Marketing Mix Performance on Customer Value and the Effect on Customer Trust and Customer Loyalty on Pt. Pindad (Persero) As the Army Defense Industry of Indonesia
(A Survey on Customers)

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Abstract
An attempt to increase customer loyalty done by each business entities to achieve excellence compete sustainable demands that is very urgent. It is related to the government’s effort to realize good governance the centre of all these. One of the important elements in creating that would be improving the performance of hotchpotch marketing in order to get trust customers and in turn led to customer loyalty.

This research study of these efforts on defense industry land indonesia. Methods used is survey explanation, the survey was conducted to 60 samples from 319 companies that become customers pt. Pindad (persero) as producer of the defense industry land and prodik komersia indonesia.

Respondents this research is top manager and middle manager of each company customers defense industry land indonesia. Technique data collection was carried out by communication of indirect with the help of an instrument of the questionnaire and study documentation. Data analysis be done in descriptive with the help of statistika average score terbobot and in inferential with Struktural Equation Modeling (SEM) – Partial Least Square (PLS). The data used was primary and secondary data. Based on the descriptive analysis on the hypothesis which were presented on the influence of Marketing Mix on Customer’s Value, Trust & Loyalty of PT Pindad (persero) as the defense manufacturer in Indonesia, we can conclude that: The overall Marketing Mix of PT Pindad (Persero) is categorized as sufficient. The Customer’s Value of PT Pindad (Persero) is categorized high. Overall Trust towards PT Pindad (Persero) is Trustworthy. The Overall Loyalty of PT Pindad (Persero) is categorized Loyal. MM has significant influence on CV and L, which means that the sufficient performance of MM has influence it’s CV & L. CV of PT Pindad (Persero) is high, as it is being supported by the “after sales service” division, even it has no influence on Customer’s satisfaction & L. The customers of PT Pindad (Persero) are Loyal, even though the Customer’s satisfaction does not influence on L. The loyalty of PT Pindad (Persero)’s customers has not been formed, despite of it’s ability to produce superior products. The government as it’s main customer is not committed to purchase the weapons locally, especially from PT Pindad (Persero). The MM has 35% influence on CV, 34.8% on L, and 16.4 on the Customer’s Satisfaction, which means that the MM performance has significant impact on CV.

1. Research Background
Commercial business competition currently reflect development of various industries that lasted dynamically, in line with the dramatic environment change, tight competition, customers taste change, technological progress and differences. Globalization and MEA (Asean Economic Community) that result in the global import, especially from China and asen, to their homeland put pressure on the economic and trade. In the hypercompetitive globalization, manufacturers must produces new products, or renewed old product with future technology & quality as expected & needed by customers.

Prof.Habibie, as the first president director of PT.Pindad (Persero) since the beginning of 1980 start producing at PT. Pindad (Persero) by purchasing FNC weapons licenses ( fabrique nationale carbine ) from Belgium which were initially prepared for European soldiers, then prepared & modified for Indoensian ARMY. The alteration resuted assault weapons (SS) accurate, reliable, comfortable used. PT.Pindad (persero) as the Indonesian Defense industrial manufacturer also produce alutsista (Main Weapon Tools System) to meet the needs of Indonesian defense and security.

Assault weapons (ss) is a superior, reliable & comfortable weapon of a superior reliable and comfortable used, however until now these weapons are not considered as default weapon for Indoensian ARMY. Not only that the products of PT.Pindad (persero) has not dare to be competed with similar products from the global market, but also that the products of PT. Pindad (persero) are not yet able to refuse other similar products from other suppliers, in other words, Indonesian ARMY still act as a switcher buyer against PT. Pindad (persero).

Nowadays, there are obstacles and success which are not yet optimally utilized as other superior products. However this success shows the needs of support and attention. Several existing problems faced by PT Pindad (Persero) among its customers demand more than 2 years guarantee for its Alutsista products, as the significant complaints coming from customers regarding the missed production schedule from PT Pindad (Persero). The minimum of Financial support resulting the expensive products, as it cannot give away discounts to its customers.

