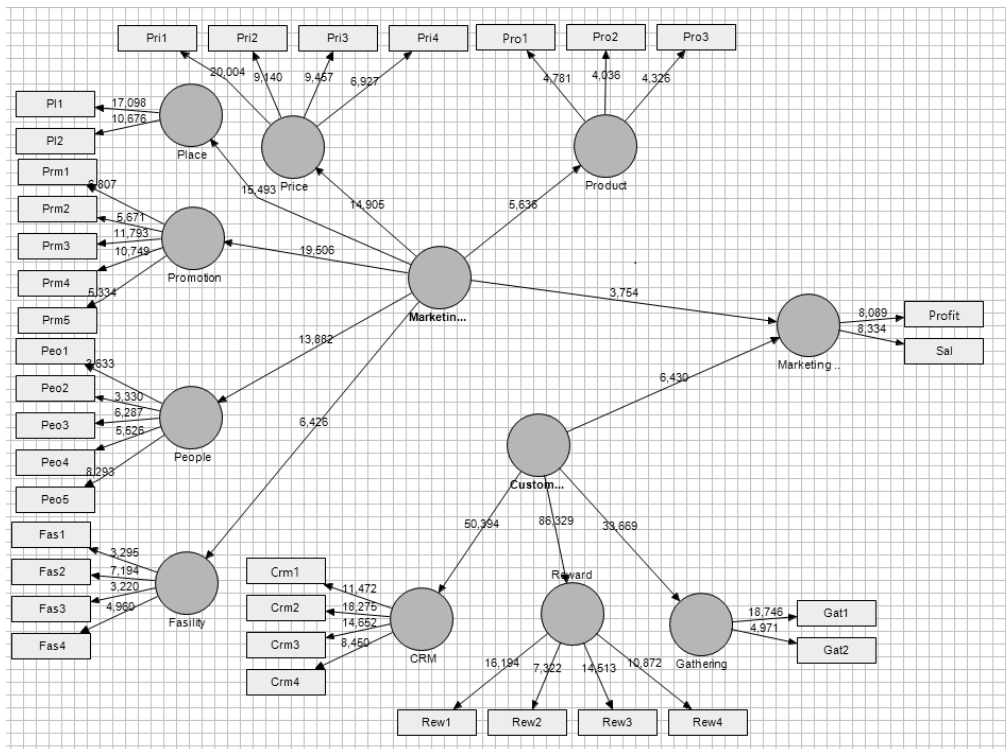


Figure 2. t value of Research Model

Structural Model

Based on the research framework, then obtained a structural model as follow:

$$\eta = 0.397\xi_1 + 0.593\xi_2 + \zeta_1$$

Where:

η = Marketing Performance

ξ_1 = Marketing Mix

ξ_2 = Customer Relationship Marketing

ζ_i = Residual

Hypothesis testing

The Influence of Marketing Mix and Customer Relationship Marketing on Marketing Performance.

Below is the result of hypothesis testing both simultaneously and partially.

a. Simultaneous Hypothesis testing

Below is the result of simultaneous testing of hypothesis:

Table 3
Simultaneous Testing of Hypothesis

Hypothesis	R ²	F	Conclusion
Marketing Mix and Customer Relationship Marketing Marketing Performance	0.867	112.179*	Hypothesis accepted

* significant at p=0.05 (F table =3.195)

Based on the table, it is known that within the degree of confidence of 95% ($p=0.05$) simultaneously there is the influence of Marketing Mix and Customer Relationship Marketing on Marketing Performance is 86.7%, while the rest of 13.3% is affected by other unobservable factors.

b. Partial Hypothesis testing

Below is the result of partial testing of hypothesis :

Table 4
Partial Testing of Hypothesis

Hypothesis	γ	t	R2	Conclusion
Marketing Mix -> Marketing Performance	0,397	3,754	0.337	Hypothesis accepted
Customer Relationship Marketing -> Marketing Performance	0,593	6,430	0.530	Hypothesis accepted

* significant at $\alpha=0.05$ (t table =2.03)

The table shows that partially, Marketing Mix and Customer Relationship Marketing partially influence Marketing Performance.

