



The Change Of Customer Value As The Impact Of The Development Of Market Orientation And Resources Capability In Small Agro Business: Empirical Study In East Java

Ditiya Himawati

Faculty of Economics - Management,
Gunadarma University.

Bagus Nurcahyo

Faculty of Economics - Management,
Gunadarma University.

Lince Afriyenny

Faculty of Economics - Management,
Gunadarma University.

ABSTRACT

Small agro business is one type of creative business that can be used as a processed product and is currently being developed by the local municipal government. In general, the national agro commodity has increased but the small agro business are still limited and not widely known by the wider community so that the right strategy is needed in marketing thier product. This research is motivated by the decline in customer trust which can later influence customer value in small agro businesses. The purpose of this study was to analyze the effect of market orientation and resource capabilities both partially and simultaneously on customer value and to find out the variables that most influence on customer value in small agro businesses in East Java, represented by two cities, namely Blitar and Bojonegoro. This research is descriptive and verificative using explanatory survey, which explains the effect of the independent variable on the dependent variable. The type of data used is primary data and secondary data. The census method is used for the selection of respondent data. Data collection was carried out by means of observation, interviews, and the distribution of questionnaires to 115 respondents of small agro business operators in East Java, represented by Blitar and Bojonegoro. Technical analysis of the data is done by normality test, t test, F test, and determination test. The results of the study indicate that market orientation partially influence customer value and resource capability does not affect customer value in small agro businesses in East Java. While simultaneously market orientation and resource capabilities affect customer value in small agro businesses in East Java. Market orientation is the most influential variable on customer value because it has a significance value of 0,000 while resource capability does not affect customer value because it has a significant value of 0.092 exceeding the ideal criteria of 0.05. The better market orientation can create good customer value because it is focused on the customer, be careful in facing competition and establish good coordination between functions.

Keywords: Market Orientation, Resource Capability, and Customer Value, East Java

RESEARCH BACKGROUND

In the agriculture and plantation sector, Indonesia has abundant potential of horticultural crops, both related to the diversity of plant species and the potential availability throughout the year. Horticultural plants that are developing is fruit plants. Fruit plant that is very well

known in several countries, namely Indonesia, India, and Sri Lanka. In Indonesia, especially in the province of East Java, there are two cities that represent producers (farmer) and SME's which are processing horticultural products, namely Blitar and Bojonegoro.

Fruit is one of the commodities that is focused on increasing production. In 2018 national fruit production is targeted to reach 104,863 tons and increase in the following year 2019 to reach 106,952 tons. The plan to increase the production of horticultural commodities must be supported by efforts to provide production facilities, cultivation, handling and post-harvest processing, marketing, and various supporting activities in the production center area (Ministry of Agriculture - Rep. of Indonesia, 2017). Fruit production is spread evenly throughout Indonesia, especially in Java. Three provinces in Java as the biggest fruit producing region in Indonesia, namely East Java, Central Java, and West Java. Among the three provinces, the province of East Java is a fairly large fruit producer in Indonesia. Fruit producers in Indonesia come from 34 provinces spread from the islands of Sumatra to Papua. Fruit production in several provinces in Indonesia in 2016 was overtaken by East Java province with fruit production amounting to 38,749 tons or 49.19% compared to other provinces.

Fruit small businesses are also included in the types of businesses or creative industries that are being developed by the government to have added value from the products produced to be sold to the public. Creative industries are created from the use and skills possessed by each individual to be able to create new jobs and prosperity in their area. Creative industries are the result of the creativity and creativity of every individual who has unique values. Fruit is one of the leading horticultural products in the city of Blitar. Blitar and Bojonegoro still have a large number of leatherback small scale businesses in Karang Sari sub-district, Sukorejo sub-district while Bojonegoro is in Kalitidu sub-district, Bojonegoro sub-district, East Java. At present the small leatherback business operators in the cities of Blitar and Bojonegoro are experiencing a decline in sales and marketing but still more when compared to other cities.

