Analytical Study of Business Environments Influence to Marketing Strategy case study Cigarette Industry in East Java

Nova Retnowati
Management Department, Bhayangkara University Surabaya, JI Ahmad Yani 114, Surabaya 60231, Indonesia

Abstract
This research evaluates the effect of a business environmental toward the marketing strategy of cigarette industry at East Java. Goal of this research: (1) to analyze significance influence business environmental simultaneous toward the marketing strategy of cigarette industry; (2) to analyze the significance influence business environmental partially toward the marketing strategy of cigarette industry at East Java. The respondents being analyzed are manager of cigarette industry at East Java, and the composition of the respondents are divided into several manager grade, such as low, middle and high grade. The research method that used is multiple linier regression analyze, obtained through the software SPSS version 17.0. The result show that: (a) business environmental that are internal environmental, industry environmental, and external environmental simultaneous has positive and significance influence toward the marketing strategy of cigarette industry; (b) internal environmental and external environmental partially has positive and significance influence toward the marketing strategy of cigarette industry; (c) industry environmental partially has negative and significance influence toward the marketing strategy of cigarette industry.

Keywords: workforce sizing, job-shop production, holonic model

1. Introduction
The business environment is the environment facing the organization or company and should be considered in making business decisions. Company or organization's daily activities include interaction with the surrounding environment, including suppliers, shareholders, unions, customers, government, and so forth. The business environment was instrumental in influencing the determination of the organization's marketing strategy.

Analysis of the business environment is intended to identify business opportunities that need the immediate attention of the executive, and at the same time directed to find threats that businesses need to get anticipation. Analysis of the business environment trying to figure out the managerial implications arising directly or indirectly from a variety of external factors that have been identified affect the development and progress and prospects of the company (Suwarsono, 1994).

Indonesia's tobacco industry is one industry that can be a driving force of the national economy as well as the largest tax contributor. Absorption of labour and business scope / range of industries have been able to reduce the amount of unemployment in Indonesia. Current era of globalization, characterized by increasingly tough competition considering the number of investors and foreign tobacco companies entered the market or the cigarette industry in Indonesia, as well as the business environment is rapidly changing and increasingly unpredictable a problem for the tobacco industry in Indonesia.

Selection of the business strategy based on innovations in the fields of business, technology, and managerial expected to realize a competitive advantage for the company so it can compete in the market. With the management of environmental analysis is expected to have a clear picture in preparing the company's business strategy (Suwarsono, 1994). A business concept that can be applied by the company to win the competition is the Customer Relationship Management (CRM). CRM is a marketing strategy that focuses on the customer, the strategy seeks to optimize the company's profits by way of a close relationship with customers (customer intimacy) as well as managing the relationship for the better so that the desired strategic outcomes competitiveness and high profitability can be achieved (Hitt et al., 2001). Concrete steps of CRM adoption is through the marketing mix, which consists of product, price, promotion, and distribution (Farrell, 2008).

Problem Formulation
Based on the description of the background problems, the formulation of the problem proposed in this study are as follows:
1. Is internal environment, industry environment, and external environment simultaneously significant effect on the tobacco industry marketing strategy in East Java?

2. Is internal environment, industry environment, and the external environment is partially significant effect on the tobacco industry marketing strategy in East Java?

3. Which of the internal environment, industry environment, and the external environment that the dominant influence on marketing strategy to the tobacco industry in East Java?

2. Literature Review

2.1. Strategic Management

Strategic management is a management system that generates promising strategic steps in building the company's future. Definition of strategic management according to Glueck and Jauch (1999) are a number of decisions and actions that led to the formulation of a strategy or a number of effective strategies to help achieve company goals. Hunger and Wheelen (2001) defines strategic management as a whole series of decisions and actions that determine the performance of the company in the long run. Contained herein, identify and analyse the environment, formulate strategy, implement the following strategies and evaluate control. Based on Hunger and Wheelen (Hunger and Wheelen, 2001) strategic management components can be divided into three aspect as follows:

1. Analysis of the business environment, it is necessary to identify business opportunities and threats.
2. Analysis company profile is needed to identify the strengths and weaknesses of the company.
3. Business strategy, is necessary to achieve the objectives with respect to the company's mission.

2.2. Business Environments

Business environment are factors outside the company that can give rise to opportunities or threats for the company. Analysis of the search is defined as an opportunity or a threat up to the hilt. Environmental analysis process interpreted as a strategy for monitoring the environmental sector in determining the opportunities or threats to the company (Glueck and Jauch, 1999).

