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2016
"Small and Medium-sized Enterprises Competitiveness"

Agribusiness Development for Human Welfare

PROCEEDING

INTERNATIONAL CONFERENCE

Agribusiness Development for Human Welfare

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Organized by:
Department of Agribusiness, Faculty of Agriculture
Universitas Muhammadiyah Yogyakarta

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PROCEEDING INTERNATIONAL CONFERENCE

AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE

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EDITOR FOREWORD

The economic integrations by ASEAN certainly have given a major influence on Small and Medium-sized Enterprises (SMEs). Beside economic integration in the form of free trade area (FTA) that has been going on since the early 2000s, economic integration in the form of ASEAN Economic Community (AEC) has been ongoing since the beginning of 2016. Through this integration, SMEs have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market.

In order to explore ideas, concept, and innovations related to the competitiveness of SMEs, International Conference on Agribusiness Development for Human Welfare (ADHW 2016) was held in Yogyakarta on May 14, 2016. The conference organized by Department of Agribusiness Universitas Muhammadiyah Yogyakarta, in collaboration with Department of Agribusiness and Information System Universiti Putra Malaysia, Department of Agro-Industrial Technology Kasetsart University, Department of Agriculture Socio-Economics Universitas Gadjah Mada, Department of Agriculture Socio-Economics of Universitas Brawijaya, Indonesian Society of Agriculture Economics, Agribusiness Association of Indonesia. Hopefully proceedings of ADHW 2016 provide stimulus for increasing competitiveness of SMEs in ASEAN, especially in Indonesia.

Furthermore, we are grateful to Allah, the Sustainer of all word, who always makes it easy for our affairs. We would like to acknowledge with thanks to all the institution and individual who joined with resources and efforts in organizing the conference that resulted in the papers which are published in this proceeding. Special thanks to all authors and discussants who contributed with their intellectual capital and responded to our call papers. Thanks and acknowledgment are also due to all reviewers of the conference who helped in evaluating submitted papers; and to the members of the Organization Committee, who ensured smooth execution of the event.

May 30, 2016

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PREFACE

Assalaamualaikum, Warahmatullaahi., Wabarakaatuh.
Dear Honorable Governor of Yogyakarta Special Province
Dear respectable Prof. Dr. Zainal Abidin Mohamed
Dear respectable Asist. Prof. Pornthipa Ongkunaruk
Dear respectable Rector of UMY Prof. Dr. Bambang Cipto, MA.
Dear all invited Guests, Speakers, and Participants of International seminar of ADHW 2016.

Alhamdulillah, all praise be to the Almighty God, so that we can be gathering here today at Muhammadiyah University of Yogyakarta in order to attend the Conference on Agribusiness Development for Human Welfare (ADHW) 2016.

Ladies and Gentlemen,

On behalf of the committee, I would like to say welcome to this International Conference on ADHW 2016 and thank you for attending our invitation.

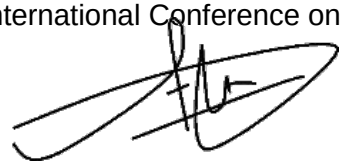
Especially, we are grateful to invited speakers, Prof. Zainal Abidin Mohamed and Asist. Prof. Pornthipa Ongkunaruk, for their willingness to share information and thoughts in this conference. As a bit report, that this conference has been attended by 85 speakers coming from five countries.

This conference entitled “Small and Medium-sized Enterprise Competitiveness”. ASEAN Economic Community is the largest economic integration that is going to be implemented at the beginning of 2016 (December 31, 2015). Through this integration, SMEs will have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market. We expect that this seminar is capable of producing thoughts building SMEs within ASEAN, especially Indonesia, to face the free trade.

This event can be done by support and efforts from all sides. Therefore, I would like to say thank you to all committee members having worked hard to conduct this event. We, as the organizer commitee, do apologize when there is a shortage in conducting this event.

Wassalamualaikum, Warahmatullaahi., Wabarakaatuh.

Chairman
International Conference on ADHW 2016



Dr. Aris Slamet Widodo, SP., MSc.

WORDS OF WELCOME

Assalamu'alaikum warahmatullahi wabarakatuh

Alhamdulillah, all praise be to Allah SWT, who has given us His blessings so that this International Seminar of Agribusiness Development for Human Welfare (ADHW) 2016 entitled "Small and Medium-sized Enterprises Competitiveness" can be conducted. This International Conference is held in cooperation among Agribusiness Study Program of Muhammadiyah University of Yogyakarta with Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), and Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB).

Countries of ASEAN members like Indonesia, Malaysia, and Thailand have more than 90% Small and Medium-sized Enterprises (SMEs). In general, SMEs play important role in economic developments such as in terms of employment, added value, improve foreign exchange, and economic growth. For Indonesia, the role of SMEs is limited to employment and added value, while the foreign exchange from SMEs is still low. According to the General Director of SMEs of Industrial Ministry, in 2013 the total SMEs being able to pass through export market is just under 5 percent. For that required many breakthrough and innovation so that the role of SMEs becomes real economic development, especially in Indonesia, and generally in ASEAN countries.

On behalf of Agribusiness Department of Universitas Muhammadiyah Yogyakarta, we would like to express our gratitude Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB) for all supports, sponsors, and all committee members having worked so hard that this International Conference can be conducted.

