# CHAPTER II

# REVIEW OF RELATED LITERATURE

## 2.1. THE DEFINITION OF MARKETING

Many people think of marketing only as selling and advertising. But, they are only two of many marketing functions and are often not the most important ones.

Today, marketing must be understood not only in the old sense of making a sale – "telling and selling" – but in the new sense of *satisfying customers needs.* If the marketer does a good job of understanding consumers needs; develops products that provide superior value; and prices, distributes, and promotes them effectively, these products will sell very easily. Thus, selling and advertising are only part of a larger "marketing mix" – a set of marketing tools that work together to affect the marketplace.

Many marketing experts has tried to formulate the marketing definition, two of them, Kotler and Armstrong (1996: 6) pointed out that:

> **Marketing** is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

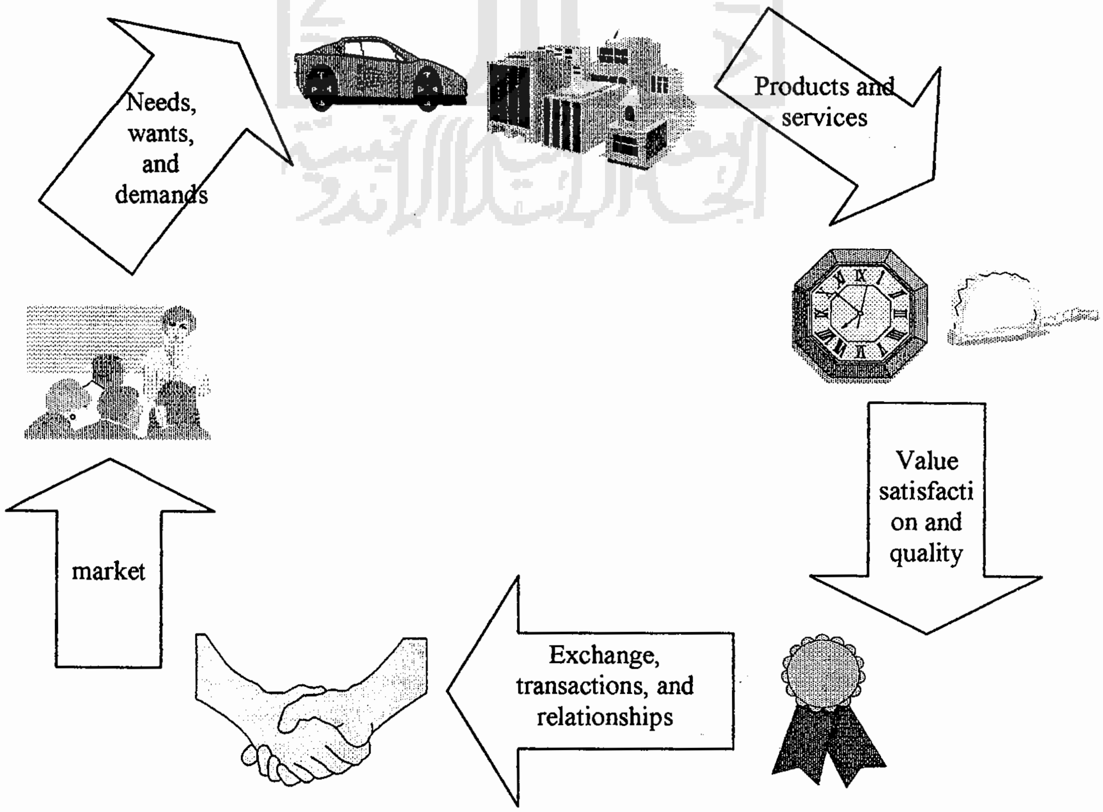
And Kotler (1997: 14) formulates the definition of market itself:

> A **market** consists of all the potential customers sharing a particular need or wants who might be willing and able to engage in exchange to satisfy that need or want.

The deeper explanation of the definition is "core marketing concept" of human need. A basic need is shaped by culture and personality into a human *want* and becomes *demand* if there is a buying power. Marketers address these demands by creating appropriate *products* and services. These products satisfy needs and wants by offering customer *value* which means, that the customer's perception of the difference between the benefits of owning and using the product and want it costs to obtain it. And, if the product offers good value, it will create *satisfaction*. Not just good value will create customer satisfaction also *quality* has a direct impact on product performance.

Marketing occurs when people decide to satisfy needs and wants through a process of *exchange*. When values are actually traded between two parties, *a transaction* occurs. Beyond creating short–term transactions, marketers need to build long-term *relationships*. Figure 2.1 shown the core marketing concepts.

**Figure 2.1 Core Marketing Concepts**




Source: Kotler and Armstrong, *Principles of Marketing* (1996)

## 2.2. MARKETING MANAGEMENT

Kotler (1997: 15) has noted that the definition of marketing management is:

> **Marketing management** is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

This recognizes that marketing management is a process involving analysis, planning, implementation, and control; that covers goods, services, and ideas; that rests on the notion of exchange; and that the goal is to produce satisfaction for the parties involved.

Marketing management can be practiced in any market. Consider sales managers, salespeople, advertising and promotion managers, marketing researchers, customer-service managers, product and brand managers, market and industry managers, and the marketing vice-president formally carry out the customer market.

