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## Mediation Effect of Marketing Mix Strategy on Supply and Demand Towards Marketing Performance

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### Abstract:

The design of this study aimed to examine whether factors such as: supply, demand, and strategy promotional mix can affect the performance of tourism marketing in Sulawesi-South and located in the Municipality of Makassar, Tana Toraja, Wajo, Municipality of Pare-Pare and District Bulukumba, and time of execution carried out from September to December 2004. The population in this study is the "Foreign tourists and Travelers archipelago" which came in South Sulawesi, district and municipality which he visited to make use accidental sampling method as the sample collection method. The analytical method used to test the hypothesis of the research is Structural Equation Modeling (SEM). Hasi analysis shows that there is a variable mediating effect on the influence of marketing mix strategy between Supply and Demand for performance marketing.

**Keywords:** structural equation modelling; mediation; supply; demand; marketing mix strategy; marketing performance

**JEL Classification:** Q01; Z32

### Introduction

Tourism is a global phenomenon which requires understanding and preparation of all capabilities locally, nationally and internationally to anticipate changes and impacts that accompany it. Indonesia has a huge potential in the field of tourism. It can be seen from the beauty of a wide variety of landscapes, culture, history of the nation, festivals, unique ceremonies, large variety of art, crafts, and many places of interest for tourists throughout the year. From this side, Indonesia is winning big with tourism boom, especially in South Sulawesi. However, the impact of global issues that occurs in the hemisphere is decreasing the rate of overall world tourism trip which also resulted in a decrease in the influx of tourist to South Sulawesi. This study aims to determine the effect of mediation on the influence of the marketing mix supply and demand for performance marketing. Never has there been previous

studies that examined the effect of mediation marketing mix on the supply and demand for performance marketing, and there are no similar studies that examine the model which was appointed at the same location (in South Sulawesi). It became the location of originality in this study.

## 1. Literature review

Some issues of international tourism which are predicted to be affecting the tourism industry of the world, among other things, a) Security world, Terrorism and Human Rights; b) The shifting of Tourism tendency; c) Special Interest Tourism; d) Sustainable Tourism Development; e) Community Based Development; f) Borderless Tourism; g) Consumer Right; h) Era of Free Trade and Industry liberalization; i) SARS issues and bird flu issues that come from China.

In this connection, Butler (1990) asserts that "nature tourism" within certain limits determines the nature and pattern of growth of a country and, if it is not controlled and mastered, the tourism industry will be able to give rise to various problems. Uncontrolled Interaction in the market mechanism will eventually be able to exceed the limits of the carrying capacity of tourist areas, and thus would interfere with an ongoing (sustainability) travel.

Sector Tourism in South Sulawesi is a sector that can affect the contribution of economic growth in various fields, in particular foreign exchange earnings and job creation, as South Sulawesi is highly benefited with the natural conditions, diversity of culture, customs, handicrafts, traditional party, biological diversity, historical building heritage, rich tradition of maritime, coastal areas of interest such as those in the Municipality Makassar, Tana Toraja, Wajo, Municipality of Pare-Pare, and Bulukumba, as well as other districts located in South Sulawesi. Therefore, South Sulawesi Province is greatly benefited as one of the main lines of the national tour, in addition to Bali and Yogyakarta, as the main gateway to eastern Indonesia. In addition, South Sulawesi is one of regional destinations of the national potential to be developed, where the presence of several districts that become a mainstay as tourist destination areas, such as Tana Toraja, Wajo, municipality of Pare-Pare, Bulukumba, and the city of Makassar as the main gateway for tourists to enter the archipelago and Tourism Regional Destination in the eastern Indonesia, especially in the province of South Sulawesi.

### 1.1. Supply

In the tourism industry, the supply covers all products produced by a group of companies including products produced by the group of companies, especially in the tourism industry groups that will be offered to tourists, both to those who come directly or through an intermediary such as a travel agent, BPW, or Tour other operators, Yoeti (2003). According to Salah Wahab (1976), in general, tourism offerings include tourist destinations for the real and potential tourists. Supplies in tourism show attractions of repertoire of natural and man-made, services or goods that are about to entice people to visit a particular country.