Hopefully, these sinergies coming from various parties can provide contribution for developing SMEs in Indonesia and other ASEAN countries as well.

Wassalamu'alaikum warhmatullahi wabarakatuh

Head of Agribusiness Department
Universitas Muhammadiyah Yogyakarta

Ir. Eni Istiyanti, MP.

Gubernur

Daerah Istimewa Yogyakarta

Sambutan
KONFERENSI INTERNASIONAL
"*AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE*"
Yogyakarta, 14 Mei 2016

Assalamu'alaikum Wr. Wb.

Salam sejahtera untuk kita semua.

Yang Saya hormati :

- Rektor Universitas Muhammadiyah Yogyakarta;
- Para Narasumber;
- Hadirin dan Para Peserta yang berbahagia,

Puji dan syukur marilah kita panjatkan kehadirat Allah SWT karena hanya atas limpahan rahmat serta karunia-Nya, kita dapat hadir pada kesempatan acara **Konferensi Internasional "*Agribusiness Development For Human Welfare*"** ini dalam keadaan sehat wal'afiat.

Pada kesempatan kali ini, secara ringkas Saya akan menyampaikan mengenai industri kecil menengah nasional yang menjadi tema pada pembukaan Seminar Internasional "Agribusiness Development For Human Welfare" ini.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Berdasarkan data BPS, pertumbuhan industri pengolahan nonmigas pada tahun 2015 secara kumulatif sebesar 5,04%; lebih tinggi dari pertumbuhan ekonomi (PDB) pada periode yang sama sebesar 4,79%. Pada periode Januari-Desember 2015, nilai ekspor produk industri pengolahan nonmigas mencapai USD 106,63 Milyar, dan nilai impor mencapai USD 108,95 milyar, sehingga neraca perdagangan insdustri pengolahan nonmigas pada periode yang sama sebesar USD 2,32 milyar (nerasa defisit).

Usaha pemerintah untuk memperkecil defisit di atas, salah satunya dengan cara memberdayakan Industri Kecil dan Menengah (IKM) yang merupakan bagian penting dalam perkembangan industri nasional. Sampai saat ini, Insutri Kecil dan Menengah

telah berkontribusi sebesar 34,82% terhadap pertumbuhan industri pengolahan nonmigas secara keseluruhan.

Angka ini dapat tercapai karena dukungan lebih kurang 3,6 juta unit usaha, yang merupakan 90 persen dari total unit usaha insutri nasional. Jumlah unit usaha tersebut telah mampu menyerap tenaga kerja sebesar 8,7 juta orang, yang tentunya berdampak pada meningkatnya ekonomi nasional serta mengurangi kemiskinan.

Industri Kecil dan Menengah (IKM) memiliki peran yang strategis dalam perekonomian nasional. Hal ini sejalan dengan Visi Pemerintah dalam Rencana Pembangunan Nasional Jangka Menengah (RPJMN) 2015-2019 yaitu *"Terwujudnya Indonesia yang berdaulat, mandiri, dan berkepribadian berlandaskan gotong royong".*

Untuk lebih meningkatkan peran tersebut, Penumbuhan dan Pengembangan Industri Kecil dan Menengah diarahkan untuk memiliki tujuan jangka menengah guna mewujudkan industri kecil dan industri menengah yang berdaya saing, berperan signifikan dalam penguatan struktur industri nasional, pengentasan kemiskinan dan perluasan kesempatan kerja, serta menghasilkan barang dan/atau jasa Industri untuk keperluan ekspor.

Hadirin dan Saudara-saudara sekalian,

Awal tahun ini, kita telah memasuki era Masyarakat Ekonomi ASEAN (MEA). Dengan demikan, perekonomian nasional akan langsung bersaing dengan para pelaku pasar di kawasan ASEAN. Produk dan jasa termasuk investasi negara-negara anggota telas bebas memasuki pasar di kawasan ASEAN.

Dalam rangka menghadapi hal tersebut, Pemerintah mengambil langkah-langkah strategis berupa peningkatan daya saing industri dan mendorong investasi di sektor industri; di mana peningkatan daya saing industri itu sendiri dilakukan melalui penguatan struktur industri dengan melengkapi struktur industri yang masih kosong serta menyiapkan strategi ofensif dan defensif dalam akses pasar.

Pemerintah telah melakukan Penguatan Sektor IKM dengan strategi ofensif dan defensifnya melalui beberapa program pelaksanaan, diantaranya antara lain: Penumbuhan Wirausaha Baru; Pengembangan IKM melalui Pengembangan Produk IKM serta Peningkatan Kemampuan Sentra dan UPT; Pemberian Bantuan Mesin dan Peralatan Produksi; Perluasan Akses Pasar melalui Promosi dan Pameran; Fasilitasi Pendaftaran Hak Kekayaan Intelektual; Fasilitasi Sertifikasi Mutu Produk dan Kemasan; serta Fasilitasi Pembiayaan melalui Skema Kredit Usaha Rakyat (KUR).