Each job carries well-defined tasks and responsibilities. Many of these jobs involve managing particular marketing resources such as advertising, salespeople, or marketing research. In contrast, product managers, market managers, and he marketing vice-president manage *programs.* Their job is to analyze, plan, and implement programs that will produce a desired level and mix of transactions with target markets.

## 2.3. MARKETING CONCEPTS

The marketing concept is a business philosophy that challenges the three concepts; they are the production concept, the product concept, and the selling concept/sales concept.

As originally stated by General Electric four decades ago, the **marketing concept** holds that the planning and coordination of all company activities around the primary goal of satisfying customer needs is the most effective means to attain and sustain a competitive advantage and achieve company objectives over time. And marketing experts have their own statement about the marketing concept.

> The **marketing concept** is the marketing management philosophy that holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors do (Kotler and Armstrong, 2000: 19).

The other statement of the marketing concept is according to Kotler (1997: 19):

> The **marketing concept** holds that the key to achieving organizational goals consists of being more effective than competitors in integrating marketing activities toward determining and satisfying the needs and wants of target markets.

There are differences between the selling and marketing concept, but sometimes it is difficult for people to differ between these two concepts. The selling concept is focused on seller needs to convert his product to get profit. The marketing concept is focused on customer needs, all the activities to affect the customers, and produces profit to satisfy the needs of the customer.

The marketing concept rests on four pillars: *target market, customer needs, integrated marketing, and profitability.*

## 2.4. THE DEFINITION OF STRATEGY

> **Strategy** as a tool to achieve company goals in long terms, continue step program, and resources allocation priority (Chandler, 1962).

Learned, Christensen, Andrews, and Guth (1965):

> **Strategy** as a tool for competitive advantage idea. By which, one of the strategy focuses is to decide whether this business must exist or no exist.

The other definition of strategy is formulated by Jain (1997: 9):

> **Strategy** is the pattern of major objectives, purposes, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.

Any organization needs strategy (a) when resources are finite, (b) when there is uncertainty about competitive strengths and behavior, (c) when commitment of resources is irreversible, (d) when decisions must be coordinated between far-flung places and over time, and (e) when there is uncertainty about control of the initiative.

### 2.4.1. Strategic Business Units (SBU)

Strategic business units as a unit comprising one or more products having a common market base whose manager has complete responsibility for interacting all functions into a strategy against an identifiable competitor.

An SBU has three characteristics:

A. It is a single business or collection of related businesses that can be planned separately from the rest of the company.

B. It has its own set of competitors.

C. Performance and who controls most of the factors affecting profit.

## 2.5. MARKETING STRATEGY

Marketing strategy, according to Kotler and Armstrong (2000: 57):

> **Marketing strategy** is the marketing logic by which the business unit hopes to achieve its marketing objectives. It consists of specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels.

From the other marketing expert have other definition:

> The definition of **marketing strategy** is an idea or tactic, which supplier using persuasive approach to get the target consumers willing to buy their certain product or service (Foster, 1997: 24).

The primary purpose of a marketing strategy is to effectively allocate and coordinate marketing resources and activities to accomplish the firm's objectives within a specific product-market.

Therefore, to succeed in today's competitive marketplace; companies must be customers centered, winning customers from competitors and keeping them by delivering greater value. But, before it can satisfy consumers, a company must first understand their needs and wants. Because too many different kinds of consumers with too many different kinds of needs, company must divide up the total market, choose the best segments, and design strategies for profitably serving chosen segments better than its competitors do. This process involves three steps: *Market segmentation*, *market targeting*, and *market positioning* (STP). Next, companies developing the *marketing mix* elements.

### 2.5.1. Market Segmentation

First, a company has defined market segmentation is the process identifying action and figure out the buyer group or customer group into separated parts. Each of other has different characteristics, product need, and marketing mix.

Some marketing experts has tried to formulate market segmentation, such as Kotler & Armstrong:

> **Market segmentation** is dividing a market into distinct groups of buyers on the basis of needs, characteristics, or behavior who might require separate products or marketing mixes (2000: 51).
>
> A **market segment** is a group of consumers who respond in a similar way to a given set of marketing efforts (Kotler & Armstrong, 2000: 51).

### 2.5.2. Market Targeting

After a company has defined market segments, it can enter one or many segments of a given market to make the market targeting. Market targeting is the process of evaluating the various segment and deciding how many and which ones to target.

> The definition of **marketing targeting** is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter (Kotler & Armstrong, 2000: 51).

### 2.5.3. Market Positioning

After a company has decided which market segments to enter, it must decide what positions it wants to occupy in those segments.

Market positioning is the act of designing the company's offer and image, so that it occupies a distinct and valued place in the target customer's mind.

> **Market positioning** is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Formulating competitive positioning for a product and a detailed marketing mix (Kotler & Armstrong, 2000: 53).

### 2.5.4. The Marketing Mix

Once the company has decided on its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix that mixed of market variables controlled by company to achieve high supply.