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Several obstacles in production process are unavailability of raw materials, barrel, steel armors for the body of tanks, and messing plate either for the defense or security products, or for commercial products which will affect it’s selling price. The need of chemical or metal to support PT Pindad (Persero) production creates a problem which become an obstacle for planning a production schedule for the company.

The delay of production processes may be caused by the complicated of administrative process of importing products from overseas, expensive parts, or lateness of delivery. The material import obstacles are not only from the delivery time estimation, but also significant production cost which will be beared by the company to sell its products in high price.

2. Literature, Framework and Hypothesis

2.1 Literature,


Marketing Mix is the combination of 4P (Product, Price, Promotion & Place) is a marketing strategy which is implemented in order to achieve company’s goal by utilizing information to fulfill and obtain optimal market. Product. Price is not only a labeled number, but there are also influencing factors such as costs, competition, customer demand, and government control, (Keegan, et al, 1995:495).

Promotion, as explained by Kotler dan Armstrong (2006:465), “Activities under taken with the aim to provide incentives to increase sales of a product. Sales promotions are less likely to attract new buyers in the long term the market has been established, because the only sales promotions to attract consumers who are always moving between different brands depending on special offer sales promotions that. It will vary depending on whom promotions”.

Place, as explained by Shahhosseini dan Ardahaey (2011: 232) is “Place refers to delivery of the product measured by variables such as distribution, availability, and shelf space”.

Customer Value is customer’s perception on the offered quality. Higher perception from competitors will influence the customers’ loyalty level. The higher perception that a customer has, the more likely an agreement will take place.

Van De Kemp et.al. (2001) defines value concept as the differences between all related benefits and sacrifices. Experts point of view reflect the importance of services.

Social Psychological Interactions is customers’ alternative services consideration on the company’s ability to maintain good relationship with it’s customers and providing customers the opportunity to express their desires. There are 4 main psychological factors, trust and attitude, as explained below.

Consideraton of Service Alternative. Competition/Consideraton of Service Alternative is the customer’s judgement on the company which is related to the ability of the company to deliver services differently from its competitors, and the willing to offer more bargaining prices.

Trust is the willingness and the ability of someone to accept the risks of decision making, hoping that it will affect others. Reliability of a product can grow trusts, therefore reliability is referring to the consistency of delivering a product. The consistency is delivered on timely basis based as expected. Benevolence is defined by Kim et al. (2003 a: 97), as attention benevolence, empathy, confidence, and power received. Integrity can be defined by fairness, fulfillment, loyalty, honesty, dependability, and reliability as explained by Kim et al. (2003a).

Loyalty is important for a company, as explained by Louis Columbus in his book Li (2011:345-352). Oliver in Vanessa (2007:70) defines loyalty as the customers’ commitment to stay or re-purchase materials or services in the future consistently, despite of the situational influence and marketing process which potentially influence the change of customers’ conduct. Mardalis explains that loyalty can be measured based on choice sequence. The choice sequence method or the re-purchasing willingness is often used in researches by using the customers’ daily pannels agenda, and even more updated system, a supermarket data scanner.

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Proportion of purchase. Different from the choice sequence, this method is studying the total of customers’ proposition in a population of certain products. The analyzed data is using the customers’ panels. Preferences. This method is measuring the loyalty by using the psychological commitment or stated preferences. In this case, loyalty is considered as the positive attitude towards some certain products, or also described as the willingness to purchase.

Commitment is more focused on the emotional components or feeling. Commitments incurred as a result of a connectivity of a customer to some certain brand. (Beatty, Kahle, Homer, 1988). The involvement of ego incurred when a product is related to a customer’s value, needs, and personal concepts.

### 2.2 Framework

A company will be able to win a competition in a condition where it is able to fulfill the customers’ economical need & satisfaction through an effective communication (Porter, 2008:10).