Saya berharap agar berbagai program-program pemerintah tersebut dapat didukung secara sinergis oleh seluruh komponen masyarakat. Untuk itu, Saya berpesan kepada Saudara-saudara sekalian agar semua program pemerintah dalam bidang

Industri, khususnya dalam program pemberdayaan Industri Kecil dan Menengah, didukung dengan sepenuh hati, agar dapat lebih bermanfaat bagi masyarakat dalam rangka pengembangan industri kecil menengah.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Demikian beberapa hal yang dapat Saya sampaikan. Akhirnya dengan memohon ridho Allah Subhanahu Wata'ala, seraya mengucap "*Bismilahirrahmanirrahim*", **Konferensi Internasional "*Agribusiness Development For Human Welfare*"** dengan ini secara resmi Saya nyatakan dibuka. Semoga Allah SWT memberikan petunjuk, bimbingan, perlindungan dan kemudahan dalam setiap langkah dan upaya kita. Amien.

Sekian dan terima kasih.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, 14 Mei 2016
GUBERNUR
DAERAH ISTIMEWA YOGYAKARTA

HAMENGKU BUWONO X

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ANALYSIS OF INFLUENCE OF MARKETING MIX AGAINST PURCHASE DECISION OF GROWING UP MILK ON THREE SOCIO-ECONOMIC CLASS IN MALANG

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ABSTRACT

In fact the changing of consumer behavior constantly demonstrates the importance of consumer research. The dynamic nature of consumer behavior causes the product life cycle becomes shorter. Proper mapping of socio-economic class of consumer is important to enable manufacturers to provide the best products according to customer wishes. The research objective is to obtain the explanation whether there is influence of the marketing mix (product, price, place and promotion) against purchase decision of Growing Up Milks (GUM) product on three socio-economic classes (lower, middle and upper) and to discover the difference and the similarity among the class. The study was conducted in Malang by using questionnaire and data processed by using Partial Least Squares as an alternative to Structural Equation Modelling. The results shows that the product is significantly influence the purchase decision of GUM across all class. Price has a significant effect on the purchase decision only at lower and upper class. Place and promotion did not significantly influence the purchase decision of GUM across all class. Variation changes in endogenous variable (purchase decision) can be explained by the exogenous variables (marketing mix), respectively 64.8% (upper), 48.3% (middle) and 49.9% (lower). Multi Group Analysis (MGA) shown that there is no significant difference between the middle and lower classes. A significant difference between the upper and middle and between upper and lower is on product and price. Upper class inclined to purchase GUM due to the quality of the product instead of design or product packaging. Price discount and lower price are not a main consideration for upper class.

Key Word: Marketing Mix, Purchase Decision, Growing Up Milk Product, Partial Least Squares (PLS), Socio-Economic Class of Consumer.

INTRODUCTION

Nielsen data show that the market size of milk market in Indonesia is tremendous and the business value even reached 40 trillion IDR/year. Milk powder and infant formula are dominant and contributeconsecutively 38% and 15% from the total value (SWA, 2012). Delgado et al. (1999) stated that with population growth, lifestyle changes, nutritional awareness, and improvement of education level, the demand for milk continue to rise.

Indonesia is at the early stages of a period of strong economic growth, creating a wave of new Middle-class and Affluent Consumers (MACs) that will grow in both size and purchasing power through 2020, according to a new report by The Boston Consulting Group (BCG).With the fourth-biggest population in the world (including a high proportion of working-age people), a stable political climate, and strong local demand, Indonesia's economy is currently

Growing at 6.4 percent a year, such growth is lifting millions from lower income socio-economic levels into the MAC categories (BCG, 2013)

The marketing mix is a business tool used in marketing and is often associated with the four Ps: Price, Product, Place, and Promotionand often crucial when determining a product or brand's offer.

Purchase decision is the process a customer goes through when buying a product. It can be seen as a particular form of a cost–benefit analysis. The buying decision model has gone through lots of interpretation.

Previous research on behavior of milk consumer was made by Setiyanti et al (2009) on "Marketing Strategy of Clinical Enteral Nutrition Dairy Products" in five hospitals in Jakarta concluded that there are several factors that are quite prominent on the consumer when consuming dairy nutrients which are educational background, monthly household expenditure and the availability of products. Inadequacy of this study is less extensive research location that is only at five hospitals in Jakarta, so that they could be extended another hospital that has the patient's socio-economic class middle to lower odds of having a different opinion on the use of infant nutrition for premium prices.

Two main objectives of this research are : to obtain explanatory of the influence of the marketing mix to the purchase decision of Growing Up Milk product on the upper, middle and lower socio-economic class of consumers in Malang and to determine the similarities and differences in the purchasing decisions of the product between socio-economic class.

METHOD

Subject, Object and Place of Research

This study takes the subject "Influence of Marketing Mix Against the Purchase Decision of Growing Up Milk for children aged 1 -12 years in Malang", while the object is a household that purchases of growing up milk products for children aged 1-12 years. Research conducted in Malang where economic growth is as high as 7.92% in 2014 and it well above the average of the national economicgrowth amounted to only 5.02%, also a typical urban that has a wide range of socio-economic class.

Quotation of Socio-economic Class

Family income is the most significant factor influencing children's milk consumers (Sunarti, 2006). In this study socio-economic class is refer to income per month and refer toMalang Minimum Wages (MW) for year of 2015. MW calculated based on Need for Decent Living (DL) parameters, meaning that people with income at MW will be able to meet the standards needs of a decent living. State Minimum Wage to Malang in 2015 was 1,882,250 IDR correspond East Java Governor Regulation No. 72 Year 2014 About Minimum Wage District / Municipality in East Java in 2015.