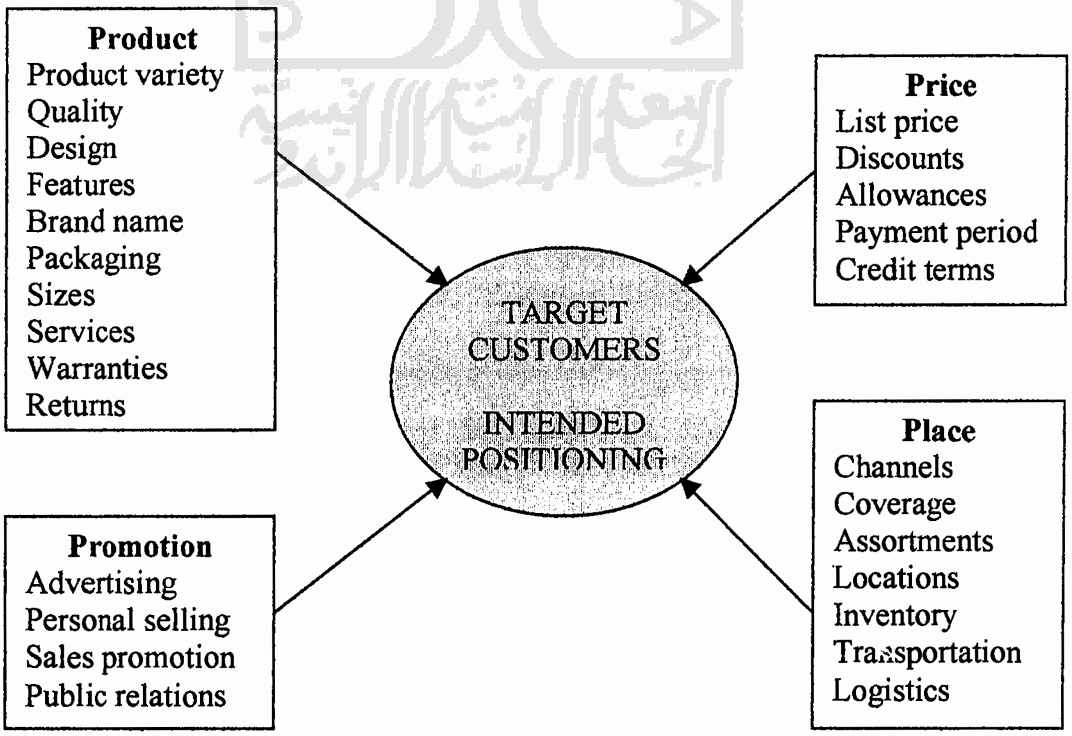
> **Marketing mix** as the set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market according to Kotler & Armstrong (2000: 55).

The other statement is write by Zeithaml & Bitner,

> **Marketing mix** as the elements an organization controls that can be used to satisfy or communicate with customers (1996: 23).

The traditional marketing mix consists of the 4P's: *product*, *price*, *place (distribution)*, and *promotion*. Figure 2.2 shows the four Ps of the marketing mix.

**Figure 2.2 the Four Ps of the Marketing Mix**




Source: Kotler and Armstrong, *Marketing an Introduction* (2000)

Based on the above figure 2.2, the explanations are:

1. **Product** is something bargained by company to the market, which scope of quality, planning, form, brand, and package.
2. **Price** is the amount of money customers has to pay to obtain the product.
3. **Place** is some company activities to put they product in order to each the target customer.
4. **Promotion** is all of company activities for communicating and promoting they product to market targeting.

However, the strategies for 4Ps require some modifications when applied to services. In addition to the traditional 4Ps, the services marketing mix includes *people*, *physical evidence*, and *process* (Zeithaml & Bitner, 1997: 26).

5. **People** are all human actors who play a part in service delivery and thus influence the buyer's perceptions; namely, the firm's personnel, the customer, and other customers in the service environment.

   All of the human actors participating in the delivery of a service provide cues to the customer regarding the nature of the service itself. How these people are dressed, their personal appearance, and their attitudes and behaviors all influence the customer's perceptions of the service.

   The service provider or contact person can be very important. In fact, for some services, such as consulting, counseling, teaching, and other professional relationship-based services, the provider is the service. In other cases the contact person may play what appears to be a relatively small part in service delivery, a telephone installer, an airline baggage handler, or an equipment delivery dispatcher.

6. **Physical evidence** is environment in which the service is delivered and where the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

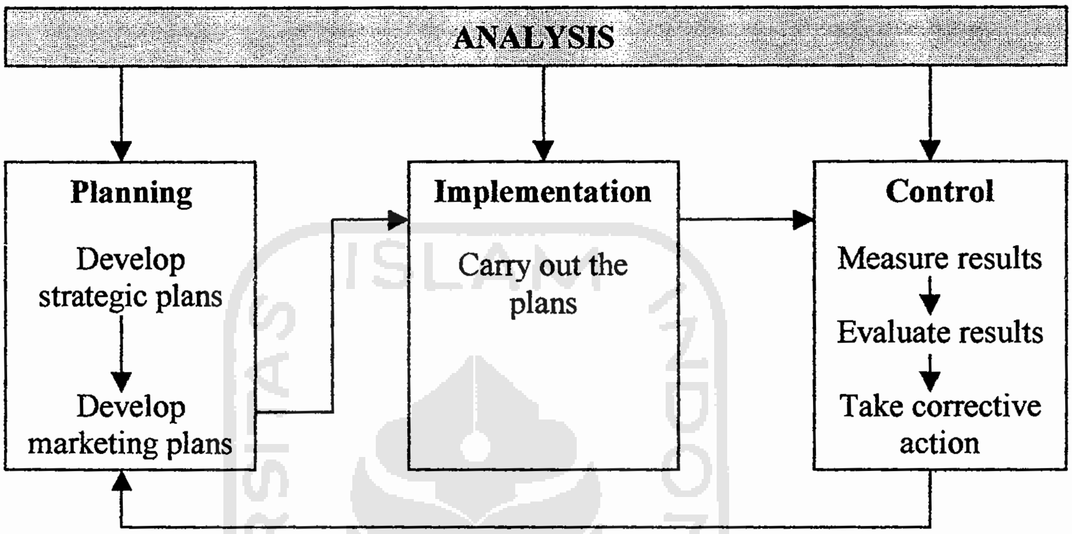
   The physical evidence of service includes all of the tangible representations of the service such as brochures, letterhead, business cards, report formats, signage, and equipment.