Analysis of the business environment according to Hunger and Wheelen (Hunger and Wheelen, 2001), consisting of:

1. External environment, the macro environment and industry environment.
2. Internal environment, the organizational structure, culture, and resources

According to Pearce and Robinson (2000), there are two analysis of the company's business environment, which is:

2.2.1. Analysis of the external environment.

The external environment is the environment that are outside the organization who can create opportunities and threats for the existence of an organization. The external environment consists of three groups as follows:

a. Environment (remote environment), including economic, social, political, technological, and ecological.

b. Industrial environments, including power suppliers, power of buyers, the availability of substitutes, and rivalry between the companies.

c. Operational environment, including competitors, creditors, customers, workforce and suppliers.

2.2.2. Analysis of internal environment

The internal environment is the environment that organizations exist in an organization. This analysis aimed to determine the strengths and weaknesses of the organization relative to its competitors. According to Kotler (2000), there are at least four factors that must be considered in the analysis of the internal environment, such as:

a. Marketing, including the company's reputation, market share, customer satisfaction, customer retention, service quality, pricing effectiveness, effectiveness of distribution, promotion effectiveness, sales force effectiveness, effectiveness of innovation and geographic reach.

b. Finance, including the cost or availability of capital, cash flow (cash flow) and financial stability.

c. Production, includes facilities, economies of scale, capacity, capable and loyal employees, timeliness in production, and production engineering skills.
d. Organizations, including leadership capable and visionary ahead, employees were loyal, entrepreneurial orientation and flexibility or adaptability.

Hitt et al. (2001) stated that the environmental industry is a business environment that has a direct impact on the competitiveness of the company's strategic. Industry environment consists of several aspect as follows:

a. Competition among companies.

b. Threat from the new company.

c. Bargaining power of buyers.

d. Threat of entry of substitute products / replacement.

e. Bargaining power of suppliers (suppliers).

2.3. Marketing Strategy

Robbins and Coulter (1999) defines marketing strategy as a managerial process in marketing for develop and keep the goals, skills, knowledge, resources, according to the opportunities and threats in the market is always changing and aims to enhance the business and the company's products to meet the target earnings and growth.

Ferrell (2008) stated that the key to developing a successful marketing strategy is to maintain the right marketing mix that satisfy customers and create long-term relationships with customers. Marketing mix covers four main marketing activities which is product, price, distribution, and promotion that can be controlled by the company to achieve certain goals in a dynamic marketing environment (Ferrell, 2008).

1. Products, are goods, services, or ideas that have tangible attributes or intangible that provide satisfaction and benefits to consumers. Product is an important variable of the marketing mix because if the products offered by the company is not in accordance with the needs and desires of consumers, sales of these products will be difficult and the product life cycle becomes shorter.

2. Price, is the value placed on products or services that are exchanged between buyers and sellers. Buyers will redeem its resources (in the form of income, credit, wealth) to obtain satisfaction or benefits of the product. Marketers consider price as a key element of the marketing mix because the price is directly related to revenue and profit earned by the company. Price is an element of the marketing mix of the most versatile as they can be changed quickly to stimulate demand or respond to competitors actions.

3. Distribution, means making the product available to consumers both in the amount and the desired location. Any best product in the world will not be a success without the effort of the company to make the product available wherever and whenever customers want to buy. Intermediaries such as wholesalers (wholesalers) and retailers (retailers) do a lot of activities required to efficiently move products from producers to consumers or industrial buyers. Distribution decision is a decision that is not very flexible because it requires a commitment of resources and determine the contractual relationship, thus making it difficult and unlikely to be changed.

4. Promotion, is a form of persuasive communication that tries to push the marketing exchange by influencing individuals, groups, and organizations to receive the goods, services, and ideas. Promotion includes advertising, personal selling, publicity, and sales promotion. In planning promotional activities, integrated marketing communication approach (coordinating promotional marketing mix elements and synchronizing promotion as a whole) can produce the desired message to the customer.

2.4. Business Environments Relationship with Marketing Strategy

Empirically the relationship between the business environment of marketing strategy shown by Ward et al. (1995) and Hidayat (2003). The results Ward et al. (1995) concluded that there is a very strong relationship between the environment, strategy, and firm performance. Which mean the environment relationship influence the corporate strategy.

Hidayat (2003) examine the linkages between environment, strategy, and performance (environment-strategy-performance) in the cement industry in Indonesia. Where the results of the study showed that:

a. Existing simultaneously between all variables influence the macro environment, industry environment and internal environment of the company's marketing strategy and performance,
b. The macro environment and internal environment has positive influence on marketing strategy and corporate performance.

c. Industrial environments negatively affect the company's marketing strategy and performance.