- The relationships between Marketing Mix and Customer’s Value of PT.Pindad (Persero).
- The relationships between Marketing Mix and Customer’s Trust of PT.Pindad (Persero).
- The relationships between Marketing Mix and Customer’s Loyalty of PT.Pindad (Persero).
- The relationships between Customer’s Value and Customer’s Trust PT.Pindad (Persero).
- The relationships between Customer’s Value and Customer’s Loyalty PT.Pindad (Persero).
- The relationships between Marketing Mix and Customer’s Trust through Customer’s Value of PT.Pindad (Persero).
- The relationships between Marketing Mix and Customer’s Loyalty through Customer’s Value PT.Pindad (Persero).
- 2.2.8 The relationships between Customer’s Trust and Customer’s Loyalty through PT.Pindad (Persero).
- 2.2.9 The relationships between Customer’s Value and Customer’s Loyalty through Customer’s Trust PT.Pindad (Persero).
- 2.2.10 The relationships between Marketing Mix and Customer’s Loyalty through Customer’s Trust PT.Pindad (Persero).

### 2.3 Hypothesis

Referring to the literatures & framework, there are 10 hypothesis which will be tested:

- \[ H_1 \]: There are influences of Marketing Mix on the Customer’s Value of PT. Pindad (Persero).
- \[ H_2 \]: There are influences of Marketing Mix on the Customer’s Trust of PT. Pindad (Persero).
- \[ H_3 \]: There are influences of Marketing Mix on the Customer’s Loyalty of PT. Pindad (Persero).
- \[ H_4 \]: There are influences of Customer’s Value on the Customer’s Trust of PT. Pindad (Persero).
- \[ H_5 \]: There are influences of Customer’s Value on the Customer’s Loyalty of PT. Pindad (Persero).
- \[ H_6 \]: There are influences of Marketing Mix on the customer’s Trust of PT. Pindad (Persero).
- \[ H_7 \]: There are influences of Marketing Mix on the Customer’s Loyalty of PT. Pindad (Persero) through Customer’s Loyalty of PT. Pindad (Persero).
- \[ H_8 \]: There are influences of Customer’s Trust on the Customer’s Loyalty of PT. Pindad (Persero).
- \[ H_9 \]: There are influences of Customer’s Loyalty on the Customer’s Trust of PT. Pindad (Persero).
- \[ H_{10} \]: There are influences of Marketing Mix on the Customer’s Loyalty Through on the Customer’s Trust of PT. Pindad (Persero).

### 3. Research Methode

#### 3.1 Applied Method

Based on the research purposes, the method applied is Descriptive & Verificative research. Based on the proposed hypotheses, the inferential/verificative hypothesis is used in this research with Structural Equation Modeling (SEM) second order with the SEM model of Partial Least Squares Path Modeling (PLS-PM), using Smart-PLS application. The structural equation model is used when the applied construction/concept in a research is unobservable or Latent (Joreskog 1979;105). Te analysis unit in this research is the customers of PT.Pindad (Persero) with the observation units, and the time horizon of the research which is cross sectional.

#### 3.2 Operasionalisasi Variabel

The operational definition consist of 58 indicators from the construction until the measurable variables. There are 3 variables used in this research, which are 1). Marketing Mix is eksogen variable
which is distributed to several sub variables (dimension), 2). Customer’s value as the 1st endogenous and or exogenous variable. 3). Customer’s Loyalty as the third endogenous variable.

3.3. Populasi dan Sampel

The customer population of the research is 319. The sampling technique used is proportional and 60 respondents as samples.

3.4. Analisis Deskriptif

The purpose of descriptive data analysis is to find out how far of the respondents responses on the researched variables. The disclosure is through tabulation or graphs. The percentage of collected responses are classified based on the maximum scores range (5/5 X 100% = 100%) and the minimum scores (1/5 X 100% = 20%) of the marketing mix, customer’s value, customer’s trust, and customer’s loyalty variables. The average scores of each items are classified into 5 categories.