Table 1. Distribution of Socio-Economic Class Based on Income per Month

Socio-economic Class	Income per Month (in IDR)
Lower	<1,882,250
Middle	1,882,250 – 3,764,500
Upper	>3,764,500

Design of Hypothesis

Data used in this study are primary data (questionnaire) taken by purposive sampling technique.

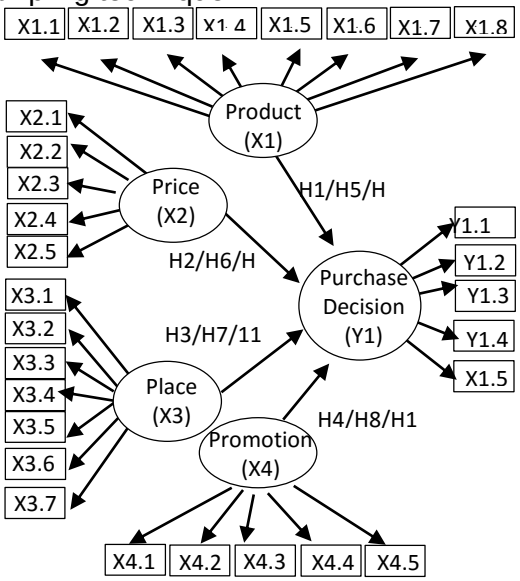

Figure 1. Framework Analysis

The number of respondents for each socio-economic class is 100. To test hypothesis using analysis Partial Least Squares (PLS) as an alternative to Structural Equation Modeling (SEM) with framework analysis as shown by figure 1.

Variables and Research Instruments

Indicators are the variablesthat are observed and called as manifest variables.It isrecommended that researchers use four or more variables. If only use two variables, the analysis would be problematic. In connection with it, if only to use one measurement, errors cannot be made a model. The models that use only two indicators per latent variable will be difficult to identify (under-identified) and estimates the error will not be reliable.

Latent variables are variables that are not observed (un-observed variables) so called constructswere measured using indicators. Latent variables include independent, intermediaries and dependentvariables. The construct is a kind of specific concepts that are in a higher level of abstraction and created for the purpose of certain theories. The concept of consciously produced by scientists for scientific purposes.

Exogenous variables are independent variables with no previous cause variable. Endogenous variables are variables that can be as an intermediary for the effects of other exogenous variable or variables intermediary, and is the cause of the other intermediate variables and the dependent variables.

In this study there are fourexogenous variables that will be analyzed namely: Product, Price, Place, Promotion and one endogenous namelyPurchase Decision. Each variable will be developed into some of the item in question and accompanied by five alternative answers that would be measured using a Likert scale with a weight value of 1 for an answer "Strongly disagree" to 5 to answer "Strongly agree".Data from the Likert scale is ordinal data, so this needs to be changed into interval data with Method Successive Interval (MSI) that is commonly used in attitude measurement. Interval data is processed by using PLS as part of SEM.

Validity and Reliability Test

Validity correlates with levels of accuracy or precision achieved by an indicator in judging something or accurate measurement of what is supposed to be measured (Ferdinand, 2005). Testing the validity of the instruments of the questions done using convergentvalidity test with reflective indicators were assessed based on the loading factor (correlation between the scores of items / components score with a score constructs). Validity is also measured by discriminant validity test was assessed by cross loading measurements of the construct. Discriminant validity relates to the principle that indicators of the different constructs should not be highly correlated.

Reliability is an index indicating the extent to which a measuring device (in this study is a questionnaire which is an indicator of a variable or construct) can be trusted or relied upon (Singarimbun, 1995). Reliability indicates the consistency of the measurement results in case of gauges that are used by different people at the same time or used by the

same person at different times. The technique used to calculate the reliability index in this study were using PLS is Composite Reliability.

Testing Data

Data analysis in this research uses the PLS as an alternative to SEM. The software that is used for the analysis is SmartPLS version 3.0. According Abdillah and Jogiyanto (2015), testing the measurement model used to validate the research model. Two main parameters are testing the construct validity (convergent and discriminant validity) and testing of internal consistency (reliability) construct. Convergent validity test parameters seen from Variant Average score Extracted (AVE) which should be > 0.5. To test the discriminant validity of the appraised value of the composite reliability values should be> 0.7.

RESULT AND DISCUSSION

Overview of Research Location

This research was conducted in Malang located in East Java province. Malang is headed by a mayor and the area consists of 5 sub-districts namely Blimbing, Klojen, Sukun, Kedungkandang, and Lowokwaru. The population of the of Malang in 2014 based on data of the population enrolled in the Department of Population and Civil Registration Malang as many as 865,011 peoples spread over 57 villages. Number of children 1-12 years in 2014 reached more than 180 thousand, or about 20% of the total population and close to national profile. The number of families in the same year is as much as 204,179 families.

Descriptive Statistics

Descriptive analysis, which provides a descriptive overview of empirical or on the data collected in the study. The data comes from a respondent's answers on the items contained in the questionnaire and will be grouped and tabulated then given an explanation. This study will present characteristic of the respondents for each socio-economic class as follows:

Table 2. Distribution of Respondents by Gender

Gender	Socio-economic Class					
	Lower		Middle		Upper	
	(n)	(%)	(n)	(%)	(n)	(%)
Male	12	12	31	31	22	22
Female	88	88	69	69	78	78
Total	100	100	100	100	100	100

Respondents for all socio-economic classpredominantly female with the proportion 69% - 88% of the total respondents as presented in Table 2. This happeneddue to in general women are responsible for the provision of household consumption, in accordance with what is stated by Engel, et al (1994).