There are five factors the requirement in tourism that need to know as a tourist destination, namely: traction, amenities, or facilities, Holloway (1994) and accessibility and the ability of travel agents to provide motivation for traveling to tourist, Lohmann *et al.* (1999).

### 1.2. Demand

According Matheieson and Wall (1982), tourism demand is the number of people traveling or want a trip, or use tourism facilities or obtain services in places where a tourist destination. From a quantitative standpoint, is quite reasonable to assume that the greater the number of tourist source country's population, the more surely the number of tourists who will be traveling, if other factors such as excess revenues, and the stable political situation. But in terms of the existing tourist destinations, other factors such as the short distance and ease of attainment factor (accessibility) will still be very influential. It is a symptom traveler results to a certain place, which was evident from observation and statistical studies on the tourist traffic for several years. Tourism demand consists of 3 components, namely:

- the effective or actual demand that is the actual number of tourism participants, they are actually traveling, this is a demand side which is very common and easily measured and most tourism statistics is effective demand;

- fuzzy demand, *i.e.* people who are not traveling for some reason. Fuzzy demand can be distinguished: first, the potential demand leads to those who will be traveling in the next few days, if they have a state of change, and secondly if due to changes in the environment, such as safety factors, weather, climate, and the issue of terrorism;
- no Demand, belong to those who do not want to travel.

Assessments of demand in a number of markets travel has shown that the demand for travel by Salah Wahab (1976), characterized by the specific characteristics, namely: The first is elasticity. It means how much degree of flexibility to the structural changes prices or changes in a variety of economic conditions in the market. The starting point of the rise of travel demand with the economic situation lets people have excess income and the length of the holidays that is still paid. Because tourist spending is the part of allowance of personal budget and family, which compete with goods for other purposes, such as new cars, tools, household or even to buy a second home in the mountains, it can be understood why the demand for travel show elasticity directly with the amount of income on the one hand and on the other charges. As a result, the demand elasticity is very important for officials to decision-making in the countries of destination, because they have to know the correlation factor between a spike in prices and a drop in demand and vice versa. Second, it is sensitivity. Travel demand is very sensitive to the political and social conditions to changes in sales methods. The political situation is happening both on tourist source and destination country tour that became the deciding factor traveled. Third, it is expansion. Economic influence in the tourist source countries allow wider opportunities for people to participate in tourism activities. Fourth, it is season. Both the state of origin tourist source and the destination country often experience excessive fluctuations.

## 2. Methodology

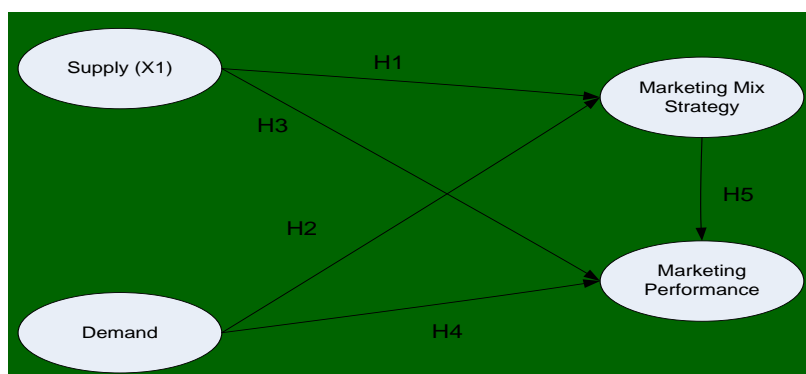
The design of this study aims to examine whether factors such as: supply, demand, and promotional mix strategies can affect the performance of tourism marketing in South Sulawesi. This research through several stages, (Cooper *et al.* 2000, Wahab 1976) as follows: the first stage, the supply side, such as: tourism, attractions, cultural events, accessibility, transportation, accommodation, human resources, information tourist destination, marketing mix and service, the second stage, from the demand side, such as: motivation, perception, interest, leisure, lifestyle, cost, and the reference group. Then the promotional mix strategies with several indicator variables are used to determine the extent of the impact of these strategies on the growth performance of tourism in South Sulawesi.

