



The impact of internal business environment on marketing strategies effecting marketing performance: Case of retail industry Bandung city, Indonesia

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ABSTRACT

This research specifically aims to evaluate the influence of directly and indirectly internal business environment to marketing strategy and marketing performance of the retail industry in the city of Bandung. The population in this study amounted to 442 minimarkets with the formula Slovin to determine the sample, obtained 82 samples to be researched. The methods in this study use descriptive and vermicular methods. The results in a partial internal environment have an influence on the marketing strategy of retail industry minimarket Bandung and marketing strategy also has an influence on the marketing performance of the retail industry minimarket Bandung City. Simultaneous testing found that the internal environment and marketing strategy had a significant influence on the marketing performance of retail industry minimarket Bandung with great influence 58.6% The remaining 41.4% influenced By other factors beyond this research. This research also finds indirectly internal environment also has a significant influence on the marketing strategy of the retail industry minimarket Bandung in a positive direction. So the ability to understand the internal environmental conditions well will help the accuracy in decision-making strategies and impact on the marketing performance improvement of the retail industry minimarket Bandung.

Introduction

Indonesia's economy in 2018 grew 5.17 percent higher than 2017 percent in 5.07. From the production side, the highest growth is achieved by other service enterprises by 8.99 percent. In terms of production, the highest growth is achieved by the domestic Nonprofit consumption expenditure component of 9.08 percent. In the quarter IV-2018 compared to quarter IV-2017 grew 5.18 percent (Y-on-y). Indonesia's spatial economic structure in 2018 is dominated by provincial groups in Java Island and Sumatra island. Java Island contributed the largest contribution, which amounted to 58.48 percent, followed by the island of Sumatra by 21.58 percent, and Kalimantan island 8.20 percent. But the growth of retail industry is experiencing retarding, one of which is due to shifting consumption pattern to leisure. So to be able to make the shift, some retail has changed the business strategy by selling products that support leisure activities.

This paper aims to analyze the impact of internal business environment on marketing strategies having effects on marketing performance. In this study, we took the case of retail industry in Bandung city into consideration.

This method of study uses descriptive and various research methods. Sugiyono (2016), stated that descriptive research is a study conducted to know the value of independent variables, either one or more variables (independent) without making comparisons or linking other variables, while A vertical study is a study shown to test the theory, and try to produce a scientific method that is a hypothesized status of a hypothesis, whether a hypothesis is accepted or rejected. Secondary data in this study was taken indirectly from various reference books, media times and journals related to data objects to be researched by the authors.

This paper organizes as follows. Following the background of the study, research and methodology is introduced. Empirical findings are discussed and finally this paper concludes with important theoretical and practical implications

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Background of the study

Indonesia's economy in 2018 grew 5.17 percent higher than 2017 percent in 5.07. From the production side, the highest growth is achieved by other service enterprises by 8.99 percent. In terms of production, the highest growth is achieved by the domestic Nonprofit consumption expenditure component of 9.08 percent. In the quarter IV-2018 compared to quarter IV-2017 grew 5.18 percent (Y-on-y). Indonesia's spatial economic structure in 2018 is dominated by provincial groups in Java Island and Sumatra island. Java Island contributed the largest contribution, which amounted to 58.48 percent, followed by the island of Sumatra by 21.58 percent, and Kalimantan island 8.20 percent. But the growth of retail industry is experiencing retarding, one of which is due to shifting consumption pattern to leisure. So to be able to make the shift, some retail has changed the business strategy by selling products that support leisure activities. Here is a picture of Indonesia's retail business growth:



Figure 1: Indonesia's Retail Business Growth Data

Based on the figure, the retail business for three years experienced a positive trend. In 2016 the retail business reached a Rp205 trillion figure. Then the year 2017 retail business of the body reached the value of Rp212 trillion and the last in 2018 retail business growth reached the number Rp233 trillion. Even the growth of 2017 to 2018 was much higher than the year 2016 to 2017. The growth of modern retail mainly occurs in Minimarket, convenience store, and hypermarket formats where the share of minimarket trading has increased highest. Seen from the development of the number of outlets over the last 10 years, the Minimarket format grows on average 17.4%. The potential of minimarket business in Indonesia is greater than neighboring countries. The penetration of the number of modern Indonesian retail outlets is still lower compared to other ASEAN countries such as Singapore, Thailand, and Malaysia. The rapid development of minimarket formats (including convenience stores) was driven by the expansion of the Alfamart and Indomaret businesses that controlled about 87% of market share.