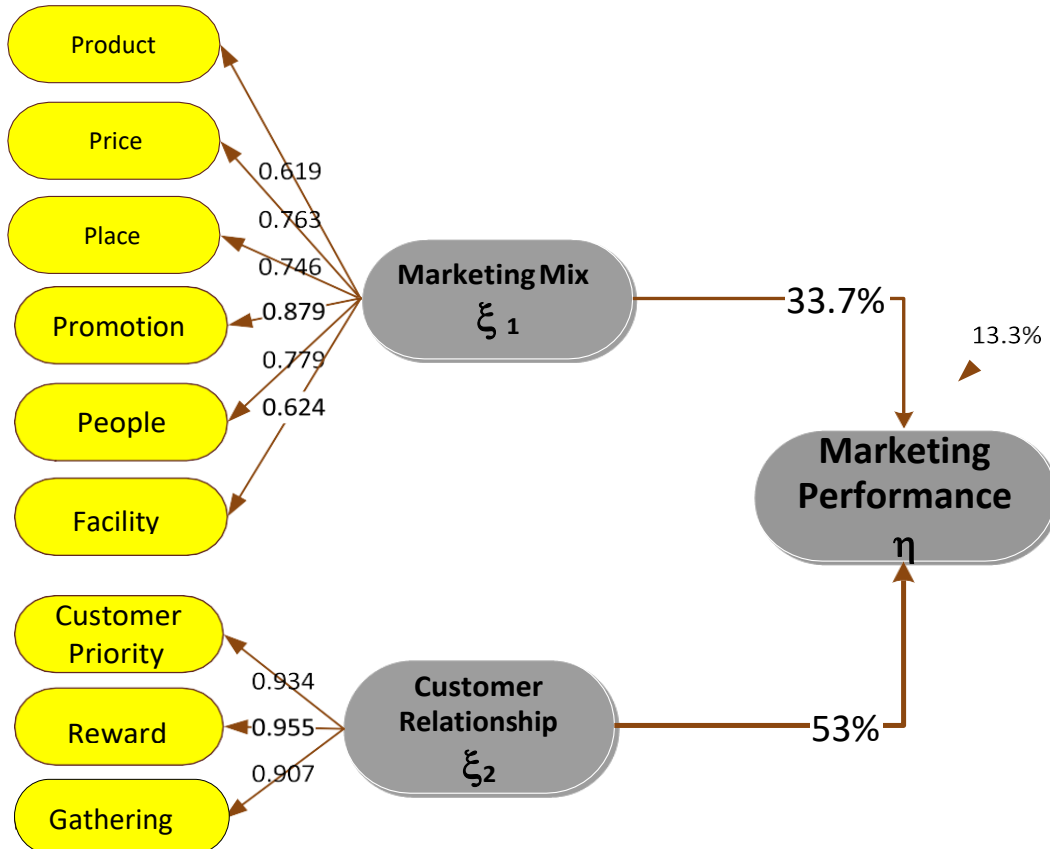


Figure 3. Research Finding

The results showed that the customer relationship marketing is a dominant aspect of improving marketing performance directly. Dimensions of the highest influence in reflecting customer relationship marketing are the reward, followed by customer priority, and customer gathering. While most high-dimensional effect in reflecting the marketing mix is promotion, followed by people, price, place, facility, and product.

The results of this study illustrate that the improved marketing performance of digital creative industries is most influenced by how the ability of management to provide rewards to customers. Implementation of customer priority also played a role in increasing the customer relationship marketing. Besides also supported by the implementation of customer gathering.

In improving marketing performance of the digital creative industry is also affected by how the management runs the marketing mix mainly to optimize the promotional aspect that is supported by the development in the aspects of people, price, place, facility, and product.

The results showed a significant influence on the customer relationship marketing and marketing mix to improve marketing performance of the digital creative industry. These findings thus support the research findings of Raza and Rehman (2012) which shows that the quality of service mainly influences customer satisfaction. That means that if the quality of the service exceeds the price perception and brand image, the satisfaction will increase.

Quality of care also affects the customer's trust. Ofoegbu & Udom (2013) found that customers are more likely to leave their current telecom providers if they do not do a good sales pitch as an incentive for buyers or compensation. Selvakumar and Vikkraman (2011) found that perceived influence of advertising spending and promotional pricing on brand equity in the experience of the goods/services. Al-Dmour studies; Al-Zu'bi & Kakeesh (2013) showed that there was a significant effect of marketing mix elements on customer-based brand equity.

CONCLUSION

Marketing mix and customer relationship marketing affect marketing performance of the digital creative industry in West Java. Customer relationship marketing has a more significant influence than marketing mix to improve marketing performance. Thus improving marketing performance relies on improving customer relationship marketing, especially in the implementation of rewards.

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