7. **Process** is the actual procedures, mechanisms, and flow of activities by which the service is delivered – the service delivery and operating systems.

## 2.6. MANAGING THE MARKETING EFFORT

The company wants to design and put into action the marketing mix that will best achieve its objectives in its target markets. Figure 2.3 shows the relationship between the four marketing management functions – *analysis*, *planning*, *implementation*, and *control*. The company first develops overall strategic plans, then translates these company wide strategic plans into marketing and other plans for each division, product, and brand. Through implementation, the company turns the plans into actions. Control consists of measuring and evaluating the results of marketing activities and taking corrective action where needed. Finally, marketing analysis provides information and evaluations needed for all of the other marketing activities.

**Figure 2.3 the Relationship between analysis, Planning, Implementation, and Control**




Source: Kotler and Armstrong, *Marketing an Introduction* (2000)

### 2.6.1. Marketing Analysis

Managing the marketing function begins with a complete analysis of the company's situation. The company must analyze its markets and marketing environment to find attractive opportunities and to avoid environment threats. It must analyze company strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue.

### 2.6.2. Marketing Planning

Through strategic planning, the company decides what it wants to do with each business unit. Marketing planning involves deciding on marketing strategies that will help the company to attain its overall strategic objectives.

### 2.6.3. Marketing Implementation

> **Marketing implementation** is the process that turns marketing strategies and plans into marketing actions in order to accomplish strategic marketing objectives (Kotler & Armstrong, 2000: 57).

### 2.6.4. Marketing Department Organization

The company must design a marketing department that can carry out marketing strategies and plans. If the company is very small, one person might do all of the marketing work – research, selling, advertising, customer service, and other activities. As the company expands, a marketing department organization emerges to plan and carry out marketing activities. In large companies, this department contains many specialists.

### 2.6.5. Marketing Control

According to Kotler and Armstrong (2000: 62),

> **Marketing control** is the process of measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that marketing objectives are achieved.

The control process involves four steps. Management first sets specific marketing goals. It then measures its performance in the marketplace and evaluates the causes of any differences between expected and actual performance. Finally, management takes corrective action to close the gaps between its goals and its performance.

## 2.7. SERVICES MARKETING

As consumers, we use services every day. Turning on a light, watching television, talking on the telephone, riding a bus, visiting the dentist, mailing a letter, getting a haircut, refueling a car, writing a check, and sending clothes to the cleaners are all examples of service consumption at the individual level. In addition to educational services, today's college facilities usually include libraries and cafeterias, counseling, a bookstore and placement offices, copy services, telecommunications, and even bank. If you are enrolled at a residential university, campus services are also likely to include dormitories, health care, indoor and outdoor athletic facilities, a theater, and perhaps a post office.

Unfortunately, customers are not always happy with the quality and value of the services they receive. People complain about late deliveries, rude or incompetent personal, inconvenient service hours, poor performance, needlessly complicated procedures, and a host of other problems. They grumble about the difficulty of finding salesclerks to help them in retail stores, express frustration about mistakes on their credit card bills or bank statements, shake their heads over the complexity of new self-service equipment, mutter about poor value, and sigh as they are forced to wait in line almost everywhere they go.

Suppliers of services often seem to have a very different set of concerns. Many complain about how difficult it is to make a profit, how hard it is to find skilled and motivated employees, or how difficult to please customers have become to the company and buy the service. Happily, in almost every field of endeavor there are service suppliers who know how to please their customers while also running a productive, profitable operation staffed by pleasant and competent employees.

According to Leonard L. Berry, as quoted by Zeithaml and Bitner (1996: 5):

> **Services** are deeds, processes, and performances.

Kotler (1997: 467) formulates the other statement of the service:

> A **service** is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

However, definitions in the top is too simple and directly, therefore Zeithaml and Bitner (1996: 5) has their own definition about services:

> **Services** is all economic activities with its output was not product and physically construction, with the general consumed and produced at the same time (simultaneous), and add-values of services, which gave on intangible principles (comfortable, entertainment, speed, and health) for first buyers, based on Yazid's book (2001:4).

Services marketing are connection between organization and customers. This connection will be successful if all marketing effort had oriented for customer and it could not be bargained any more that from top-management to non-management employee's side have been involved.

