



Moderating function of product image on the effect of get & retains profitable customer and partner to business performance

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Abstract

This study aims to analyze the function of product image moderation on the effect of get & retain profitable customer and partner on business performance. The population in this study is Small and Medium Enterprises (SME's) in Malang Regency, East Java, Indonesia. Sampling technique using proportional random sampling with the number of 100 entities of business units. Data was collected through the spread of online questionnaire by using likert scale of 1 to 5. Furthermore, the primary data were analyzed by structural equation model, using program of Part Least Square (PLS). The analysis result get that get & retain profitable customer and partner significantly effect to business performance. However, the product image does not moderate on the effect of the two variables. This is due to the value of probability is 0.431 greater than 0.05. It means, product image does not strengthen the effect of get and retain profitable customer and partner to the business performance.

Keywords: product image, profitable customer & partner, business performance

Introduction

Malang Regency is one of the centers of Small and Medium Enterprises (SME's) in East Java Province. This was revealed that there were 273,090 units of Small and Medium Enterprises (SME's) and 182 units of opak gambier (Department of Industry and Trade, Malang Regency, 2017). However, based on the results of the field study, it was revealed that the small and medium enterprises in this region turned out to be more than that amount. While the average number of workers involved in each of these small businesses amounted to 5-45 people, including business owners, which of course from the aspect of employment absorption is quite prospective, mainly in overcoming labor issues.

Generally, these small business entities are faced with classical problems, namely the difficulty of growing and developing. SME's in Malang Regency are also faced with similar problems. Its business performance has not been so good, which appears from its slowing growth. This is as a result of the low competitiveness due to the lack of a modern management touch, so that management is far from efficient governance and quality that does not change quickly. Coupled with the growing popularity of similar large-scale businesses with more product variants and also quite interesting. Of course this reality becomes a kind of serious threat that can interfere with its continuity, including its contribution to the regional economy, both in the aspect of labor up to the possibility of increasing the poverty rate as a result of the existence of the business that has the potential to go bankrupt. Therefore, the development of this business sector through the touch of modern management must be carried out immediately. Moreover, Malang Regency started pioneering as a tourist destination, so it is certainly a potential market for the SME's. Moreover, in the beginning of 2016 then entered the era of the ASEAN Economic Community, which certainly

has implications for the wider market share of the products of the SME's players. But it must be remembered, the increase in market opportunities will certainly be followed by an increase in the competition climate. So, the effort that must be done is to improve its competitiveness by continuing to conduct new studies whose output can be applied to the opak gambir home industry in Malang Regency. Expectations, the results of these studies can be applied to encourage the growth and development of the small and medium-sized industry to become brighter.

Keep in mind, in 2016, the official unemployment rate was recorded at the highest point of 10.3%. Whereas the open unemployment rate in August 2016 was only in the range of 10.01 million people. The rural unemployment rate is slightly higher than in urban areas. Of particular concern, since 2000 there has been a tendency for increasing unemployment rates among women and young people. Study by Professor Harvey Brenner of Johns Hopkins University in the US shows that every additional 1% of the unemployment rate will result in 37 thousand deaths, 920 suicides, 650 murders and 4000 people being treated in mental hospitals. Of course the findings of the research should not befall this area. What is clear, to avoid the humanitarian disaster, it takes hard work, enthusiasm and high concern.

However, develop a small business is certainly not easy. That is because there are number of challenges that must be faced. First, the influence of effects of global financial crisis which is still undermining the national economy. This phenomenon affect the performance, especially the price of raw materials and production costs. Second, the profanity of labor issues, especially the demands of salaries that are often not offset by productivity. Third, the competitiveness of SMEs products is still low. Fourth, about the business licensing bureaucracy,

which starts from the matter of length of management, the amount of fees, rampant extortion, and others. But the most severe challenges, the lack of modern management skills and the lack of socialization of small business products both through social media and the touch of related agencies in Malang Regency.