Assauri (2013) argues that capability shows the ability of a business actor to utilize or explore his resources. Customer value can be interpreted that businesses try to provide the best quality to their customers in order to create good customer value for the products produced and sold to customers. According to Hermawan Kertajaya (2002), the value given to customers in the form of satisfaction, sacrifice and surprise. According to Zeithmal and Bitner cited by Barnes (2013) stated that by getting a cheap price, the desire for a product or service is in line with expectations, the quality of the product or service in accordance with the price already paid becomes a valuable value for customers for the product or the services it buys. The problem in this study originated from the phenomenon that occurs at this time that fruit sales and marketing began to decline so that it also impacts on the decline in customer value in this business.

Based on this information, this research will understand deeply about "Analysis of the Formation of Customer Value as the Impact of the Development of Market Orientation and Resource Capabilities in Fruit Small Business: Empirical Study in East Java". The research question of the problem in this study, are:

1. How does market orientation influence customer value on fruit small businesses in East Java?
2. What is the effect of resource capability on customer value in fruit small businesses in East Java?
3. What is the effect of simultaneous market orientation and resource capabilities on customer value in the fruit small business in East Java?

The purpose of this study is to examine and analyze the formation of customer value that is influenced by market orientation and resource capabilities in fruit small businesses in East Java.

LITERATURE REVIEW AND HYPOTHESIS

Market Orientation

Market orientation is the ability of business actors to find various market information so that it can be used as a basis for business actors to take the next step or strategy. Market orientation is part of marketing because it develops marketing concepts more broadly. Market orientation is more directed towards developing new products. The purpose of market orientation is to meet the needs and desires of customers in accordance with the target more effectively and efficiently than competitors to achieve business goals (Kotler and Armstrong, 2016). Market orientation is very important for business actors along with increasing global competition and changing levels of customer needs where businesses must be able to understand the needs and desires of customers and must always be close to the market.

Resource Capability

Resource capability is the company's ability to use all forms of existing resources, both tangible and intangible to produce goods or services. Capability exists if these resources can be integrated in accordance with their objectives in order to carry out a number of specific tasks that are expected so that the capability shows the company's ability to properly utilize its resources (Assauri, 2016). Kusumasari (2014) views organizational capability as an organization's ability to utilize resources, using organizational processes to influence desired goals. Resources in the form of financial capital, human resources, or physical capital which is the basic capital for the company or organization.

Resource capability has a relationship with small and medium businesses (SMEs), one of which is in the form of absorptive capabilities. Absorptive capability is the company's ability related to the process of processing information originating from the external environment that is adapted to the ability to integrate information and resources to provide products in accordance with what the market wants (Wang & Ahmed, 2007; Adeniran & Johnston, 2012; Szogs et al., 2008). Kamal & Flanagan (2014) states that research on this absorptive capability is rare. Absorptive capability in SMEs has a unique character.

Absorption capabilities in SMEs are able to encourage the field of SMEs technology and outperform competitors (Adeniran & Johnston, 2012). Szogs et al. (2008) state that this capacity in SMEs is often inadequate due to the limited access of SMEs to their expertise in management due to the generally limited level of education possessed by SMEs owners so that their knowledge is also limited. According to Ratih (2016) learning orientation, entrepreneurial orientation and competitive strategies affect marketing capabilities. Learning orientation is related to the capability of resources, especially human resources that are given maximum training so that they can become potential and productive resources.

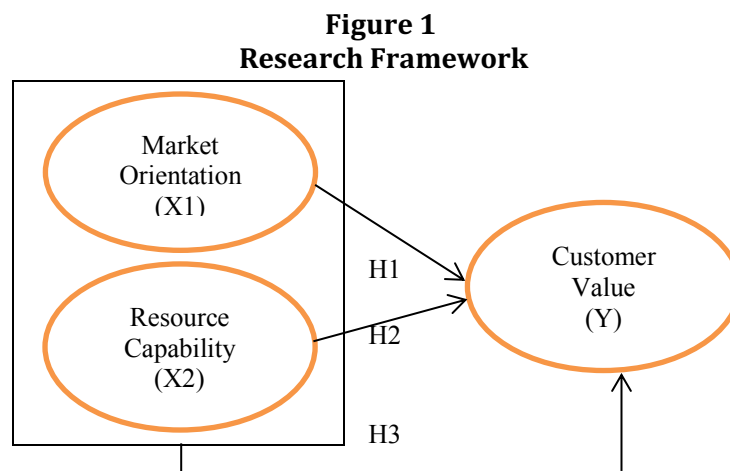
Customer Value

Customer value can be interpreted that business people try to provide the best quality to their customers so as to create good customer value for the products produced and sold to customers. The value that the customer thinks about, according to Kotler and Armstrong (2012) is the difference between a prospective customer's evaluation of all benefits and all the costs of a particular offer as well as other alternatives that are thought of. Hermawan Kertajaya (2002) argues that the value given to customers in the form of satisfaction, sacrifice and surprise.