Table 3. Distribution of Respondents by Education Level

Education	Socio-economic Class					
	Lower		Middle		Upper	
	(n)	(%)	(n)	(%)	(n)	(%)
High School	41	41	33	33	9	10
Bachelor Degree	34	35	52	53	62	63
Master Degree	0	0	5	5	18	19
Doctoral Degree	0	0	1	1	5	5
Others	24	24	8	8	3	3
Total	99	100	98	100	97	100

According to Suryani (2012) education is one of the variables that is often used as indicators in measuring social class. In general, the higher the level of education, the higher the social class. Higher education will also provide opportunities and better access to employment. Table 3 shows that the total number of respondents in social class on the Bachelor, Master and Doctoral degree are very high at 87%, while lower social

class which is only 34%. As many as 41% of respondents the lower social classes have a high school education, while in the upper social class respondents the number is only 9% for high school education.

Table 4. Distribution of Respondents by Job

Job	Socio-economic Class					
	Lower		Middle		Upper	
	(n)	(%)	(n)	(%)	(n)	(%)
Private Worker	38	38	41	41	23	25
Bureaucrat	3	3	24	24	38	41
Entrepreneur	14	14	9	9	12	13
Others	45	45	26	26	19	21
Total	100	100	100	100	92	100

Job is also one of the variables that isoften used as indicators in measuring social class. This is understandable because the work is directly related to a person's position in society. People consider that there are certain jobs that prestigious show social class or otherwise, Suryani (2012)

Table 4.Shows that total combination of three jobs: private worker (25%), bureaucrat(41%) and entrepreneur (13%) are equal to 79% in total for upper class, while the same categoryfor the lower classis only 51% in total (sum of 38%,3% and 14%).

The researchers also added some other respondent profiles to better explain the differences of the characteristics of respondents among the socio-economic class, namely:

(1) Electrical Power, the data show the majority of upper-class respondents (76%) to install electrical power 1300 watt - 2200 watt for their homes, while the lower class respondents dominated 450 watts - 900 watts up to 81%. (2) Fuel kitchen, the data for upper class tend to use 12 kg LPG as a fuel with a proportion of 55% is much higher than the lower social classes that only 7%. The majority of lower class (87%) using 3 kg LPG as fuel for their households due to these types of government-subsidized and can be bought at a cheaper price. Even in the lower social classes still found respondents who use firewood as their fuel. This may happen because some respondents live in the sub-urban or even in the countryside in of Malang.(3) Building house size, 250 m^2 - 500 m^2owned by upper-class (63%) compared to the lower class were only 18%. As many as 78% lower class has a house size of 50 m^2- 75 m^2.(4) The land size,500 m^2 - 1000 m^2owned by the upper class also tend to be higher at 49% compared with the lower class that only 18%. Most of the lower class (79%) has a land size of 100 m^2- 250 m^2.

Inferential Statistics

Inferential statistics, (statistics inductive or statistical probability), is a statistical technique used to analyze the sample data and the results apply to the population. Consistent with the hypothesis that has been formulated, the inferential statistical data analysis in this study are measured using SmartPLSv3.0. PLS model evaluation is done by evaluating (1) measurement model (outer model) and (2) the model structure (inner model) (Abdillah and Jogiyanto, 2015).

Outer model is a measurement model to assess the validity and reliability of the model. Through a process of iteration (gradually estimation techniques to generate the best value) algorithm, parameter measurement model (convergent validity, discriminant validity, and composite reliability). Inner model is a structural model to predict the causal relationships between the latent variables. Through the bootstrapping process (repetitive sampling or resampling method), test parameter T-statistic obtained to predict the existence of causality.

To simplify the presentation of the results of this study, the detailed analysis phase will only be applied on the upper

socio-economic class on alone while the middle and lower class will only be presented the final result in the form of inner analysis results.

Outer Testing Model (Measurement Model) for Upper Socio-Economic Class

Building a Conceptual Model Analysis of Structural Equation with SmartPLS Program. Structural analysis model that is built in the first phase of this research and continue with determinationof coefficient of structural model.

Determine the Coefficient of AStructural Model

Result of counting the coefficient of the structural model shown by figure 2:

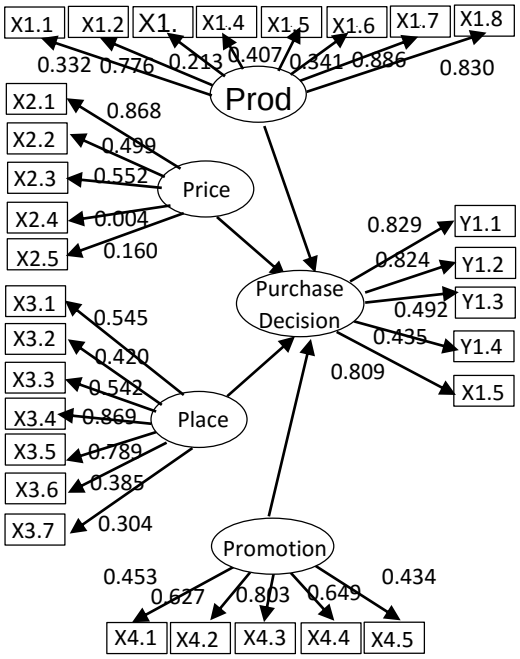

Figure 2. Coefficient Structural Equation Model

A concept and modeling studies cannot be tested in a model predictive relational and causal relationship if not passed the stage of purification in the measurement model. The model itself is used to test the construct validity and reliability testing instruments. Validity test is done to determine the ability of research instrument measure what should be measured. Instrument reliability test used to know consistency measuring instrument in measuring a concept or it can also be used to measure the consistency of respondents in answering the questions in the questionnaire items.