Research to improve business success has indeed been done. But what's interesting is that the study of product image, get & retain profitable customers and partners associated with business performance has begun to be a trending topic lately. This was revealed from a research article Salimzadeh, Courvisanos & Ravi (2013)^[16]; Halberstadt, J. & Johnson, W. (2014)^[7], and also Permenter (2015)^[15]. Therefore, based on the facts in the description of the problem of the small business entity, the urgency of research activities that intends to study the relationship of product image governance, get & retain profitable customers and partners that are associated with business performance is extremely important.

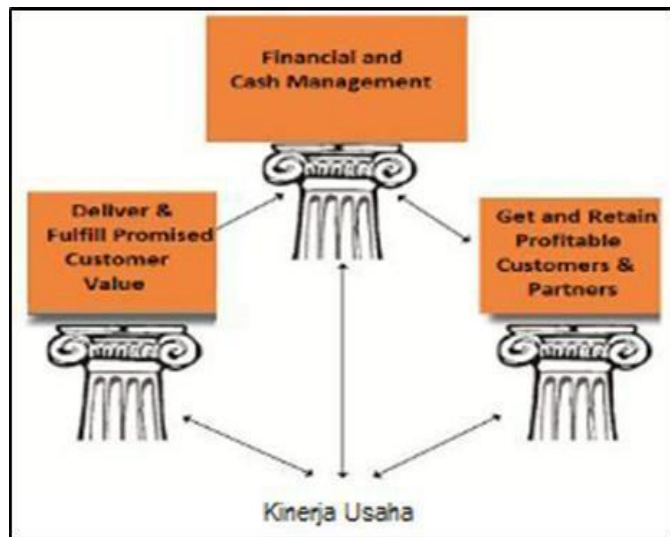
Business performance

Good business performance is a goal for every business entity, both small and large, including home industries. Magretta, (2015)^[8] revealed that good business performance is a condition of business entities that continue to experience various business aspects with greater customer satisfaction, growth at business profit, greater customer retention, growth at business turn over, greater labor satisfaction, greater corporate reputation and growth at number employee. Many companies only focus on business as usual, but not many prepare for the continuity of their business if an incident or disaster occurs.

According to Boone (2007: 5), business consists of all activities and businesses to seek profit by providing goods and services needed for the economic system, some businesses produce tangible goods while others provide services. While behavior is a person's action in everyday life. Therefore, business is the action of individuals and groups of people who create value through the creation of goods and services to meet the needs of the community and obtain profits through transactions. Its meaning, business sustainability will be seen when the profits gained experience growth. Therefore, continuity is the responsibility of all those involved in business organizations. In another part, sustainability is a continuity that can meet current needs without sacrificing the ability to exist in the future.

Permenter (2015)^[15] states that there are several things that must be done when a business is slowing down. Sometimes activities in running a business often make managers face many problems. Managers are very busy and often don't have time to think. But if the order keeps coming, the customer buys, then the business develops. Most small businesses go through peak session cycles, but sometimes also experience periods of very slow growth. Some of the ideas that management must do are both during peak sessions and when businesses slow down including; (a) Sending letters to customers. Customer management is an important part of