### 2.7.1. Differences in Goods versus Services Marketing

There is a general agreement that inherent differences between goods and services exist and that they result in unique, or at least different, management challenges for serves businesses and for manufacturers that offer services as a core offering. These differences and associated marketing implications are shown in Table 2.1.

**Table 2.1. Goods VS Services**

| Goods | Services | Resulting Implications |
|---|---|---|
| Tangible | Intangible | Services cannot be inventoried |
| | | Services cannot be patented |
| | | Services cannot be readily displayed or communicated |
| | | Pricing is difficult |
| Standardized | Heterogeneous | Service delivery and customer |
| | | Satisfaction depend on employee actions |
| | | Service quality depends on many uncontrollable factors |
| | | There is no sure knowledge that the service delivered matches what was planned and promoted |
| Production | Simultaneous | Customers participate in and affect the transaction |
| Separated from consumption | Production and consumption | Customers affect each other |
| | | Employees affect the service outcome |
| | | Employees affect the service |
| | | Decentralization may be essential |
| | | Mass production is difficult |
| Nonperishable | Perishable | It is difficult to synchronize |
| | | Supply and demand with services |
| | | Services cannot be returned or resold |

Source: Zeithaml and Bitner, *Services Marketing* (1996)

### 2.7.2. Characteristics of Services

A. Intangibility

The most basic, and universally cited, difference between goods and services is intangibility. Because services are performances or actions rather than objects, they cannot be seen, felt, tasted, or touched in the same manner that we can sense tangible goods. Because uncertainty caused by service intangibility can be happen, to reduce it consumers look for tangible evidence that will provide information and confidence about the service and the employee becomes information manager for consumers to make tangible the service or the physical evidence of product such as place, employee, equipment, communication material, symbol, and price.

B. Heterogeneity

The employees delivering the service frequently are the service in the customer's eyes, and people may differ in their performance from day to day or even hour to hour. Heterogeneity also results because no two customers are precisely alike; each will have unique demands or experience the service in a unique way. Thus, the heterogeneity connected with services is largely the result of human interaction and all of the vagaries that accompany it.

C. Simultaneous Production and Consumption

Most services are sold first and then produced and consumed simultaneously. Frequently it means that the customer is present while the service is being produced and thus views and may even take part in the production process. This also means that frequently customers will interact with each other during the service production process and thus may affect each other's experiences.

D. Perishability

Perishability means services cannot be saved, stored, resold, or returned. Because of that, if demanding is changing every time and company will have problem to make service delivery controlling.

**2.7.3. Classifications of Services**

A company's offer to the marketplace often includes some services. The service component can be a minor or a major part of the total offer. Five categories of offer can be distinguish:

A. *Pure tangible good*: the offer consists primarily of a tangible good such as shampoo, soap, or sugar.

B. *Tangible good with accompanying services*: the offer consists of a tangible good accompanied by one or more services to enhance its consumer appeal. For example, an electronic manufacturer must sell than an electronic. The company will give maintenance service to buyer if they buy their product.

C. *Hybrid*: the offer consists of equal parts of goods and services. For example, people come to restaurants for food and services.

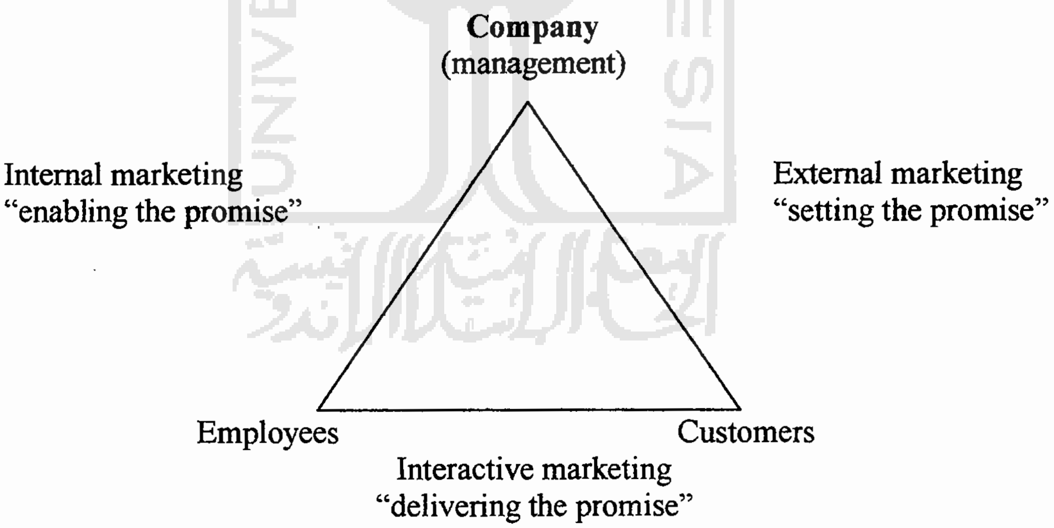
D. *Major service with accompanying minor goods and services*: the offer consists of a major service along with additional services and/or supporting goods. For example, airline passengers are buying transportation service. But, the trip includes some tangibles, such as food, drinks, a ticket stub, and an airline magazine.