Discriminant validity to the principle that the measurement of a different construct should not be correlated with height. Discriminant validity occurs when two different instruments that measure two different constructs predicted uncorrelated produce scores that are not correlated. Discriminant validity was assessed by measuring the cross loading of the construct. Rated cross loading> 0.7 is considered to have good discriminant validity.

Test Validity - Convergent Construct Validity

Table 5. Test Results Convergent Validity with Outer Loading for Indicators with the value of Factor Loading / Original Sample (O) >0.5 and P value < 0.05

	Original Sample (O)	T Statistics (|O/STERR|)	P Values
X1.2 ← Product	0.776	9.899	0.000
X1.7 ← Product	0.886	22.901	0.000
X1.8 ← Product	0.830	13.749	0.000
X2.1 ←Price	0.868	10.021	0.000
X2.2 ←Price	0.499	2.427	0.016
X2.3 ←Price	0.552	2.964	0.003
X3.3 ←Place	0.542	3.111	0.002
X3.4 ←Place	0.869	8.350	0.000
X3.5 ←Place	0.789	7.153	0.000
X4.3 ← Promotion	0.803	3.848	0.000
X4.4 ← Promotion	0.649	4.046	0.000
Y1.1 ←Purchase Decision	0.829	11.560	0.000
Y1.2 ←Purchase Decision	0.824	20.811	0.000
Y1.5 ←Purchase Decision	0.809	20.419	0.000

Test construct validity consists of a test of convergent validity and discriminant validity. Construct validity indicates how well the results obtained from the use of an appropriate

measurement theories that are used to define a construct.

In PLS with reflective indicators of convergent validity was assessed by loading the form of outer loading factor (correlation between scores item / component score with the score constructs) indicators that measure the construct. Convergent validity can also be measured by the Average Variance Extracted (AVE). Loading factor (Original Sample (O)> 0.5 is considered significant.

Convergent Validity of the test with the Outer Loading first stage above it is known that there are several indicators that do not meet the criteria or rule of thumbs is the indicator with the Original Sample value (O) <0.5 and a P value> 0.05, as X1.1, X1.3, x1.5, X1.6 (latent variable indicator products), X2.4, X2.5 (latent variable indicator price), X3.2, X3.1, X3.6, X3.7 (a latent variable indicator), X4.2, X4.1, X4.5 (indicator latent variables sale), Y1.4, Y1.3 (indicator of latent variable purchase decision). Sample beta unstandardized original score is used to view the predictive nature of independent variables on the dependent variable, positive or negative. Some of these indicators is declared invalid so could not be included in the test with the Outer Loading Convergent Validity next.

Convergent Validity Test continue by eliminating all invalid indicator with low Outer Loading (<0.5) and P Value> 0.05, such X1.4, (indicators of latent variables product), X4.2 (indicator latent variables sale).

Convergent Validity Testing with the AVE. Convergent Validity Testing is also done with AVE known that the latent variables AVE scale value <0.5 so we need a re-estimation by eliminating invalid indicator is X1.4, (latent variable indicator products), X4.2 (latent variable indicator promotion).

Convergent Validity Testing With AVE afterEliminates Indicators That Invalid.

Table 7. Convergent Validity Testing Results with Indicators the AVE aftereliminating all Invalid Indicators

	AVE	Remarks
Product	0.740	valid
Price	0.508	valid
Place	0.628	valid
Promotion	0.550	valid
Purchase Decision	0.738	valid

Convergent Validity Testing with AVE after re-estimation by eliminating invalid indicator is X1.4, (latent variable indicator products), X4.2 (latent variable indicator sale) AVE result> 0.5 so that it can be said that all indicators valid for each of the marketing mix variables. Furthermore, the structural model coefficients were calculated after the validity and reliability test is completed.