3.5. Analisis Inferensial

The purpose of the inferential analysis is to answer the research’s hypothesis which covers the average hypothetical test and the influence of hypothetical test between the tested variables. The structural equation are as follow:

\[ \eta_1 = \gamma_1 \xi_1 + \zeta \] .....................................................(3.1)

\[ \eta_2 = \gamma_2 \xi_1 + \zeta \] .....................................................(3.2)

\[ \eta_3 = \gamma_3 \xi_1 + \zeta \] .....................................................(3.3)

\[ \eta_4 = \beta_1 \eta_1 + \zeta \] .....................................................(3.4)

\[ \eta_5 = \beta_2 \eta_1 + \zeta \] .....................................................(3.5)

\[ \eta_6 = \beta_3 \eta_2 + \zeta \] .....................................................(3.6)

4. Research Result & Discussion

4.1. Marketing Mix Description, Customer’s Value, Trust & Customer’s Loyalty Analysis at PT.Pindad (Persero)

Tabel 1

<table>
<thead>
<tr>
<th>Dimension</th>
<th>J Responses</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Mix</td>
<td>3.476</td>
<td>6000</td>
</tr>
<tr>
<td>Customer’s Value</td>
<td>3034</td>
<td>4200</td>
</tr>
<tr>
<td>Trust</td>
<td>2788</td>
<td>3900</td>
</tr>
<tr>
<td>Customer’s Loyalty</td>
<td>2022</td>
<td>3300</td>
</tr>
</tbody>
</table>

Recapitulation of Customers Responses on Marketing Mix, Customer’s Value, Trust & Customer’s Loyalty of PT.Pindad (Persero).

Sources: processed primary data, 2015

Based on the above explanations, the descriptive analysis can be concluded as follow:

1. The overall Marketing Mix at PT Pindad (Persero) is categorized as sufficient, based on dimensional testing (Products, Price, Promotion, & Place).
2. The overall Customer’s Value in PT Pindad is categorized as very high, based on dimensional testing (Service, Psychologic & Competition).
3. The overall Trust towards PT. Pindad (Persero) is considered trustworthy, based on dimensional testing (Reliability, Benevolence dan Integrity).
4. The overall loyalty towards PT. Pindad (Persero) is considered loyal, based on the dimensional...
testing (purchase frequency, other service providers usage, and Preferences and commitment statements).

4.2. Hypothetical Test Result

The basis used in testing the hypothesis is the resulted value from the result for inner weight output. Tabel 4.20 shows the estimated output of structural model testing.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>original sample estimate</th>
<th>mean of subsamples</th>
<th>Standard deviation</th>
<th>T-Stat</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1. Marketing Mix → Customer’s Value</td>
<td>0.596</td>
<td>0.597</td>
<td>0.096</td>
<td>6.182</td>
<td>Significant</td>
</tr>
<tr>
<td>H2. Marketing Mix → Trust</td>
<td>0.126</td>
<td>0.117</td>
<td>0.169</td>
<td>0.744</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H3. Marketing Mix → Customer’s Loyalty</td>
<td>0.572</td>
<td>0.580</td>
<td>0.146</td>
<td>3.930</td>
<td>Significant</td>
</tr>
<tr>
<td>H4. Customer’s Value → Trust</td>
<td>0.317</td>
<td>0.349</td>
<td>0.205</td>
<td>1.549</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H5. Customer’s Value → Loyalty</td>
<td>0.020</td>
<td>0.016</td>
<td>0.171</td>
<td>0.119</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H6. MM on T through CV</td>
<td></td>
<td></td>
<td></td>
<td>0.0184</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H7. MM on L through CV</td>
<td></td>
<td></td>
<td></td>
<td>0.0032</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H8. Trust → Loyalty</td>
<td>0.016</td>
<td>0.001</td>
<td>0.131</td>
<td>0.122</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H9. CV on loyalty through T</td>
<td></td>
<td></td>
<td></td>
<td>0.00259</td>
<td>Non Significant</td>
</tr>
<tr>
<td>H10. MM on Loyalty through T</td>
<td></td>
<td></td>
<td></td>
<td>0.00221</td>
<td>Non Significant</td>
</tr>
</tbody>
</table>

Source: SmartPLS Analysis & Computation, 2015

The bootstrapping result from PLS analysis is as follow:

Picture 1. t- Influence of Marketing Mix Full Model statistics ($\xi_1$) on Customer’s Value ($\eta_1$) and the impact on Customer’s Trust ($\eta_2$), and Customer’s Loyalty ($\eta_3$) at PT. Pindad (Persero)

4.3. Structural Model Testing (Inner Model)

Inner model testing or structural model is performed to see the relationship between significance value construction and $R^2$ of a research model. The $R^2$ value of Customer’s Value variable was 0.355, 0.164 for Trust, and 0.348 for Loyalty variable. The result shows that 35.5% of the Customer’s Value variables can be influenced by the marketing Mix variable, 16.4% of Trust variable is influenced by Customer’s Value & Marketing Mix, and 34.8% of Loyalty is influenced by Customer’s Value & Marketing Mix.
4.4. Discussion

4.4.1 Marketing Mix Discussion

The influence of exogenous variable on the endogenous variable is the square of SEM coefficient value (Baharudin & Tobing, 2002). The amount of influence of Marketing Mix computed using the SEM formula is $0.596^2 \times 100\% = 35.52\%$. And the significance test result shows the t-value amount of $6.182$ ( > of the t table value 2,001), which is significant, and can be concluded that the Marketing Mix has positive influences on Customer’s Value.

Product plays an important role in Marketing Mix. PT Pindad (Persero) succeeded in producing superior leading products which are reliable and have high accuracy. One of the superior product of PT Pindad (Persero) is Assault Weapon (SS). The third president of Indonesia decision to appoint Indonesian ARMY soldiers postures as the main user of FNC, results a comfortable, light, suitable weapon, by modifying approximately 20parts such as trigger, gun stocks, of the original weapons initially prepared for European soldiers to suit the fingers and arms of Indonesian ARMY soldiers.

The score percentage of Marketing Mix in PT Pindad is in Low Cost dimension. In determining the Cost of Sales, PT Pindad (Persero) is calculating all the spendable costs. The unavailability of raw materials, barrells, armor steels for the construction of a tank/panzer, and the messing plates for either defense/security products or commercial products will affect the selling price. The delay of delivery might be caused by the administrative processes for importing materials from overseas, expensive materials, and delay of deliveries from suppliers. These factors don’t only affect the delivery time of products, but also the cost of sales which has direct impact on the expensive selling price. Nowadays, there is a tight competition of price among the global market, resulting PT Pindad (Persero) struggling to fit in.

The score percentage of PT Pindad in term of Promotion dimension is low. Promotion is a crucial process to introduce a company’s products. Despite of the ability of producing superior products, a transaction will less likely to occur if the customers are not familiar with the company’s products, whilst promotion need a significant cost from PT Pindad (Persero). The marketing division which currently is still reporting to Directors, is not capable to perform. The maintenance team which is combined with the techniques assistance to be one “after sales service” division is a proper action taken.

The score percentage of Marketing Mix in term of Place dimension is quite high. To serve Indonesian ARMY, PT Pindad (Persero) performs coverage, developing supporting force in form of Maintenance team whose responsibility is to support and ensure that the military testing activities are conducted as scheduled, or any other activities to support company’s production activities.

4.4.2. Customer’s Value Discussion

The amount of influence of Customer’s Value computed using the SEM formula is $0.317^2 \times 100\% = 10.04\%$. And the significance test result shows the t-value amount of $1.549$ ( < of the t table 2,001) which is not significant, and can be concluded that the Customer’s Value does not have influences on Customer’s Trust. The amount of influence of Customer’s Value computed using the SEM formula is $0.02^2 \times 100\% = 0.04\%$. And the significance test result shows the t-value amount of $0.119$ ( < of the t table 2,001) which is not significant, and can be concluded that the Customer’s Value does not have influences on Customer’s Loyalty.

The overall actual scores percentage of customer’s responses on Customer’s value is 88.29%, which is within the range of high categories of 68%-84%, and can be concluded that the overall Customer’s Value of PT Pindad (Persero) is high, based on the dimension testing, which are Service, Psychologic dan Competition.