3. Research Model

Figure 1 shows that the internal environment ($X_1$), the industry environment ($X_2$), and the external environment ($X_3$) has the simultaneous effect (straight line) and partial (dotted line) of the marketing strategy ($Y$) in the cigarette industry in East Java.

![Conceptual Framework](image)

**Figure 1. Conceptual Framework**

3.1 Research Hypothesis

Based on the research problem and review of the literature theoretically and empirically, the hypothesis is formulated as follows:

- **H1**: Suspected internal environment, industry environment, and external environment simultaneously significant effect on the marketing strategy of the cigarette industry in East Java.
- **H2**: Suspected internal environment, industry environment, and the external environment is partially significant effect on the marketing strategy of the cigarette industry in East Java.
- **H3**: Suspected internal environments dominant influence on the marketing strategy of the cigarette industry in East Java.

4. Research Methodology

4.1 Research approach

This research study called explanation (explanatory research) because the aim is to analyse or explain the causal relationship between variables by testing the hypothesis (Malhotra, 1999).

4.2 Population and Sample

Population in this research is the owner / manager of the cigarette companies with variety of class (small, medium, large) in East Java. For the sample of this study was 50 owner / manager of the cigarette companies in East Java, which is 30 owner / manager of a small class of cigarette companies, 15 owner / managers of middle-class cigarette companies, and five owner / manager of a large class companies. For the sampling technique is using proportionate stratified random sampling. Data analysis tool used to help the sampling process is the multiple linear regression analysis with SPSS version 17.0.

4.3 Operational Definition of Variables

1. **Business Environment ($X$)**.

Business environment are factors outside the company that can give rise to opportunities or threats for the
company. Business environment consists of:

a. Internal environment ($X_1$), the existing environment within an enterprise. Indicators to measure the internal environment was adapted from Huger opinion and Wheelen (2001) and Kotler (2000), consisting of: financial resources, physical resources, human resources, innovation resources, and reputation of the company.

b. Industrial environment ($X_2$), which is an environment that is outside a company who deal directly with the company as similar industries. Indicators to measure the industrial environment adapted from Pearce and Robinson's opinion (2000) and Hitt et al., (2001), consisting of: the bargaining power of suppliers / suppliers, bargaining power of buyers / customers, number of product substitution / replacement, power competition among companies, and the threat of entry of new tobacco companies.

c. External environment ($X_3$), the environment that exists outside of a company. Indicators to measure the external environment was adapted from Pearce and Robinson's opinion (2000), and Huger and Wheelen (2001), consisting of: economic conditions, social, political, technological, and ecological.

2. Marketing Strategy ($Y$).

Marketing strategy is a marketing strategy in the field of marketing as a managerial processes to enhance the business and products so as to meet the target company's earnings and growth. Indicators to measure marketing strategies adapted from the opinion Ferrell (2008), which consists of the marketing mix strategy: product, price, distribution, and promotion.

Measurement of each variable according to research conducted by scoring Likert scale. In this study scoring technique is using 5-point scale where the number 1 indicates the lowest value (point 1 = strongly disagree), and 5 shows the value of the highest score (point 5 = strongly agree).

5. Result

5.1 Validity and Reliability Test Results Measurement

Validity is defined as the measure of how powerful a tool measuring function tests done. If the validity of the obtained high, then the test is more on target and continued to show what should be shown.

<table>
<thead>
<tr>
<th>Table 1. Validity and reliability result</th>
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<tbody>
<tr>
<td>Variabel</td>
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<tr>
<td>internal environment ($X_1$)</td>
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<tr>
<td>Industrial environment ($X_2$)</td>
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<tr>
<td>External environment ($X_3$)</td>
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<td>Marketing strategy ($Y$)</td>
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Table 1 shows that all indicators of internal environment variables, industry environment, external environment, and marketing strategy have significance correlation results less than 0.05. Those result shall be declared as valid indicators for further analysis.

Table 2. Recapitulation of Reliability Test Results

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Alpha value</th>
<th>information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal environment (X1)</td>
<td>0.616</td>
<td>Reliable</td>
</tr>
<tr>
<td>Industry environment (X2)</td>
<td>0.672</td>
<td>Reliable</td>
</tr>
<tr>
<td>External environment (X3)</td>
<td>0.642</td>
<td>Reliable</td>
</tr>
<tr>
<td>Marketing strategy (Y)</td>
<td>0.629</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Table 2 shows the Cronbach alpha coefficients for each study variable is greater than 0.6 it was concluded that the study variables dependable (reliable) for further analysis.