running a business. Keep in touch with customers even when it's busy, so don't forget to pay attention. The goal, just to remind the customer that the product is still there. Let customers know if there is something new that might be interested, or write a short article about the area of management expertise and customer interest. (b) Organize an office. It's good to keep the office neat and clean. Avoid piles of goods and must decide to get rid of most of the unnecessary ones. Submit good ideas where by deleting them from the office desk, arranging books and documents and others. Don't forget the desktop computer is rearranged and reset. After that, working hard again with a better atmosphere and of course can bring fresh business ideas that are needed when the business slows down. (c) Meet with other business owners. Take the time to form alliances, build partnerships and continue to collaborate together with other business actors. When we are busy, we rarely spend time building networks, working with mentors or just hanging out with business partners. This activity can be a stepping stone to search for new ideas, information about the industry or the market and maybe even looking for new customers. (d) Pay attention to expenses. For small business owners, continuing to pay attention to various costs is very necessary. The goal, in order to identify operational costs that are often unnecessary. Do some organizing when there is an opportunity and will be amazed at how it feels to produce goods ready for sale at competitive costs and prices. (e) Playing with staff. If the business slows down, it is very possible because all comes boredom. Take this opportunity to do some team building. Plan for a staff meeting. Do some team building activities. Watch training videos with staff who have been followed together, some time ago. At the same time also planning advanced training. (f) Clear the stack of tasks. Delaying work will make the workload more mounting. Of course the implications will make it more selfish and difficult to cooperate with other parties. In fact, collaborating is an important factor in working to realize business targets. Therefore, make it a habit to work in a planned and scheduled manner to avoid accumulating workloads. (g) Take time. Basically everyone always complains. Especially during busy and busy working hours. Because anyone will never avoid these conditions. Of course when the market continues to be passionate. However, at opposite times, take time to refresh your mind, such as playing outside the office on holidays. In this way, the mind becomes fresh and ready to work productively again. (h) Clean the file. This activity is not something that most people do, but it can really help improve efficiency in work. With the collapse of unnecessary files, it will make the work faster. The benefit, there will be efficiency and effectiveness in work. Then (i) Brainstorm new ideas. Gather staff for brainstorming sessions. Ask big questions that often don't have time to think about. For example, what new innovations might be tried? What do customers need and have fulfilled? How can it work more fun at work? Do some marketing areas need to be developed ?, and what crazy things are ready and can be tried?



Source: Moyeen, A. & Courvisanos, J. (2015)

Fig 1: Three Pillars of Small Business Success

Furthermore, Moyeen & Courvisanos (2015) revealed that small-scale businesses will perform well and can succeed when considering business pillars. As revealed in Figure 1 of the three pillars of small business success, it can be explained, namely (a) financial pillars and cash management. This system manages cash and financial resources. It also provides important data that you need to make consistently good decisions. Interact with almost every other functional area of your business. That means the pillars of finance and cash management quickly become treasures of valuable information. Companies that cannot effectively manage their money do not live in business. Business leaders often do not make the best use of their financial systems and cash management. Too often, the data they capture is passed out to accountants who often focus primarily or solely on taxes. That means financial information is often not well analyzed and used. This usually results in decisions - and bad business is more stressful. intelligent leaders make decisions using evidence, not guesswork. What is done is accurate, reliable and timely divided into companies. It starts with having a healthy financial system, identifying the information you need to get from it, and understanding what this means for more effective business decision making and guidance. Then (b) deliver and fulfill the promised Customer Value. This is where customer trust and loyalty are either built or eroded. Often the owner starts a business to give customers something valuable. Unfortunately, information about how to make this is often locked in the person's head. Because there are often inadequate systems or processes to share this knowledge with others, everyone must go through the founder for a decision. This is inefficient and stressful as the company grows and becomes more complex. This almost always leads to mistakes, unfulfilled promises of customer value, and an increase in internal stress levels of breed fulfillment problems. Fulfillment of pillars also holds the greatest potential for cash profits and/or leaks out of business. This stems from the perverse tendency many businesses have to solve the problem of customer dissatisfaction. They either give or do not charge fees for fulfillment services otherwise it is beneficial to

compensate and reduce customer displeasure. (c) Get and keep benefiting Partners and Customers. Peter Drucker's famous slogan is that business is there to make customers. If a business cannot get and retain enough profitable customers and partners to increase revenue, win and survive. Without the right level of sales, businesses cannot create the positive cash flow needed to operate. Here, too, the secret of getting and keeping the right customers is often with the founder. When there are no effective and repeatable systems and processes to do this, there are serious problems. This is also where we determine which customers make the most profits and which fall below acceptable levels. If necessary, sales strategies and processes that are being engineered to produce customers are more profitable, and gradually reduce or eliminate things that do not match. Three basic pillars must work synergistically. The meaning, all must go hand in hand and harmoniously.