Tjiptono (2015), argues that the dimension of customer value consists of four, namely: 1) emotional value comes from positive feelings or emotions caused by customers from consuming products such as the convenience of using products or services and ease of access, 2) social values obtained from the ability products to improve customer social self-concepts such as employee communication with customers, understanding customer needs, employee attention, and employee hospitality and courtesy, 3) the value of quality is obtained from the product due to short-term and long-term cost reduction such as services, product information, service results according with the expectation and speed of service, 4) functional value is obtained from the perception of the expected performance of the product or service.

Research Framework

The research framework in this study can be illustrated in Figure 1.



Research Hypothesis

H1 = Market orientation has a significant effect on customer value in fruit small businesses in East Java.

H2 = Resource capability has a significant effect on customer value in fruit small businesses in East Java.

H3 = Market orientation and resource capabilities simultaneously have a significant effect on customer value in fruit small businesses in East Java.

RESEARCH METHODS

The object of this study is the fruit small-scale businessman who sells fruit and fruit processed products in the cities of Blitar and Bojonegoro as one of the regions producing fruit and fruit processed products in East Java. This research was conducted using a quantitative approach that is descriptive and verification with an explanatory survey. The data used are primary data by observing, interviewing and distributing questionnaires to fruit small businesses in East Java, represented by the cities of Blitar and Bojonegoro. The census method was used to collect a total of 115 small fruit business operators in Blitar and Bojonegoro cities. Data were processed with SPSS version 23.0 using descriptive analysis, validity test, reliability test, normality test, multiple linear regression test, t test, f test and coefficient of determination test.

The independent variable, namely market orientation (X1) and resource capability (X2) while the dependent variable, namely customer value (Y). Scores on the Likert scale generally use a scale of 1 to 5 (Cooper & Schindler, 2011) with variations of answer choices. Market orientation has dimensions of customer focus, competitor intelligence and coordination between functions. Resource capability has the dimensions of tangible assets and intangible

assets. Customer value has dimensions of emotional value, social value, quality value and functional value.

Validity test

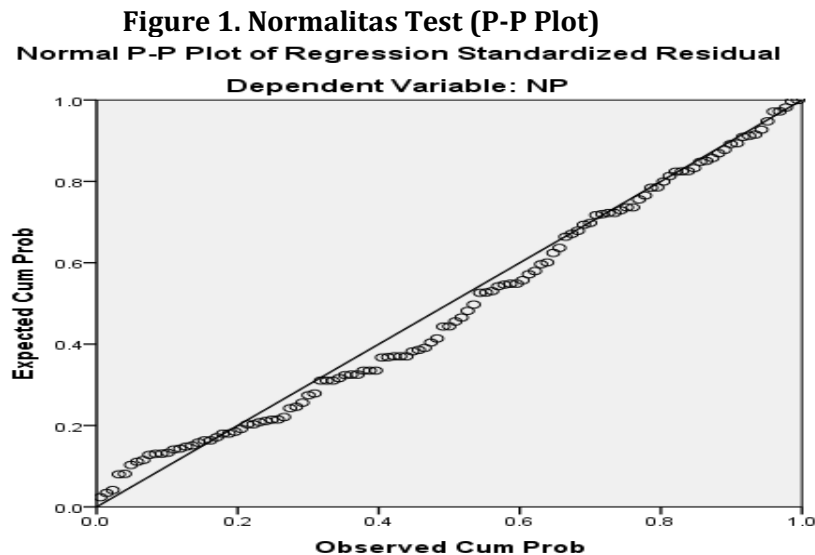
Validity test is used to determine the accuracy of measuring instruments that indicate the reliability or validity of a measuring instrument. Data were processed using SPSS version 23.0 and the results are valid.