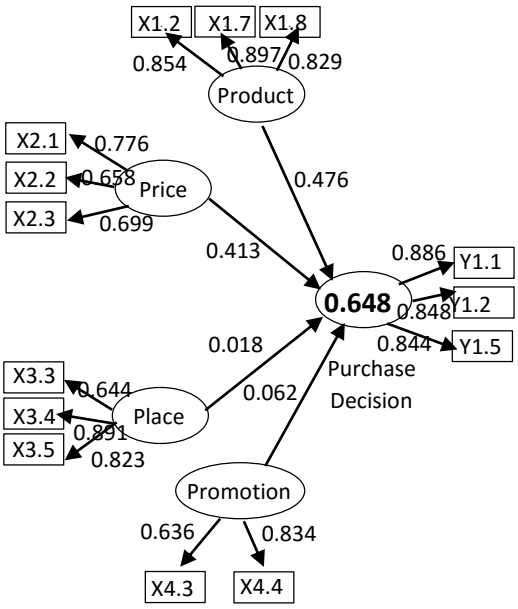

Figure 3. Structural Model Coefficient After Eliminates Invalid Indicators

Test Validity Construct Validity with Discriminant

Table 8. Construct Validity of Test Results With discriminant validity

	Price	Purchase Decision	Product	Promotion	Place
X1.2	0.590	0.690	0.854	0.418	0.293
X1.7	0.376	0.594	0.897	0.457	0.403
X1.8	0.291	0.563	0.829	0.471	0.354
X2.1	0.776	0.650	0.541	0.249	0.255
X2.2	0.658	0.312	0.147	0.101	-0.129
X2.3	0.699	0.316	0.214	0.060	-0.182
X3.3	-0.082	0.159	0.200	0.435	0.644
X3.4	0.059	0.213	0.377	0.429	0.891
X3.5	0.148	0.249	0.355	0.214	0.823
X4.3	0.046	0.251	0.200	0.636	0.404
X4.4	0.261	0.350	0.526	0.834	0.266
Y1.1	0.618	0.886	0.636	0.328	0.176
Y1.2	0.532	0.848	0.623	0.325	0.255
Y1.5	0.564	0.844	0.600	0.406	0.260

From the test result data with Cross Loading Discriminant Validity can be seen that the gauges of a different construct that does not correlate with high (indicated by the numbers that are outside the box with dashed lines).

Reliability

Test Reliability with Composite Reliability

Table 9. Results of the Composite Reliability Test Reliability

	Composite Reliability	Remarks
Product	0.895	Reliable
Price	0.755	Reliable
Place	0.833	Reliable
Promotion	0.706	Reliable
Purchase Decision	0.894	Reliable

In addition to the test of validity, PLS also reliability testing to measure the internal consistency of measurement tools. Reliability indicates the accuracy, consistency of measuring instrument in measuring. In the PLS method Composite Test Reliability. Rule of thumb Composite Reliability value must be greater than 0.7 even if the value of 0.6 is acceptable. But the real test of internal consistency is not absolutely necessary if the construct validity has met, as is a valid construct reliable, otherwise construct reliable is not necessarily valid (Cooper et al in Abdillah and Jogiyanto, 2015).

Model Inner Testing (Testing of A Structural Nature)

Inner Analysis Model (Testing Structural Model) is conducted to see the relationship between endogenous constructs with exogenous constructs based on the results of data processing. The relationship is tested with the value of T Statistics (Validity Correlation), the level of significance, the most dominant weighting factor, and the value of R^2 (Coefficient of Determination) which is a close relationship models.

Further analysis construct reflective structural model testing to predict causal relationships between variables or hypothesis testing. In this test will count PLS Path Coefficient (Mean, STDEV and T Statistic) and P Value. According Abdillah and Jogiyanto (2015), the size of the significance of hypothesis used comparative value of the T-table and T-statistics. If the value of T-statistics are higher than the value of the T-table, means that the hypothesis is supported. For the 95 percent confidence level (alpha 5 percent) then the value of the T-table for two-tailed hypothesis (two-tailed) was> / =

1.96 and hypotheses of the tail (one-tailed) was> / = 1.64.

Table 10. Results of Path Coefficient and P Value upper socio-economic class

	Original Sample (O)	T Statistics (|O/STERR|)	P Values
Product → Purchase Decision *	**0.476**	**5.271**	**0.000**
Price → Purchase Decision *	**0.413**	**4.882**	**0.000**
Place → Purchase Decision	0.018	0.215	0.830
Promotion → Purchase Decision	0.062	0.754	0.451

The Results of Hypothesis Testing To Consumer Upper Class:

H1: Suspected marketing mix (product) affect the purchase decisions GUM for upper class consumers in Malang.
Results: H0 is rejected, because the T statistic (5.271)> T table (1.960) and P value (0.000) <0.05 means that the product significantly influence decision making on upper class consumers in Malang.

H2: Suspected marketing mix (price) affect the purchase decisions GUM for upper class consumers in Malang.
Results: H0 is rejected, because the T statistic (4.882)> T table (1.960) and P value (0.000) <0.05 means the price significantly influence decision making on upper class consumers in Malang.

H3: Suspected marketing mix (place) affect the purchase decisions GUM for upper class consumers in Malang.
Results: H0 is accepted, because T statistic (0.754) <T table (1.960) and P value (0.451)> 0.05 means that the place does not significantly influence decision making on upper class consumers in Malang.
H4: Suspected marketing mix (promotion) affect the purchase decisions GUM for upper class consumers in Malang.
Results: H0 is accepted, because T statistic (0.215) <T table (1.960) and P value (0.830)> 0.05 means the sale does not significantly influence decision making on upper class consumers in Malang.

Result the value of R Square in Structural Test Model (Inner Model) is as follows:

	R Squares
Purchase Decision	**0.648**

Coefficient of determination used to describe the proportion of dependent variables could be explained by the independent variable. The value of coefficient of determination is $0 < R^2 < 1$. The value of R^2 is small means that the ability of exogenous variables in explaining endogenous variables is very limited. A value close to one means that independent variable (exogenous) provide almost all the information needed to predict the dependent variable (endogenous).

From the above data it is known that the value of R^2 is equal to 64.8%, meaning that the variation changes endogenous variables (purchase decisions) can be explained by the exogenous variables (the marketing mix) amounted to 64.8%, while the rest (35.2%) is explained by other variables outside the model proposed by this study i.e. family, life style, reference group and role status.