Furthermore, leaders use this regularly to improve product quality, service, customer value, competitive differentiation, and marketing communication to realize customer targets. Free communication between pillars is an important part of business success. Organizational leaders must interact with each other dynamically. Also, must ensure that the three pillars do not change into three independent organizational components, which will carry dangerous business entities, because they are not balanced from time to time. The next step is to regularly audit the three pillars to ensure the extent to which they can operate at an effective and harmonious level. Use a scale of 1 to 5 to assess the level of effectiveness. In fact, periodically ask for the views of internal and external parties regarding the implementation of these pillars related to the quality, quantity, timeliness and value of the products or services received. This is because these elements are an important component in competitiveness.

Several research activities on business performance have been carried out. This is what Salimzadeh, Courvisanos & Ravi (2013) [16] did, that giving profitable customers & partners has many benefits and one of them has a dramatic effect on business performance. Other benefits can increase the competitiveness of small industrial entities. Furthermore, Halberstadt, J. & Johnson, W. (2014) [7] revealed that optimizing customer value is one approach that has a dominant influence on business competitiveness. In fact, Permenter (2015) [15] explained that the application of pillar of customer value has an impact on competitiveness as well as the performance of small businesses. Then, Andreani *et al* (2012) [2] revealed that product imaging became a moderating variable on the relationship between customer loyalty and business performance. Then, Veljković & Kaličanin (2016) [19] stated that improving business performance can be done through brand image. Also, Aktar, Xicang & Iqbal (2017) [11] in his article that brand image has a significant effect on profitability.

Research Hypotheses

Based on some of the previous research, the formulation of the hypotheses in this study are (1) get & retain profitable customers and partners significantly effect on business performance and (2) product image moderate the effect of get & retain profitable customers and partners on business performance.

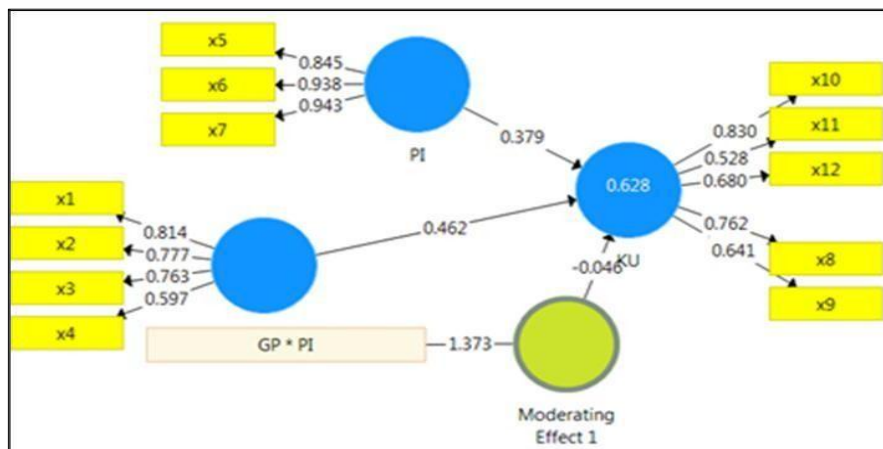
Material & Methods

The quantitative research with the objects of Malang Regency SME's uses an explanatory approach. The sampling technique is proportional to the number of respondents as many as 100 business entities. The operational definition of the research variable is (a) get & retain profitable customer and partner is the activity of obtaining and maintaining potential customers and business partners, (b) product image is a set of beliefs related to a specific product and (c) business performance is a condition of business entities that continue to experience various aspects of business growth with customer satisfaction, growth indicators at business profit and the greater reputation. The population in this study are all small and medium Entreprises (SMEs) players in Malang Regency. The number of research populatin are 1802 entity of SMEs. The sampling technique was carried out with proportional random sampling so that it was representative with the number using the formula 5 times the indicator. This is considering the total population of 1802 SME's. So, it was determined (5x13) or 65 SME's who would become respondents and at the same time the FGD participants. However, in this study, 100 SME's respondents were determined. This is in accordance with the

data analysis requirements of the Structural Equatiaton Model (Sugiyono, 2014 & Ferdinand, 2009) [17]. Then, the study used primary data which was collected by questioner. Previously, the questioner was of course tested the reability and validity. Further, it was distributes to the respondents directly. A week after, reseacher collceted the questioners, then edited and tabulated. Primary Data was analyzedby Structural Equation Model (SEM). The aims is to know so far the effect of moderation function of product image on the effect of get & retains of profitable customer and patner to business performance.