E. *Pure service*: the offer consists primarily of a service. Examples include massages, and psychotherapy.

### 2.7.4. The Services Marketing Triangle

The triangle suggests that there are three types of marketing that must be successfully carried out for a service organization to succeed, and that all of item revolve around making and keeping promises to customers, it is shown in Figure 2.4.

**Figure 2.4 The Services Marketing Triangle**




Source: Zeithaml and Bitner, *Services Marketing* (1996)

On the right side of the triangle are the external marketing efforts that the firm engages in to set up its customer expectations and make promises to customers regarding what is to be delivered. Anything that communicates to the customer before service delivery can be viewed as part of this external marketing function.

On the bottom of the triangle is what has been termed *interactive marketing*, or what some refer to as *real-time marketing*. The actual service delivery takes place – the firm's employees interact directly with customers. Having a positive link between what is promised through external marketing and what is delivered through interactive marketing.

The left side of the triangle suggests the critical role played by internal marketing, which enables employees to keep the promises that have been made to customers.internal marketing refers to the activities the firm must carry out to train, motivate, and reward its employees.

## 2.8. MARKETING HOSPITALITY

**Hospitality** is an intangible product, such as softness of bed, the beauty of Lobby, the taste of food, environment security, comfortable and pleasant are the hotel wants to sell.

> **Market** is a potential population that doing the trip for using hotel service or its product results according to Foster (1997 : 2) and picked out by Oka A. Yoeti.

### 2.8.1 Hotel as a Product

Hotel market industry can be divided into two important segments, such as commercial hotel and resort hotel.

Commercial hotel segmentation exists for businessman trip, includes government officer, military on duties, convention participate, exhibition and seminar. Resort hotel segmentation exists for people who want tourism trip with leisure, recreation, sport or health purposes.

Generally, guest or customer will order directly to hotel room, however guest or customers can book through a reservation center or internal reservation, which is supported by the hotel. However, guest or customer may book indirectly by the help of the third hand, such as travel agent, tour operator, hotel representative and meeting planner.

### 2.8.2. Marketing mix of hotel

> **Marketing** is the activities that tries to reach end-user and retail outlet which motivation them for doing demanding (Foster, 1997: 5).

Marketing mix of hotel consists of *product*, *price*, and *promotion*.

A. Product

If the hotel room is already sold and guest is already inside the room, the room does not belong to guest. It is not a matter of buying nor selling the room or belonging. Because, actually the guests buy the services given/ provided by hotel since the guest does check in and check out.

B. Price

Price or room rates were determinate according to expenses that they spend for room services depend on market price competition at certain period. Basically, room rates are determined by variables cost such as construction, furnishing, maintenance, and operation cost, which all depend on the quality or the class of the hotel itself. Market price is determined to dominate the products: limited service hotel (melati hotel) and full service hotel (star hotel 2, 3, and 4).

In hotel market, we know about the Yield Management and it can happen if the demand is in peak season. The definition of yield management:

> **Yield management** is a selling process applied on the same rooms with different rates (foster, 1997: 11).

With this policy, certain room can be offered at special price to certain time (special season, a week, or a month). However, on off-season, room rates may decline to fill the empty rooms.

C. Promotion

promotion activities can be divided into *advertising*, *public relations*, *sales promotions*, *and personal selling*.

1. Advertising

> **Advertising** is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor (Kotler, 1997: 637).

The other statement was formulated by Foster (1997: 11):

> **Advertising** is a promotion activities paid through print media (newspaper, magazine, journal) or electronic media (radio or television), displays, poster, banner and the others media (Foster, 1997: 11).

The most effective advertising media for hotel marketing are formulated by Foster (1997: 115 – 118):

a. Telemarketing

Telemarketing consists of telephone, facsimile, and telex. Most of hotel used this media through central reservations for their marketing.

Central reservations system gives reached to attract the target consumers, although the distance is relative long. This way is more effective because it can be controlled, and the cost is for selling objectives.

b. Hotel Directories

This media includes some explanations and directories about the hotel and its facilities in the form of a guidebook, hotel directories, and travel references. The benefit is to reach many target consumers in small cost.

Hotel directories consists of three kinds:

(1) consumer hotel references

(2) travel industry references

(3) chain directories

c. Magazines

Local magazine media will set in frequently, if the location of hotel is in resort location.

The benefit of magazines is magazines can be used in a relative long term, therefore people will read more and frequent. Unlike the magazine, usually will just throw the newspaper away after reading it, they will not keep the newspaper.

d. Co-op Advertising

Co-op advertising is an advertising that set together with vendor such as travel agent, tour operator, or airline.

This media is used to promote the hotel and vendor, which depends on space portion and cost.

e. Point-of-Sale Advertising

Point-of-sale advertising is a promotion in hotel itself, such as poster at restaurant, bar, coffee shop, lobby, or setting the logo in map, envelope, pencil, ballpoint, brochure, postcard, and others information which are available in hotel room.

f. Direct Mail

Most hotels use this media for the consumer who have used the hotel facilities. It is hope that they will come again to the hotel. Direct mail are brochure, leaflets, questionnaires, and newsletters.

Usually, voucher or coupon of certain facilities with limited time will be attached to this direct mail. The weakness of this trick is that the information will change depend on hotel's policy.

g. Electronic Advertising

Electronic advertising is an advertising which through television and radio. These media have a long lasting moment to promote and give information to the target market. The promotion is good enough, because target consumer can remember that hotel although the price is expensive. Now, many hotels are promoting their hotel through Internet.