5.2 Classical Assumption Test Results

1. No autocorrelation

To determine whether the multiple linear regression equation model autocorrelation does not happen, then it can be done Durbin-Watson test under the following conditions (Algafari, 2000:89):

- D-W < 1.08 = no autocorrelation
- 1.08 ≤ W ≤ 1.66 D- = no conclusions
- 1.66 ≤ W ≤ 2.34 D- = no autocorrelation
- 2.34 ≤ W ≤ 2.92 D- = no conclusions
- D-W > 2.92 = no autocorrelation

Results obtained from statistical calculations Durbin-Watson value of 2.053 and 1.66 are the criteria of ≤ DW ≤ 2.34 means the model is not linear regression equation autocorrelation.

2. Not occur heteroscedasticity

Testing heteroscedasticity symptoms in multiple linear regression equation can be determined by the method of the scatterplot. Heteroscedasticity symptoms can be detected by looking at whether there is a pattern in the scatterplot chart. If there is a specific pattern like dots that form a regular pattern like waves, widened and then narrowed it happen heteroscedasticity said. But if there is no clear pattern and the points spread above and below the 0 on the Y axis so that it does not happen heteroscedasticity regression model is appropriate based on input variables used X to variable Y (Hasan, 1999:269).

![Figure 2. Scatterplot for marketing strategy](image)

Figure 2 shows no clear pattern, where the points spread above and below the 0 on the Y axis, so that the
multiple linear regression model that generated not happen heteroscedasticity.

3. No multicollinearity

To test whether the regression model correlation between the values of the independent variables can be done Variance Inflation Factor (VIF), if the VIF value of less than 10 shall be declared happen multicollinearity (Gujarati, 1997).

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Environment (X₁)</td>
<td>0,986</td>
<td>1,015</td>
</tr>
<tr>
<td>Industrial Environment (X₂)</td>
<td>0,994</td>
<td>1,006</td>
</tr>
<tr>
<td>External Environment (X₃)</td>
<td>0,984</td>
<td>1,016</td>
</tr>
</tbody>
</table>

Table 3 shows that the amount of VIF for each independent variable visible under the number 10, as well as tolerance value close to 1, so it can be concluded between the independent variables do not occur multicollinearity.

5.3 Regression Test Results

Results of multiple linear regression to determine the effect of the business environment consisting of: internal environment, industry environment, and the external environment on marketing strategy, shown in Table 4.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Regression coefficients</th>
<th>t-value</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Environment (X₁)</td>
<td>0,463</td>
<td>3,046</td>
<td>0,000</td>
</tr>
<tr>
<td>Industrial Environment (X₂)</td>
<td>-0,301</td>
<td>2,590</td>
<td>0,005</td>
</tr>
<tr>
<td>External Environment (X₃)</td>
<td>0,370</td>
<td>2,868</td>
<td>0,000</td>
</tr>
</tbody>
</table>

Based on Table 4, the linear regression equation can be formulated as follows:

\[ Y = 2,259 + 0,463X₁ - 0,301X₂ + 0,370X₃ \]  

Some things that can be known from the multiple linear regression equation generated from this study are as follows:

1. Constant intercept of 2.259 is the intersection of the regression line with the Y-axis shows the average marketing strategies on the cigarette industry in East Java, while the independent variables (internal environment, industry environment, and external environment) is equal to zero.

2. Regression coefficient of 0.463 X₁ shows that if the internal environment variable increased by 1 unit then the marketing strategies the tobacco industry in East Java will increase by 0.463 with the assumption that the other independent variables remain.

3. Regression coefficient of -0.301 X₂ indicates that if the industrial environment variable increased by 1 unit then the marketing strategies the tobacco industry in East Java will decrease by 0.301, assuming other variables remain independent.
4. X3 regression coefficient of 0.370 indicates that an external environmental variable increased by 1 unit then the marketing strategies the tobacco industry in East Java will increase by 0.370 assuming other variables remain independent.

5. Multiple correlation coefficient (R) of the linear regression equation above by 0.899. The value of (R) shows the relationship between the variables in the marketing strategy of the tobacco industry in East Java (Y) with three independent variables namely internal environment (X1), the industry environment (X2), and the external environment (X3) is strong (approaching 1).

6. The coefficient of determination (R2) of the linear regression equation above by 0.808. This means that 80.8% of the variation in the marketing strategy of the tobacco industry in East Java can be explained by variations of the three independent variables namely internal environment, industry environment, and the external environment. While the remaining 19.2% showed the marketing strategies the tobacco industry in East Java is influenced by variables or other factors beyond the independent variables studied.