Reliability Test

Reliability tests are used to ensure the research instruments used can provide consistent measurement of concepts without bias. A variable is said to be good if it has a cronbach's alpha value > 0.70. The data is processed using SPSS version 23.0 and the results are reliable.

Normality test

Normality test is used to find out whether the data processed is normal or not. The results of data that have been processed normally can be shown in Figure 1.



Source: Primary Data (2019)

Based on Figure 1 shows that the normal data that can be seen from the P-P plot has scattered points around the diagonal line, which means that the regression model used in this study has fulfilled the normality assumption.

HYPOTHESIS TEST

In the hypothesis test can be explained about the multiple linear regression equation, t test, f test, and the coefficient of determination or R-Square. The variable X1 is Market Orientation (OP), variable X2 is Resource Capability (KSD) and the variable Y is Customer Value (NP). Hypothesis testing which includes multiple linear regression equations and t test can be seen in Table 1.

Table 1. Multiple Linear Regression and t-test

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.565	1.311		4.247	.000		
	OP	.171	.033	.485	5.141	.000	.648	1.543
	KSD	.075	.044	.161	1.701	.092	.648	1.543

a. Dependent Variable: NP

Source: Primary Data (2019)

Based on the results in Table 1 above obtained by the multiple linear regression equation of the market orientation variable (X1) and resource capability (X2) to customer value (Y) as follows:

$$Y = 5.565 + 0.171 X1 + 0.075 X2$$

From the regression equation model above, it is obtained that the market orientation variable (X1) have a positive and significant effect on customer value (Y).

First Hypothesis Testing: Market orientation has a significant effect on customer value in fruit small businesses in East Java

Judging from the explanation contained in Table 1 can be obtained the results of the first hypothesis test market orientation affects the value of customers in fruit small businesses in East Java. This can be seen from the results of the t test that market orientation has a significance value of 0.000 less than 0.05 so it can be said to be influential. Economically it can be interpreted that market orientation with dimensions of focus on customers, intelligence on competitors and coordination between functions needs to be done in a good cooperative relationship to create good customer value.

Second Hypothesis Testing: Resource capability has not a significant effect on customer value in fruit small businesses in East Java

Based on the explanation in Table 1, we can get a second hypothesis test that it turns out that from the results of the t test the capability of the resource does not affect the value of the customer in the fruit small businesses in East Java. This is because the capability of resources does not affect the value of the customer in the star fruit small businesses in East Java of 0.092 greater than 0.05 so it can be said to have no effect.

Economically it can be interpreted that the capability of resources has dimensions of tangible assets and intangible assets. Tangible assets can be in the form of financial capital, human resources, physical evidence, equipment and supplies. Intangible assets can be knowledge, lifestyle, intellectual capital, location, patents and trademarks.

Third Hypothesis Testing: Market orientation and resource capabilities simultaneously have a significant effect on customer value in fruit small businesses in East Java

A description of the simultaneous test can be explained in Table 2 simultaneous test or F test.

Table 2. F-test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	199.634	2	99.817	30.619	.000 ^b
	Residual	365.114	112	3.260		
	Total	564.748	114			

a. Dependent Variable: NP

b. Predictors: (Constant), KSD, OP

Source: Primary Data (2019)

Table 2 shows that market orientation and resource capability simultaneously influence customer value in fruit small businesses in East Java. This means that the two variables can provide a good influence in creating customer value as seen from the results of the f test because the significance value of 0.000 is smaller than 0.05.

Coefficient of Determination (R Square)

The coefficient of determination shows how much influence the market orientation and resource capabilities have on customer value in fruit small businesses in Indonesia and the rest is influenced by other variables related to this study. The results of the coefficient of determination can be seen in Table 3.

Table 3. Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.595 ^a	.353	.342	1.806	1.587

a. Predictors: (Constant), KSD, OP
 b. Dependent Variable: NP

Source: Primary Data (2019)

Seen in Table 3 shows that the coefficient of determination or R Square of 0.353 or 35.30%. This means that the influence of market orientation and resource capability variables to achieve customer value of 35.30% and the remaining 64.70% is influenced by other variables not yet examined in this study. Based on the description above, it is proven that market orientation can increase customer value. Market orientation as the most effective and efficient organizational culture for creating the behaviors needed to create superior value for buyers.