2. Public Relations

> A **public** is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives (Kotler, 1997 : 637).
>
> **Public Relations** (PR) involves a variety of programs designed to promote and/or protect a company's image or its individual products (Kotler, 1997: 671).

Foster (1997: 11) also pointed out that:

> **Public relations** is a promotion activities that done by hotel employee, using approach tehnics to consumers as a whole, which connecting to hotel operation activities.

Public relations are also called as *society relationship*, which can be defined as an art of creating and managing of publicity through news and information media. Most companies operate a public relations department to plan these relations. The PR management monitors the attitudes of the organization's publics and distributes information and communication to build goodwill. When negative publicity breaks out, the PR department acts as a troubleshooter. The best PR department spends time counseling top management to adopt positive programs and to eliminate questionable practices so that negative publicity does not arise in the first place.

3. Sales Promotion

> **Sales promotion** consists of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker and/or greater purchase of particular products/services by consumers or the trade (Kotler, 1997: 661).

Foster (1997: 12) defined the sales promotion as follows:

> **Sales promotion** is promotion activities for selling objectives to do its sales right. The sales promotion activities are video types, slide presentation, company newsletters such as brochure, leaflet, and others.

Sales promotion includes tools for *consumer promotion* (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); *trade promotion* (prices off, advertising and display allowances, and free goods,); and *business* and *sales force promotion* (trade shows and conventions, contests for sales reps, and specialty advertising).

Sellers use sales promotion to attract new tries, to reward loyal customers, and to increase the repurchase rates of occasional users.

4. Personal Selling

> **Personal selling** is a promotion activities to target consumer or target buyer with persuasive way and hopes they may buy the product (Foster, 1997: 12).
>
> Lovelock and Wright (1999: 252) suggested the statement of personal selling:
>
> **Personal selling** is a two-way communications between service employees and customers designed to directly influence the purchase process.

Personal selling refers to interpersonal encounters on a face to face (or in telemarketing, voice to voice) basis, in which efforts are made to educate customers and promote preference for a particular brand or product. Because face to face selling is usually very expensive, it is used most frequently in business to business markets. Especially when the amounts purchased by each corporate customer is substantial. But there is still widespread use of personal selling in settings where customers encounter service personal, ranging from department stores to hair salons and car rental agencies. For infrequently purchased services like real estate, insurance, and funeral services, the firm's agents often play a consulting role to help buyers determine their needs and select from suitable alternatives.

## 2.9. TECHIQUE OF DATA ANAYSIS

### 2.9.1. SWOT Analysis

SWOT analysis is based on maximizing strength and opportunity idea, but it may base on weaknesses and threats together. The indicators of external variables to evaluate the opportunity and threat from the outside of the company and the indicators of internal variables to evaluate the strength and weakness from the inside of the company.

> **SWOT** is abbreviation of internal strengths and weaknesses and external opportunities environment and threat of world business (Rangkuti, 1999:19).

> A **marketing opportunity** is an area of buyer need in which a company can perform profitably (Kotler, 1997: 81).

> An **environment threat** is a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to deterioration in sales or profit (Kotler, 1997: 81).

> **Strengths** refer to the competitive advantages and other distinctive competencies that a company can exert in the marketplace (Jain, 1997: 154).

> **Weaknesses** are constraints that hinder movements in certain directions (Jain, 1997: 154).

A. Data collection

1. External Factors Evaluation

   a. Compiled the external factors into column 1 (indicators of external in 5–10 factors).

   b. Put the weight estimation into column 2 by each factor. The weight of estimation is 0.0 (very unnecessary) until 1.00 (very necessary). The amount of weight is not more than the total score (1.00).

   c. Count the rating estimation into column 3 by each factor, which scale from 5 (very attractive), 4 (attractive), 3 (neutral), 2 (unattractive) and 1 (very unattractive) based on factors that influence the company.

d. Multiply the weight estimation at column 2 with the rating estimation at column 3 to get the weight score at column 4.

e. Finally, total up the weight score at column 4. From total of weight score, we can see this company is reaction to external strategy factors. And it can also be used for comparing the company to other company in the same industry.

2. Internal Factors Evaluation

a. Compiled the internal factors into column 1 (indicators of external in 5–10 factors).

b. Put the weight estimation into column 2 by each factor. The weight of estimation is 0.0 (very unnecessary) until 1.00 (very necessary). The amount of weight is not more than the total score (1.00).

c. Count the rating estimation into column 3 by each factor, which scale from 5 (very attractive), 4 (attractive), 3 (neutral), 2 (unattractive) and 1 (very unattractive) based on factors that influence the company.

d. Multiply the weight estimation at column 2 with the rating estimation at column 3 to get the weight score at column 4.

e. Finally, total up the weight score at column 4. From total of weight score, we can see this company is reaction to internal strategy factors. And it can also be used for comparing the company to other company in the same industry.

The indicators of external variables to evaluate the strength and weakness from the outside of the company and the indicators of internal variables to evaluate the strength and weakness from the inside of the company are compiled as Table 2.2.