The population in this study was the "Foreign Tourists and Archipelago Travelers" which came in South Sulawesi, its districts and cities they visited. While the sampling was done through a survey with a sampling non-probability technique namely: Convenience sampling (samples based on ease) in the sense of a person or element sample is easily found or that are in place right time and easily accessible. Samples are usually taken because they are expected to be at the right time and place. Then, Accidental sampling is the samples encountered by chance or could be members of the sample. According to Malhotra (1993), it is suggested that the number of samples taken can be determined by altering the number of variables to 5, or 5 X number of variables. According Hair *et. al* (2006), it is said that the amount of sample analysis technique based on "Structural Equation Modeling (SEM), ranging between 100-200 samples. The analytical method used to test the hypothesis of the research is Structural Equation Modeling (SEM). The research variables as the indicators and the conceptual framework of the research presented in the following tables and figures:

Table 1. Variable Indicator Research

Constructs Research	Dimensional Construct
Supply (X1)	Tourism (X1.1) attractions(X1.2) Cultural Events (X1.3) Accessibility (X1.4) Transportation (X1.5) Accommodation(X1.6) InformationTourist Destination(X1.7) Service (X1.8) Secure (X1.9) Technology (X1.10) Souvenir (X1.11)
Demand (X2)	Motivation (X2.1) Perception (X2.2) Interest (X2.3) Free Time (X2.4) Lifestyle (X2.5) Cost (X2.6) Group (X2.7) Economy (X2.8) Demography (X2.9)
Marketing Mix Strategy(M)	Personnal Selling (X3.1) Sales Promotion (X3.2) Advertising (X3.3) Public Relation (X3.4) Internet (X3.5) Direct Mail (X3.6) Word of Mouth (X3.7)
Marketing Performance (Y)	Visits Level Wisman dan Wisnus

Figure 1. Conceptual framework



### 3. Case studies

#### 3.1. Measurement model

The following table presents the average values and outer loading each indicator in each study variable.

Table 2. Mean and outer loading each of indicator

Variable	Indicator	Mean	Loading Factor	p. value	GFI	CR
Supply (X1)	Tourism Object(X1.1)	5.5407	1	Fix	0.905	0.898
	Cultural Events(X1.3)	5.8216	0.895	0.000		
	Accessibility(X1.4)	6.1963	1.042	0.000		
	Transportation (X1.5)	6.0674	1.106	0.000		
	Accommodations (X1.6)	5.4165	1.087	0.000		
	Destination Tourist Information (X1.7)	6.0823	1.045	0.000		
	Service(X1.8)	5.8792	0.996	0.000		
	Secure(X1.9)	6.0856	0.828	0.000		
	Technology(X1.10)	5.9972	1.235	0.000		
	Souvenir(X1.11)	6.0449	1.153	0.000		
	Demand (X2)	Motivation(X2.1)	5.7003	1	Fix	0.965
Free Time(X2.4)		5.4298	1.367	0.000		
Lifestyle(X2.5)		4.7191	1.754	0.000		
Cost(X2.6)		5.3511	1.637	0.000		
Economy(X2.8)		5.3947	1.333	0.000		
Marketing Mix Strategy (M)	Personal Selling(M.1)	5.9972	1	Fix	0.951	0.866
	Sales Promotion(M.2)	6.1404	1.191	0.000		
	Advertising (M.3)	6.2556	1.249	0.000		
	Public Relation(M.4)	6.0506	1.289	0.000		
	Internet (M.5)	6.1124	1.432	0.000		
	Direct Mail (M.6)	6.2163	1.252	0.000		
	Word of Mouth(M.7)	5.8371	1.107	0.000		
Marketing Performance (Y)	Marketing Performance (Y1)	3.7753				