All hypotheses for the middle classis rejected except for H1 H0 (product) due for T statistic (6.672)> T table (1.960) and P value (0.000) <0.05 so that the product significantly influence decision making in the middle socioeconomic class consumers in Malang, while the value of R^2 is equal to 48.3%.

For all hypotheses for the lower classes is rejected except for H0 to H1 (products) for T statistic (6.898)> T table (1.960) and P value (0.000) <0.05 and H2 (price) for T statistic (2.103)> T table (1.960) and P value (0.036) <0.05 so that the products and prices significantly influence decision making in the lower socioeconomic class consumers in Malang, while the value of R^2 is equal to49.9%.

Multi Group Analysis (MGA)

Analysis by groups such as age, gender or country is a common modeling needs and the program is written from Smart PLS (Lowry and Gaskin, 2014). In this study a comparison between groups of socioeconomic class refer to a following formula:

$$t = \frac{Path_{s1} - Path_{s2}}{\left[\sqrt{\frac{(m-1)^2}{(m+n-2)} * S.E._{s1}^{2} + \frac{(n-1)^2}{(m+n-2)} * S.E._{s2}^{2}}\right] * \left[\sqrt{\frac{1}{m} + \frac{1}{n}}\right]}$$

- *Path $_{s1}$: Path Coefficient Group 1*
- *Path $_{s2}$: Path Coefficient Group 2*
- *m : Sample number of Group 1*
- *n : Sample number of Group 2*
- *S.E. $_{s1}$: Standard Error-Inner Model Group 1*
- *S.E. $_{s2}$: Standard Error-Inner Model Group 2*

The purpose of this MGA is to compare the effect of the marketing mix to purchasing decision between socio-economic classes. The comparison is done respectively as follows:
Comparison between Upper to Middle Class, Middle to Lower Class, and the Upper to Lower Class.

The analysis is performed by calculating T-Statistics and P-Value on each lane. Results of the analysis represented by following table where Comparative Effects of Marketing Mix Buying Decision against Upper and Lower Class

Path of Direct Impact	Coefficient of Direct Impact		*T-Statistic*	*p-value*
	Upper	Lower		
Product → Purchase Decision	0.476	0.565	-0.727	0.468
Price → Purchase Decision	0.413	0.181	**1.920**	**0.056***
Place → Purchase Decision	0.018	0.136	-0.988	0.324
Promotion → Purchase Decision	0.062	-0.016	0.637	0.525

Note: ** Significant at 10% level*

From the above data it is known that there are no significant differences in the marketing mix on purchasing decisions among the middle class to the lower class. But there is a difference significant influence on purchasing decisions of marketing mix between upscale well with the middle class (variable price and product) or lower class (variable price).

Differences in perceptions between the upper class and lower class can also be explained by comparing the results of the descriptive analysis questionnaire that the indicator X2.2 and X2.3 (variable price) as follows:

X2.2. "I always buy GUM product because the price is cheaper than other products"

Consumer Statement	Socio-economic Class		
	Upper (%)	Middle (%)	Lower (%)
Strongly Disagree & Disagree	66	42	36
Neutral	13	15	17
Strongly Agree & Agree	21	43	47

The dominant attitude upscale strongly disagree and disagree (66%), while the same attitude on the middle and lower classes respectively only 42% and 36%. This result shows that the upper class has a different attitude to the middle and lower classes.X2.3. "I always buy products because there is a rebate (discount)"

Consumer Statement	Socio-economic Class		
	Upper (%)	Upper (%)	Upper (%)
Strongly Disagree &Disagree	60	40	32
Neutral	12	16	16
Strongly Agree & Agree	28	44	52

The dominant attitude of upper-classis strongly disagree and disagree (60%), while the same attitude on the middle and lower class respectively only 40% and 32%. This resultshows that the

upper class different attitude to the middle and lower classes.

CONCLUSION

Based on the analysis of the data processing of the obtained appropriate several conclusions as research objectives as follows. Variable of product and price is an element of the marketing mix that significantly influence the purchasing decisions of GUMfor upper and lower class in Malang, while for middle class the variable is only product.

Similarity among consumers class (upper, middle and lower) is on variable of product that significantly influence purchasing decisions of GUM product. MGA has shown that the differences between upper and middle class in purchasing decisions of GUM product is on the variable of product and price. MGA also shown that the differences between upper and lower class in purchasing decisions of GUM product is on the variable of price, but there were no differences between lower and middle class in purchasing decisions of GUM product in Malang.

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DISCUSSION FROM PARALLEL SESSION

PAPER TITLE	Analysis of Influence of Marketing Mix Against Purchase Decision of Growing Up Milk on Three Socio-Economic Class in Malang
AUTHOR	Sunardi, Jabal Tarik Ibrahim, Anas Tain
DISCUSSION	
QUESTION	- Do the customer consider about local and imported milk when the want to buy? - Why lower level and higer level economic respondent both choose price as the consideration?
ANSWER	- No, they consider the price more than the brand - Although they have the same preference, the reasons are difficult
SUGGESTION	- In my opinion, upper class will not unit consider about the price of product (milk) however, it wull be different for lower class. They may consider about price of milk - Clarifity the reasons for choosing the price as preference to buy GUM, to find clearer reasons

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