Results

Based on the results of the primary data analysis using the structural equation model analysis technique, with the help of the Partial Least Square (PLS) data processing program, it was revealed that the research instruments used were valid and reliable. This can be seen from all the loading factor values greater than 0.40. While the relationship between get & retain profitable customer and partner with business performance is revealed in the figure, as follows:



Source: Primary data processed, 2018.

Fig 2: Linkage get & retain profitable customers and partners with business performance

As shown at Figure 2 and Table 1, it was shown that get & retain profitable customers and partners significantly effect on business performance with a coefficient of 0.462 and a p value of 0.00 smaller than 0.05. Thus, hypothesis 1: get & retain profitable customers and partners significantly effect on business performance received. It means, the better the effort to get and maintain customers and business partners, it will have an impact on improving business performance. Furthermore, testing hypothesis 2: product image mediates the

effect of get & retain profitable customers and partners on business performance. It can also be seen to have a p value of 0.431 greater than 0.05. In other words, the product image does not moderate the effect of get & retain profitable customers and partners on business performance. This is clearly revealed in table 1, which explains regression weights parameter estimates which are the results of primary data processing.

Tabel 1: Estimasi Parameter Regression Weights

	Orginal Sample	Sample Mean	Standar D.	T Statistic	P Values
GPCP → KU	0.462	0.464	0.132	3.502	0.000
Moderating	-0.046	-0.050	0.058	0.791	0.431
PI → KU	0.379	0.389	0.108	3.498	0.001

Source: Primary Data Results, 2018

In general, the results of this study support several previous research findings including those revealed by the results of

research conducted by Salimzadeh, Courvisanos & Ravi (2013) [16], that giving profitable customers & partners has

many benefits and one of them affects dramatic performance. Other benefits can increase the competitiveness of small industries. Furthermore, Halberstadt, J. & Johnson, W. (2014) [7], also revealed that optimizing customer value as one approach that has a dominant influence on business competitiveness. In fact, Permenter (2015) [15] explained that the application of pillar of customer value has an impact on competitiveness as well as the performance of small businesses.

However, research findings on the product image moderation function contrary to the opinion of Andreani *et al* (2012) [2] revealed that imaging becomes a moderating variable on the relationship between customer loyalty and business performance. Then, Veljković & Kaličanin (2016) [19] stated that improving business performance can be done through brand image, also Aktar, Xicang and Iqbal (2017) [1] in his article that brand image affects profitability. In short, the results of this study strengthen the findings of previous research, which is certainly undeniable that the importance of governance is how to obtain and maintain potential customers and partners in small business entities. However, the product image does not moderate the influence of get & retain profitable customers and partners on the performance of small and medium industries in Malang Regency.

Conclusion

Based on the results of the research analysis revealed get & retain profitable customers and partners significantly effect on business performance. It means, when a small business entity intends to improve its business performance, one of the efforts that must be done is to implement governance optimization in obtaining profitable customers and partners. Besides that, with optimal implementation, at the same time it will be able to guarantee more optimism which is the mission of every small business entity in the Greater Malang region, even in this country. Therefore, based on the conclusions of the results of research on the relationship between get & retain profitable customers and partners with business performance, then the next researcher should focus on all of this research, especially on the indicators of get and retain profitable customers and partners that have the greatest influence on business performance. In other words, future research should focus more on these indicators. This is because more specific findings will be found which will have a major impact on the success of small businesses, especially in Malang Regency.

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