7. Standard Error of the Estimated (SEE) of 0.30819. Where the smaller the SEE will make the appropriate regression model to predict the independent variable.

5.3 Hypotheses Test Results

1. Based on the test results obtained by the F-value F calculated at 64.121 with a significance level of 0.000. The significance value is smaller than 0.05, it can be concluded that the independent variables simultaneously significant effect on the dependent variable. It means that the internal environment, industry environment, and external environment simultaneously significantly influence the marketing strategies the tobacco industry in East Java, so the first hypothesis proposed accepted / proven true.

2. Based on the results obtained by t test t-value of 3.046 to X1 with a significance of 0.000; t-count to X2 at 2.590 with a significance of 0.005; t-count to X3 for 2,868 with a significance level of 0.000. The third significant value of the independent variable is smaller than 0.05 so we can conclude the independent variables partially significant effect on the dependent variable. It means that the internal environment, industry environment, and the external environment is partially significant effect on the marketing strategy of the tobacco industry in East Java, the second hypothesis proposed that accepted / proven true.

3. Based on beta coefficient value (regression), the value of t-test, and a significance value of each free variable shows that the internal environment variables (X1) has the greatest value in comparison with other independent variables. Internal environment means the dominant influence on marketing strategy to the tobacco industry in East Java, so the third hypothesis proposed accepted / proven true.

6. Discussion

Results of this study indicate that either simultaneously or partial business environment existing on the tobacco industry in East Java, which consists of: internal environment, external environment, and external environment significantly influence the marketing strategies the tobacco industry in East Java. Where the internal environment and the external environment has positive influence on marketing strategy on tobacco industry in East Java, which means that the better or more supportive internal environment (financial resources, physical resources, human resources, innovation resources, and financial resources of a company's reputation, physical resources, human resources, innovation resources, and reputation of the company) and external environment (economic conditions, social, political, technological, ecological), the marketing strategy that achieve the goals laid out and also the better / higher.

Industrial environments negatively affect the marketing strategies the tobacco industry in East Java, which means that the lower / reduced industrial environments (bargaining power of suppliers / suppliers, bargaining power of buyers / customers, number of product substitution / replacement, the strength of competition among companies, and threat of entry of new cigarette company) then compiled and marketing strategies that reach target also the better / higher. Therefore, if the tobacco companies wanted structured marketing strategy and goes well then the company must ensure that the business environment remains conducive / support their business activities.

The results are consistent with the opinion of Robbin and Coulter (1999) which states that the business strategy seeks to determine the company's business should be conducted in accordance with the environment and
resources of the company.

The hypothesis test results generally support the results of the study Ward et al. (1995) and Hidayat (2003), where the results of both studies concluded that the company's business environment related to or affecting the company's strategy.

Dynamism market conditions and many factors beyond the control of the company (industrial environment and the external environment) has forced tobacco companies should develop a marketing plan that is more flexible to changes that occur, one of which is realized with short-term marketing strategy. Marketing strategies provide some logical considerations in the management function of cigarette (tobacco industry), to see the early threats and opportunities in the future, as well as to achieve clear goals and direction of the company's marketing. Therefore, in setting the company's marketing strategy of the tobacco industry should consider or based on the business environment conditions can be determined so that appropriate marketing strategies in marketing tobacco products produced, which would certainly have an impact on increasing the volume of sales (corporate performance).

7. Conclusion

Several conclusions can be drawn from this study are:

1. Business environment consisting of: internal environment, industry environment, and external environment simultaneously significantly influence the marketing strategies the tobacco industry in East Java.

2. Internal environment and the external environment is partially positive and significant impact on the marketing strategy of the tobacco industry in East Java.

3. Partially industrial environment and significant negative effect on tobacco industry marketing strategies in East Java.

4. Internal environment has a dominant influence on the marketing strategy of the tobacco industry in East Java.

5. This study provides evidence of the importance of maintaining a business environment that is conducive (support) so that the marketing strategies that have been arranged / programmed to run well and be able to reach the target.

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Yogyakarta.


Dr. Nova Retnowati, Dra.Ec., MM., Born in 19 November 1957 at Pare, Indonesia. Pursuing undergraduate and master degree from Tujuh Belas Agustus University in Surabaya. Finished the doctorate degree from Brawijaya University in 2008. She became a lecturer in Bhayangkara University since 1989 until now. Currently he served as the post-graduate chairman in Bhayangkara University. The author can be contacted at nova.retnowati@gmail.com
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