Service dimension can be analysed from the relationship between the maintenance team of PT Pindad (Persero) with the weapon users, in term of attention, listening to complaints, and providing necessary services for an optimal product delivery.

The score percentage of psychological dimension is categorised as high. The ability of the maintenance team providing services in a fast response towards customers’ recommendation and expectation which now is under the “after sales service” division is one proper action taken, which can increase the Customer’s value from the psychological dimension, to become a leading and unique product, as no other companies has.
Government has not shown any consistency in proving its own statement to purchase weapons locally, by purchasing the second hand Leopard from Germany. This attitude had caused “negative” psychological influence to PT Pindad (persero)’s customer, which is Indonesian ARMY force as the user.

**4.4.3. Trust Discussion**

The actual scores percentage of Customer’s responses on Trust, based on the Reliability, Benevolence and Integrity dimensions, is amounted to 71.49% which is within the range of Trustworthy range, 68% - 84%.

The product delivery delay, which is not align with the agreed due date, is a failure which can result in the lost of trust from customers in a long time period. Trust is a predicted belief, with risks, said ‘Worehel (Lau dan Lee, 1999). Today, there is an order of 150 pcs panzer production which delivery had been delayed for 2 years. This has huge impact and looses on customers whom have their own schedules. The trust issue is not only the responsibility of PT Pindad (Persero) as the supplier, but also of the government to support the government company to produce effectively.

**4.4.4. Loyalty Discussion**

The actual scores percentage of Customer’s responses on Loyalty, based on the Purchase frequency, the use of other suppliers, Preferences & Commitment dimensions, is amounted to 61.27% which is within the range of Loyal range, 52%-68%.

A high loyalty that PT Pindad (Persero) gained from its customers is a result of the superior products it produces, however, the high loyalty from the customers, is not supported by the company’s lack of financial condition to provide them cash backs or discounts.

**5. Conclusion Recommendation**

**5.1 Conclusion**

Based on the descriptive analysis on the hypothesis which were presented on the influence of Marketing Mix on Customer’s Value, Trust & Loyalty of PT Pindad (persero) as the defense manufacture supplier in Indonesia, we can conclude that:

1. The overall Marketing Mix of PT Pindad (Persero) is categorized as sufficient. The Customer’s Value of PT Pindad (Persero) is categorized high. Overall Trust towards PT Pindad (Persero) is Trustworthy. The Overall Loyalty of PT Pindad (Persero) is categorized Loyal.
2. MM has significant influence on CV and L, which means that the sufficient performance of MM has influence its CV & L.
3. CV of PT Pindad (Persero) is high, as it is being supported by the “after sales service” division, even it has no influence on Customer’s satisfaction & L.
4. The customers of PT Pindad (Persero) are Loyal, even though the Customer’s satisfaction does not influence on L.
5. The loyalty of PT Pindad (Persero)’s customers has not been formed, despite of its ability to produce superior products. The government as its main customer is not committed to purchase the weapons locally, especially from PT Pindad (Persero).
6. The MM has 33% influence on CV, 34.8% on L, and 16.4 on the Customer’s Satisfaction, which means that the MM performance has significant impact on CV.

**5.2 Recommendation to the Science Development**

1. The Customer’s Trust on products does not automatically influence their Loyalty. This needs further study to encounter new theory on the relationship of Customer’s Trust and Customer’s Loyalty.
2. To the future researcher who will perform further study on Marketing mix performance and Customer’s Value, it is advisable to perform researches on other factors which might have influences on Customer’s Trusts & Loyalty.

**5.3. Recommendation on the Theory Implementation**

1. The availability of Raw Materials provided locally, is required (with the support from the government)
2. The government support/political will, is required and the government must be committed to purchase local products, once qualified products are able to be produced by PT Pindad (Persero).
3. The financial support is greatly needed from the government to ensure production of the company runs effectively.

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4. To provide wider and more responsibilities to the “after sales service” division to meet customer’s expectation more proactively.

**Literatures**


Palagan, Dispenad, TNI AD Juara Umum Lomba Tembak Kawasan Asia Pasifik edisi 40 Juni 2009