DISCUSSION

The number of respondents who are male in Blitar and Bojonegoro is 33.33% and 66.67% while the number of respondents who are female is 53.21% and 46.79%. When viewed from the percentage value, there were more male respondents than female in the Blitar and Bojonegoro cities. The number of female respondents is higher in Blitar compared to Bojonegoro. Based on age category, respondents aged 21-40 years were mostly in Blitar by 56% while Bojonegoro only by 44%. Respondents with more than 41 years of age were more in the city of Blitar by 51.11% while the city of Bojonegoro was only 48.89%. Respondents on average were married at 51.43% in the city of Bojonegoro and 48.57% in the city of Blitar.

Respondents based on the latest education level were mostly junior high school graduates in Bojonegoro city by 80.43% while Blitar city was the smallest by 19.57%. Whereas respondents graduated from high school were 77.78% in Blitar city and the smallest was 22.22% in Bojonegoro city. Based on the type of work most respondents have jobs as traders by 80% in the city of Bojonegoro when compared to the city of Blitar. While those who work as entrepreneurs are more in the city of Blitar by 85.71%. Respondents on average have less than 10 years of business experience greater in the city of Bojonegoro by 54.08% while the city of Blitar by 45.92%.

Base on the first hypotheses, a focus on customers means that businesses can focus on paying attention to potential customers so they can understand customer needs and wants information well. Intelligence to competitors means that businesses must be able to pay attention to all forms of information available in the market, especially in dealing with competitors carefully so that they do not miss information from other competitors. Coordination between functions means being able to coordinate well between the relevant parts of a business so that they can provide information about the market conditions that are aimed at small fruit small businesses in East Java.

Relay on the second hypothese, The ability of resources owned by business actors does not have a significant influence on customer value, where the capability of resources is an internal factor that is considered important in running a business but does not directly influence the creation of customer value in fruit small businesses in East Java.

The third hypotheses find that Market orientation is supported by good resource capabilities that can create good customer value. Fruit small businesses need to do a good market orientation, especially in considering the target market conditions and the need for the ability of resources in creating customer value in fruit small businesses in East Java.

Companies that have made market orientation an organizational culture will base on external basic needs, market wants and demands as the basis for developing strategies for each business unit in the organization, and determining the company's success. In research Jaworski & Kohli (1993) and Slater & Narver (1994) concluded that market orientation is a determinant of company performance regardless of the external environmental conditions in which the company operates. Customer orientation is defined as an understanding of the intended buyer so that superior value can be given continuously.

CONCLUSIONS

1. Market orientation partially has a significant effect on customer value. This shows that market orientation is considered important to the creation of customer value in fruit small businesses in East Java. Fruit small businesses in East Java, represented by the cities of Blitar and Bojonegoro, have quite good market conditions so as to create better customer value.
2. Resource capability partially has no effect on customer value. This means that the capability of the resource directly has no effect on customer value. In a small business fruit capability resources are considered not yet important enough in creating customer value. The ability of human resources is still limited because most of these businesses have a low level of education and their assets are still small so that creating customer value is not very influential because it still uses a simple way of selling and marketing their products to customers.
3. Market orientation and resource capability simultaneously influence customer value. Market orientation needs to be supported by good resource capabilities that can create

good customer value. Fruit small businesses in this case need to do a good market orientation, especially in paying attention to the target market conditions and the need for sufficient resource capabilities in creating customer value in fruit small businesses in East Java.

SUGGESTION

This research for the government can improve the cultivation of fruit plants by establishing a good cooperative relationship with farmers and fruit small business operators in each city. For business actors, it can be improved to pay attention to the target market conditions, increase the ability of human resources to provide good service to customers and create superior customer value. For this academic, this research is expected to further add other areas that have the potential to produce star fruit and its processed products as well as other variables such as innovation, technology, and marketing strategies to assess customers and can even include broader assessments related to the performance of small businesses fruit in various cities in Indonesia.

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