According to the Secretary general of the Indonesian Retail Entrepreneurs Association (APRINDO) West Java a number of region recorded sales in modern stores (Minimarket, supermarket, department store) have a better growth. In the city of Bandung itself as the center of the capital has from several types of modern market, Minimarket is in the highest position of 530 units in 2015, 566 units in 2016, and 442 units in the year 2018. With that amount exceeds the required capacity. Based on the academic study of the Institute of Public Research Padjadjaran University, the number of minimarket in Bandung has exceeded the limit, the number of modern stores overall in the city of Bandung ideally as much as 273 units.

Therefore, the company should conduct an evaluation of proper marketing activities, Kotler and Keller (2016) marketing is an organizational function and a series of processes for creating, communicating and delivering value to customers to manage customer relationships in a way that benefits organisations and stakeholders on the organization. Marketing evaluation are often referred to as marketing performance which means the measure of achievement gained from the overall marketing process activities of a company or organization. In addition, marketing performance can also be viewed as a concept used to measure up to the extent of the market achievement that has been achieved by a product produced by the company. The marketing performance multiplier is based on the company's marketing strategy. The success of the company in the era of globalization depends also on the formulation and implementation of the strategy (Baker and Sikula, 2005).

Marketing strategy is a fundamental tool planned to reach the company by developing competitive advantage through the market entered and the marketing program used to serve the target market (Tambajong, 2013; Morgan, et al., 2019); Vieira, de Almeida, Agnihotri, & Arunachalam, 2019). In other definition, marketing strategy is a set of goals and objectives, policies and rules that give direction to marketing efforts from time to time from each of its levels and location (Robin and Reidenbach, 1987). Marketing strategy is a set of objectives and objectives, policies and rules that give direction to the company's marketing efforts from time to time, at each level and reference as well as its allocator, especially as Corporate response in the face of the environment and the ever-changing competition situation (Assauri, 2013).

A business environment can be interpreted as anything that affects a business activity within an organization or company. These factors can be divided into two categories: factors from within the company (internal) as well as factors outside the company (external). The environment is everything that is outside the organization (Miles, et al., 1974). The environment closest to the organization or also called the task environment, the industry environment, or the specific environment is the environment that directly affects the strategy, which includes competitors, suppliers, customers, and trade unions. While the environment does not directly affect the organization is called the general environment or remote environment. Business environment is an environment facing the organization and should be considered in making the decisions of the company (Ward, et al., 1995; Contractor, et al., 2020; Gaganis, et al., 2019). The organization's daily activities include interactions with the work environment. Many factors affect the success of the company including the influence of internal and external factors. The internal environment is an organizational environment that is in the organization and normally has direct and special implications for the company (De Fano, 2019). Other definition, The internal environment is a factor in the business environment that can be organised by the business actors so that it can be directed to the wishes of the company (Teng tarto, 2020).

Research and Methodology

This method of study uses descriptive and various research methods. Sugiyono (2016), stated that descriptive research is a study conducted to know the value of independent variables, either one or more variables (independent) without making comparisons or linking other variables, while A vertical study is a study shown to test the theory, and try to produce a scientific method that is a hypothesized status of a hypothesis, whether a hypothesis is accepted or rejected. Secondary data in this study was taken indirectly from various reference books, media times and journals related to data objects to be researched by the authors. The population in this study was the entire retail industry in Bandung City in 2018 as many as 442 mini market. The sampling method used Slovin technique with alpha 10%, resulting in research samples of 82 mini market. The primary data is taken directly through the dissemination of questionnaires to management. To test the validity of these two kinds of tests, the validity test (test of validity), the test of reliability, and the Path analysis. The Data in this study will be processed using the program Statistical Package for Social Sciences (SPSS) version 26.0. The independent variables in this study are the internal business environment (X_1), the intervening variable is the marketing strategy (Y), and the dependent variable is the marketing performance (Z).

Result and Discussion

Results

The coefficient of determination test (R^2) is a test conducted to measure how far the ability of the model to describe the variable dependent variables. The higher the coefficient of determination (R^2) The higher the ability of the independent variable describes the dependent variable. The structure model I in this study explains the magnitude of the R^2 value of the internal variables to the marketing strategy, while the structure model II describes the magnitude of the R^2 internal variable value and the marketing strategy against Marketing performance.

Model structure I

Table 1: Coefficient of Determination (R^2) Model structure I Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.723a	.523	.517	5.35044

a. Predictors: (Constant), L_Internal

Model structure I demonstrated the value of coefficient of determination (R^2) of 0.523 means that a variable marketing strategy (Y) can be explained regression model (internal environment) by 52.3% and the remaining 47.7% explained by other factors outside the model Used. In other ways if the value is approaching 1 then the model of linear regression is made better and more feasible, with the result of 0.523 then the structure model I decent and good enough in describing the variation of dependent variables.