**Table 2.2 Indicators of External and Internal Variables**

| Indicators of External Variables | Indicators of Internal Variables |
|---|---|
| Overall market size | Market share |
| Annual market growth rate | Share growth |
| Competitive intensity | Product quality |
| Technological requirement | Brand reputation |
| Inflation vulnerability | Promotional effectiveness |
| Consumer's purchasing power | Productive capacity |
| Social – political – legal | Unit costs |
| | Material supplies |
| | R & D performance |
| | Managerial personnel |

Source: Kotler, *Marketing Management* (2000)

B. Analysis Step

After data collection, then the company used SWOT analysis diagram to analysis the performance of company from the internal and external that company. From this analysis the company can make some alternative company strategies.

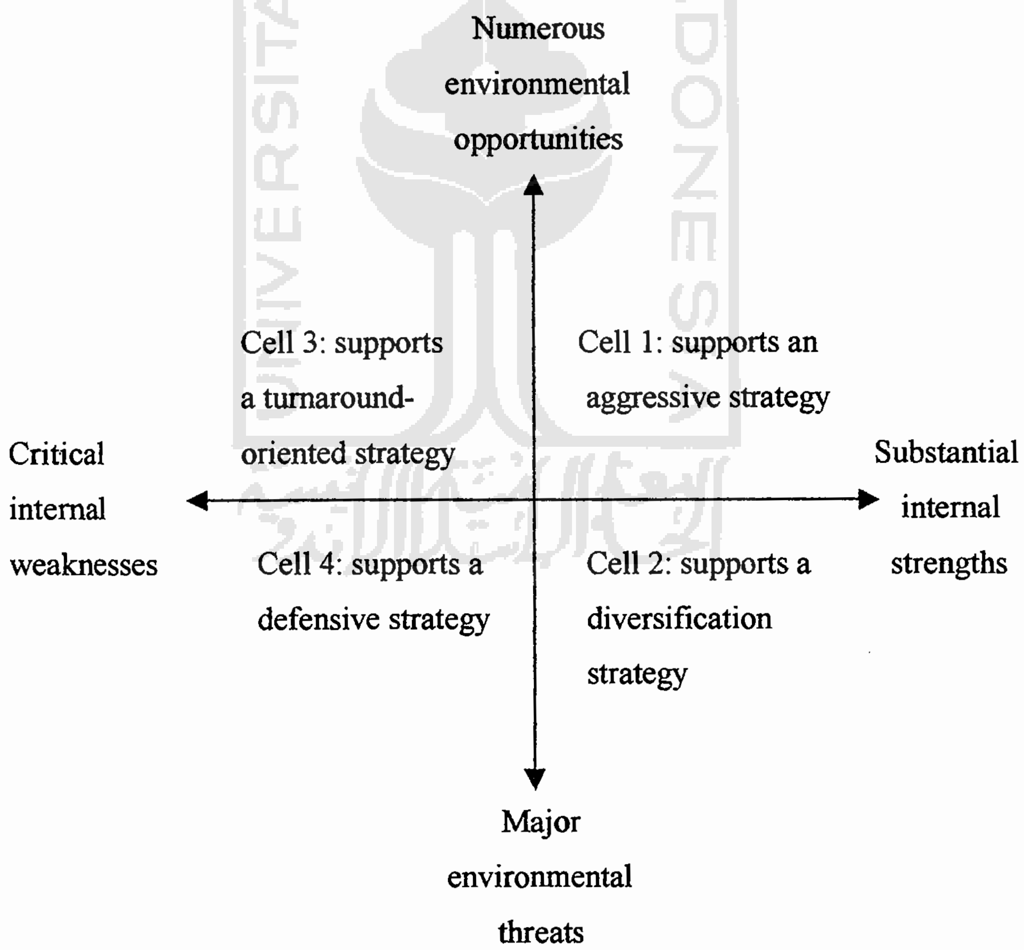
C. Decision Making

Decision making which concerns about whether the company will decide to make what is the best decision for the company to run the business in the future in short terms or long terms.

### 2.9.2. SWOT Analysis Diagram

The systematical SWOT analysis can give a dynamic framework and will be useful for strategic analysis. SWOT analysis can also be used to compare the main opportunity and threat with the internal strengths and weaknesses so that it can be used to identify one pattern of comparing internal and external company's situation. The four cells in Figure 2.5.describes this pattern.

**Figure 2.5 SWOT Analysis Diagram**




Source: Pearce and Robinson, *Strategic Management: Formulation, Implementation, and Control* (2000)

A. Cell 1

The most favorable situation; the company faces several environment opportunities and has numerous strengths that encourage pursuit of those opportunities. The precise strategy of this situation is *growth oriented strategy*.

B. Cell 2

The company has identified several key strength faces an unfavorable environment. In this situation, strategies would seek to redeploy those strong resources and competencies to build long–term opportunities in more opportunistic product or markets.

B. Cell 3

A company faces impressive market opportunity but is constrained by weak internal resources. The focus of strategy for such a company is eliminating the internal weaknesses so as to more effectively pursue the market opportunities.

C. Cell 4

Cell 4 is the least favorable situation, with the company facing major environmental threats from a weak resource position. This situation clearly calls for strategies that reduce or redirect involvement in the products or markets examined by means of SWOT analysis.