The following table presents the average values and outer loading each indicator in each study variable. Based on Table 2, the result is that all indicators significantly measure the variables for each other and have a value of GFI > 0.95 and CR > 0.7, so all the indicators declared valid and reliable. The analysis also showed that the indicator with the highest average as a measurement of Supply (X1) is an indicator of accessibility (X1.4) with an average value of 6.1963. On Demand Variable (X2), it is noted that the indicator with the highest average is Motivation (X2.1) with an average value of 6.5.7003. In marketing mix strategy variable (M), it is noted that the indicator with the highest average is Advertising (M.3) with an average value of 6.2556.

#### 4. Analysis result. Structural equation modelling

##### 4.1. Testing assumptions. Structural equation modelling (SEM)

The assumptions that must be met prior to SEM analysis is the assumption of normality, absence of outliers, and linearity. The multivariate normality assumption was tested with the help of software AMOS 4. The test results obtained normality critical ratio value 39.359 to the critical value  $Z_{\text{value}}$  for  $\alpha$  5% is equal to 1.96. The absolute value of CR for multivariate amounted to  $39.359 > 1.96$  then the multivariate normality assumptions were not met.

To test whether there is an outlier, it can be seen with Mahalanobis distance (Md). The results of the examination showed statistically Mahalanobis distance, there are several observations that outliers. However, the observational data is not discarded, given the results of descriptive analysis, showed that all indicators have minimum and maximum values are within the limits specified score, ie a minimum of 1 and a maximum of 7.

Testing was conducted by the assumption of linearity Curve Fit. Linearity test results shows all significant linear model for the Sig > 0.05 thus concluded that the assumption of linearity have been met.

##### 4.2. Goodness of fit

Results of testing the overall goodness of fit models, according to the results of the SEM analysis, to determine if a hypothetical model supported by empirical data, are given in Table 3 below:

Table 3. Result test Goodness of fit overall model

Criteria	Cut-of value	Model	Information
Chi Square	Lower	202.199	Good Model
p-value	$\geq 0.05$	0.103	
CMIN/DF	$\leq 2.00$	1.136	Good Model
RMSEA	$\leq 0.08$	0.018	Good Model
GFI	$\geq 0.90$	0.914	Good Model
AGFI	$\geq 0.90$	0.867	Defective Model

The test results based on the Goodness of Fit Overall Table 3 shows that 4 of the 5 criteria showed a good model that is Chi Square, CMIN / DF, RMSEA, GFI. According to Arbuckle and Wothke, Solimun (2008), the best criteria are used as an indication of the good of the model is the value of Chi Square / DF is less than 2, and RMSEA were under 0:08. In this study, the value of CMIN / DF and RMSEA has met the cut-off value. Therefore, the model SEM in this study fit and unfit for use, so do the interpretation for discussion more.

### 4.3. Structural equation modelling analysis

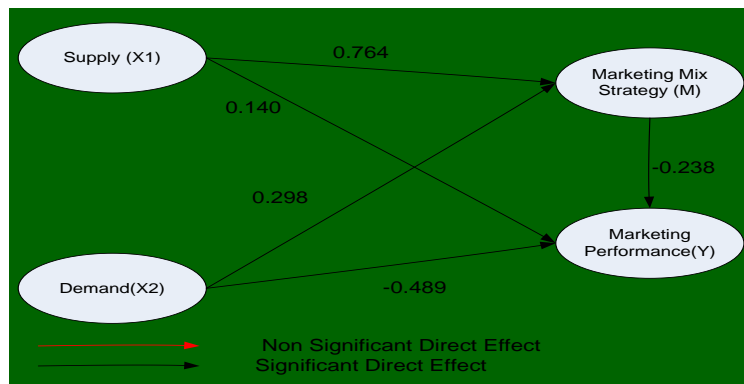
The second part of SEM analysis is the interpretation of structural models. Structural model presents the relationship between variables research results of the analysis that are summarized in Table 4 and Figure 2 for the direct influence and Table 4 for the indirect effect. There is significant influence between variables one to another variable, if the value of P-value of  $<0.05$ . In the SEM are two influences that direct effect (direct effect), as well as indirect effect (indirect effect). The results of the analysis are summarized in Table 4 and Figure 2 for the direct influence and Table 4 for the indirect effect.