Model Structure II

Table 2: Coefficient of Determination (R^2) Model Structure II Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.766a	.586	.576	1.26645

a. Predictors: (Constant), S_Pemasaran, L_Internal

Model II structure indicates the value of coefficient of determination (R^2) of 0.586 has the meaning that the recommendation performance variable (Z) can be explained regression model (internal environment and marketing strategy) by 58.6% and the remaining 41.4% explained by factors Outside the model used. In other ways if the value is approaching 1 then the model of linear regression is made better and more feasible, with the result of 0.586 then the structure model II decent and good enough in describing the variation of dependent variables.

F Hypothesis Test Result (Simultaneous)

Test statistic F in decision making using criteria when the value of significance value F Test < 0.05 then can be concluded the model can be used to predict the dependent variable. It can also be said that independent variables collectively affect the dependent variables (Wagner, 2019).

Table 3: F-Statistic and Prob. (F-Statistic) Model Structure I ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2509.937	1	2509.937	87.677	.000b
	Residual	2290.173	80	28.627		
	Total	4800.110	81			

a. Dependent Variable: *S_Pemasaran*

b. Predictors: (Constant), *L_Internal*

Based on the test of F that has been done known Fcount value is 87,677 that value is greater than the Ftable value of 3.96 and the significance value of the research is 0.000, the value is smaller than the value of α in the study This predetermined amount of 0.05. The results showed that the internal environmental regression coefficient in this study simultaneously affected the success of creating marketing strategies in the retail industry of Minimarket in Bandung City.

Tabel 4. F-Statistic and Prob. (F-Statistic) Model Structure II ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.402	2	89.701	55.927	.000b
	Residual	126.707	79	1.604		
	Total	306.110	81			

a. Dependent Variable: *K_Pemasaran*

b. Predictors: (Constant), *S_Pemasaran*, *L_Internal*

Based on the test of F that has been carried out known the value of Fcount is 55.927, the value is larger than the ftable value of 3.11 and the significance value of the research result is 0.000, the value is smaller than the value of α in the study this predetermined amount of 0.05. The results showed that the internal environmental regression coefficient and marketing strategy in this study simultaneously affected the enhancement of marketing performance of the Minimarket retail industry in Bandung City.

Hypothesis Test Results t (Parsial)

Partial testing to test the magnitude of the effect of free variables on bound variables. T test can be seen from the magnitude of P-value compared with the level of α significance = 5%. When the probability of value or significance of < 0.05 or $t_{counts} > t_{table}$. It can be concluded that independent or free variables have an individual effect on the dependent variables (Wagner, 2019). In this model, the value is obtained by using the provisions of the α value (alpha) of 0.05 and a degree of freedom value of 80 then obtained by 1.99006 for the model I, then for the model II with a degree of freedom value of 79 then obtained this amounting to 1.99045. For model structure I acquired tcounts as follows:

Table 5: Test Result t-Statistic Model structure I Coefficient

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	6.524	3.273		1.993	.050
	<i>L_Internal</i>	.770	.082	.723	9.364	.000

a. Dependent Variable: *S_Pemasaran*

Based on the results of the tests it has been known that the internal environment variables (X1) partially have a significant influence on success in creating marketing strategies. The conclusion is based on the results of the tcount/tstat of the internal environment of 9.364. The value of tcount/tstat is greater than that of the ttable value of 1.99006. A positive value of Thitung indicates that an independent variable (internal environment) has a direct relationship to the dependent variable (marketing strategy). For structure Model II acquired Thitung as follows:

Table 6: Test Result t-Statistic Model structure II Coefficient

Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	6.387	.794		8.047	.000
	L_Internal	.076	.028	.284	2.715	.008
	S_Pemasaran	.135	.026	.534	5.097	.000

a. Dependent Variable: K_Pemasaran

Based on the results of the tests, it is known that internal environment variables (X1) and marketing strategies (Y) partially have a significant influence on improving marketing performance. The conclusion is based on the results of the tcount/tstat of each of the 2.715 and 5.097. The value of tcount/tstat is greater than the value of 1.99045. The positive value of Thitung indicates that the independent variables (internal environment and marketing strategy) have a direct relationship to the dependent variable (marketing performance).

Discussion

Diagram Path Analysis



Figure 2: Diagram Path Analysis

Effect of direct Internal environment variables (X1) to marketing strategy (Y)

The results of statistical processing show that the internal environment has an influence on the marketing strategy with the direction of positive influence. These results indicate that the accuracy in implementing the marketing strategy decisions taken by the management is influenced by the internal environmental conditions of the company that are the supporting or inhibiting of the operational activities of the company. Because by understanding the internal environment well, it can be used to determine the strength of the company, and also know the weakness of the company. As it has been said that by understanding the internal environment, it will be easier to familido the company with the condition. The completeness of internal information held in this research determines the success of the marketing strategy in the company. The formulation of marketing strategies is not easy and is a crucial step that will determine the company's life. Nowadays, there are not very few companies that are unable to manage their internal information, so there is an error in implementing the strategy especially the marketing strategy and resulting in the unsuccessful target set, so that it ends with bankruptcy. The results of this study supported the previous research conducted by Riyanto (2018) which suggests that the company's internal business environment does have a significant influence on the application of marketing strategies. The results supported the research conducted by Sucitro (2013) known that the marketing environment variables have a positive and significant effect on variable marketing strategies.