Table 4. Structural Model SEM: Direct impact

No	Correlation	Coefficient	P-value	Information
1	X1 between M	0.764	Fix	Significant
2	X2 between M	0.140	Fix	Significant
3	X1 between Y	0.298	0.000	Significant
4	X2 between Y	-0.489	Fix	Significant
5	M between Y	-0.238	Fix	Significant

Source: Primary data processed 2016

Figure 2. SEM Structural Model: Direct effect



Based on Table 4 and Figure 2, it is found that there is significant direct influence between supply variable (X1) and Demand (X2) towards the marketing mix strategy (M). Marked positive coefficient indicates that a higher supply (X1) and Demand (X2) will increase the value of marketing mix (M). In addition, there is influence between

supply (X1) on the Marketing performance (Y) that is also significant and positive impact. In contrast to the effect of the supply (X1) and the marketing mix (M) on the Marketing performance (Y), which have significant influence, but the influence is negative or inverse which means that the higher the level of supply (X1) and the marketing mix (M) will decrease marketing performance (Y). So it can be said also that there is a mediating effect of marketing mix strategy variable (M) on the effect of the supply (X1) and Demand (X2) on marketing performance (Y).

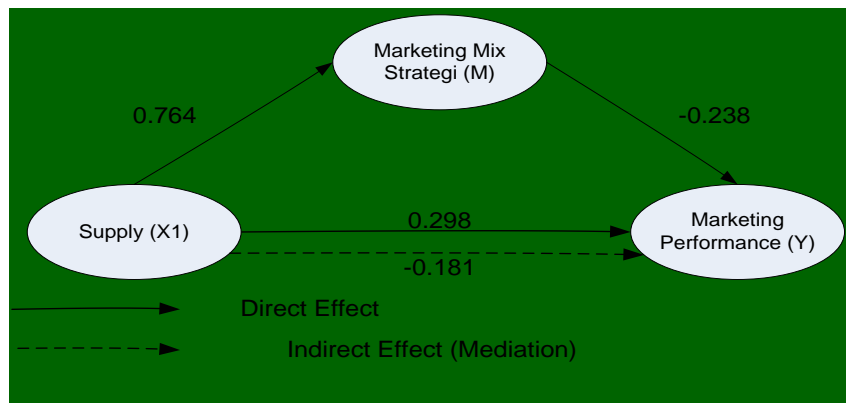
Testing mediation obtained from several study directly influence the form of mediation. Here is presented the test results of mediation by using Sobel test:

Table 5. Structural model result of SEM mediation

Mediation	Influence tested	Coefficient	CR	P-value
M	X1 between Y	-0.181	2.166	0.030
M	X2 between Y	-0.033	2.193	0.028

#### 4.4. Mediation effect of marketing mix strategy on the supply towards marketing performance

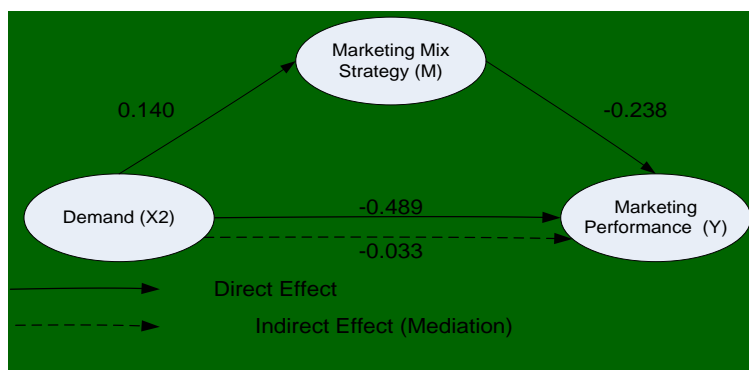
Figure 3. Mediation effect of marketing mix strategy on the supply towards marketing performance



Sobel Test Results in Table 5 and Figure 3 shows that the coefficient of Indirect Influence of -0.181 and the value of CR of 2.166 > 1.96, and P-value of 0.030 > 0.05 indicate that the strategy of the marketing mix (M) mediates the effect of Supply (X1) to Marketing performance (Y). As the coefficients are negative, it indicates that the higher the supply (X1) will result in lower marketing performance (Y) if it is mediated by marketing mix strategy (M) that is also higher. Thus, marketing mix strategy (M) as the mediator relationship variable between supply and marketing performance (Y).

#### 4.5. Mediation effect of marketing mix strategy on the demand towards marketing performance

Figure 4. Mediation effect of marketing mix strategy on the demand towards marketing performance



Sobel Test Results in Table 5 and Figure 4 shows that the coefficient of Indirect Influence of  $-0.033$ , the value of CR of  $2193 > 1.96$ , and P-value of  $0.028 > 0.05$  indicate that the strategy of the marketing mix (M) mediates the effect of Demand (X2) to Marketing performance (Y). As the coefficients are negative, it indicates that the higher supply (X1) will result in lower marketing performance (Y) if it is mediated by marketing mix strategy (M) that is also higher. Thus, marketing mix strategy (M) as the mediator relationship variable between demand and marketing performance (Y).

#### 5. Discussion

Supply has positive and significant impact on the Strategy. It means that with the increasing number of local attractions that will be offered and able to absorb the tourists both domestically and abroad, it would require a strategy or planning. Demand has a positive and significant impact on the Strategy. This means that with the increasing demand for tourism to the regions, it has consequences in the form of creation of a strategy so that the number of tourist demand may be realized. That is a very important aspect of the strategy into its existence to the success of the tourist demand.

Supply has positive and significant impact on performance. It supports the notion that the number of deals (variety and number of attractions) continues to show progress, being able to support the creation of tourism marketing performance better. Although the existences of a variety and number of attractions have responded in a strategic plan, it still has not been able to attract tourists in reality, so its performance is not good. Results of validity and reliability of the supply instrument considered valid by the Good of Fit Index (GFI) of 0.905 and 0.897 for Construct Reliability.

Demand has a negative and significant impact on performance. It means that with the increasing number of requests for these areas, it will degrade the performance areas that can lead to lower traffic levels and growth in the tourism sector.

Strategy has a negative and significant impact on performance. This means that the strategy undertaken in the form of a work program to support travel supplies is not good. Therefore, the use of marketing mix strategy in tourism industries should be adjusted on the terms of the geographical conditions that will be aimed by target market, especially the use of the promotion mix strategy and a strategy formulated by the Ministry of Culture and Tourism that are adjusted based on local conditions in South Sulawesi. There are limitations to the study by using a questionnaire that sometimes the answers given by the respondents did not show the real state.

#### Conclusion

Based on the analysis it can be concluded that there is a significant direct effect between Supply and Demand for variable of marketing mix strategy. Marked positive coefficient indicates that the higher the Supply and Demand will increase the value of marketing mix. In addition, it gives significant and positive effect to supply towards marketing performance. It is different from the effect of demand and marketing mix strategy on the Marketing



performance that has significant and negative influence, which means the higher the level of demand and the marketing mix will degrade the marketing performance. So, it can be said also that there is a mediation effect of marketing mix strategy on Supply and Demand towards marketing performance. Based on the above conclusions required a further research on the behavioral aspects of tourists (Tourist Behavior) in connection with VALS (Value and Life Style),

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