Direct influence variables of the marketing Strategy (Y) to marketing performance (Z)

The results of this research show that the strategy of the Association has an influence on marketing performance. Marketing performance will certainly relate to the ability of employees to market or sell company products. To support the Kekmapuan it takes a marketing concept that is able to develop marketing strategy appropriately. If the company is wrong in determining its strategy,

then it is not impossible if the business is executed will be destroyed. This empirical research has proved that the right marketing strategy in being able to improve marketing performance. To know whether or not the company has implemented a marketing strategy, it should be evaluated on the determination of market segmentation, targeting, and the current positioning. Furthermore, which is also an important point in setting the strategy is marketing mix (product, place, promotion, price, people, process, and physical evidence). The results supported the research conducted by Sucitro (2013) stating that the marketing strategy has a positive and significant effect on the marketing performance variables.

Indirect influence of Internal environment variables (X₁) to marketing performance (Z)

Environmental indirect Influence (X₁) on marketing performance (Z) is (0770 x 0135) which is 0104, meaning the better the company understands and identifies its internal environment it will increase its success in making Marketing strategies that will ultimately impact on increasing marketing performance. So in this research it is desirable to the company so that before making a marketing strategy is understood in an internal environmental condition. This becomes very important, otherwise the policy of making a strategy will be wrong that will ultimately degrade marketing performance which also impacts the stability of the company. Nowadays, not least the company does not accurately identify the internal environmental conditions, continuing in the formulation of the wrong strategy and its marketing performance. In the end, the salesperson will become the black goat of the wrong policy, but if the company is able to formulate appropriately and supervise the marketing process well, then the expected performance will be achieved.

The influence of Internal environment variables (X₁) and marketing Strategy (Y) to marketing performance (Z)

Based on the simultaneous testing results it is known that together there is a significant relationship between the internal environment and the marketing strategy to the marketing performance, it indicates that the internal environment variables and strategies Marketing has a positive and significant influence on marketing strategies. The magnitude of the influence is 58.6%, while the remaining 41.4% is influenced by other factors outside of this study. That being important in the effort to improve the marketing performance of the company should pay attention to internal environment and established strategies. In this research proves understanding of a good internal environment followed by the right strategy will affect the performance of marketing. Therefore, the company must deploy all resources owned through the optimization of surveillance on the implementation of internal environment and marketing strategies to create a periodic and ongoing improvement in the performance of the supply.

Conclusions

Based on the results of the processing of statistic and referring to the discussion that has been displayed earlier then this study found that partially internal environment has an influence on the marketing strategy of retail industry Minimarket Bandung City and marketing strategy also has an influence on the marketing performance of the retail industry Minimarket Bandung City. Simultaneous testing or jointly found that the internal environment and marketing strategies have significant effect on the marketing performance of the retail industry minimarket Bandung with a magnitude of influence 58.6% The remaining 41.4% is influenced by Other factors beyond this research. Furthermore this research also finds an indirect internal environment has a significant influence on the marketing strategy of retail industry minimarket Bandung in a positive direction.

The results of tests that have been done, the ability to understand the internal environmental conditions well in the retail industry will help the accuracy in decision making strategy and impact on improving the marketing performance of the retail industry minimarket Bandung City. Thus the results of this research revealed that companies engaged in the retail industry cannot focus only on the condition outside the company, will be unbalanced if the company does not understand the company's internal environmental conditions well. In relation to Parties in the internal environment has an important role to move to produce products or value-added for the distribution and relation with consumers. If not well observed, the supporting components that also have the main function in the company will not work properly, long-term effects can cause the company's ability to generate profit decreases, the company becomes unproductive and the main goal of the company in generating profit becomes unreached, in the end will only leave bankruptcy, certainly not this is expected by the company.

The research is basically very simple, but the author tries to add a variable marketing strategy to see its impact on marketing performance if viewed from the internal business environment in the company. Further authors expect further research to be able to see other variables that can also affect the company's marketing performance. Hopefully more and more variables are used, then subsequent research can be more perfect in seeing the influence of each variable, so that the company can use the results of this research as one of the required speed to maintain the company's productivity so that it can extend the company's existence in a very dynamic global change.

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