

# The Effect of Marketing Agility to Marketing Performance through Innovation Capability of Retail Company of Spare Parts for Heavy Equipment Coal Mining in East Kalimantan

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## Abstract

*The high fluctuation of the coal market during the current Covid-19 pandemic has an impact on coal mining companies. Thus, making coal mining operational support companies, namely retail companies of heavy equipment spare parts for coal mining located in East Kalimantan, also in a state of uncertainty and must be able to adapt to the increasingly dynamic coal market conditions. To improve its marketing performance in these dynamic conditions to be sustainable, the company must be agile in its marketing and must have good, fast, and responsive innovation capabilities. So, this research was conducted to prove that there is an influence of marketing agility with marketing performance in the dynamic coal market conditions through the company's innovation capabilities. The population in this study are marketing practitioners, marketing managers, marketing directors and decision makers in retail companies of heavy equipment spare parts for coal mining in East Kalimantan, with sample of 100. This study uses descriptive analysis to determine the characteristics of the respondents' responses with purposive sampling method which aims to determine several criteria for the sample of respondents to employees. In the analysis of data processing, the structural equation modelling-partial least square (SEM-PLS) program was used to predict the model relationship between the variables and indicators studied. The results of this study indicate that marketing agility has a significant positive effect on innovation capability; innovation capability has a significant positive effect on marketing performance; Marketing agility has a positive significant effect on marketing performance and marketing agility has a significant positive effect on marketing performance through innovation capability.*

## Keywords

marketing agility; innovation capability; marketing performance



## I. Introduction

According to the Ministry of Energy and Mineral Resources, the Directorate General of Mineral and Coal, the reference coal price for September 2020 has reached the level of 49.42 US Dollars per Ton. This price is the lowest price in the last 10 years since January 2011. On the other hand, the price of coal in September 2021 reached 150.03 US Dollars per Tonne which is also the best price in the last 10 years since Jan 2011 meaning that in 1 year there can be very high price fluctuations.



**Figure 1. Coal Reference Price Trend 2010-2021**

Source: Ministry of Energy and Mineral Resources

When the price of coal hits the worst price has caused several mining companies to make operational cost efficiency, including delaying capital expenditures. So that Komatsu's sales of heavy equipment nationally in the first 8 months decreased by 55.7% which only realized 1043 units from the same period previously 2359 units. Duniatambang.co.id stated that heavy equipment sales volume decreased by 27% YoY (Suwanjaya, 2019). One of the PKP2B mining companies is PT. Indotambang Raya Megah, Tbk through its memorandum Number 0722/M/ITM/FIN/3/2020 regarding cost efficiency and cost reduction program guidance. Where it was decided to PT. Indotambang Raya Megah, Tbk and its subsidiaries temporarily do not make capital expenditures (Direktorat Sustainability & Risk Management PT ITM Tbk, 2020). And even though it turns out that later in September 2021, it turns out that the increase in coal prices is very drastic, it doesn't make coal producing companies complacent, it increases vigilance in managing production costs (Umah, 2021).

Heavy equipment parts retail companies in responding to challenges are by exploiting or finding new opportunities, companies must be easy to adapt and respond to changes by developing new ideas which is also a way to improve performance (Nurcholis, 2019). In a dynamic business environment, companies will continuously face shifts in customer demand, increasingly fierce competition and rapidly developing technological advances (Zhou et al., 2019). If the company fails and does not respond with agility to dynamic challenges then the company can suffer financial losses (Zhou et al., 2019). Heavy equipment parts retail companies in responding to challenges are by exploiting or finding new opportunities, companies must be easy to adapt and respond to changes by developing new ideas which is also a way to improve performance (Nurcholis, 2019). So, it is important that the company in addition to responding to challenges must also be sustainable to survive by taking advantage of external situations through adaptation and adjustment strategies (Osei et al., 2019).

The concept of Agility or agility itself in adapting first emerged as a management topic in the early 1990s in Agile Manufacturing (Zhou et al., 2019). Since then, the concept of adaptability has attracted interest among researchers in many disciplines such as management, manufacturing, human resource management and marketing (Nurcholis, 2020). In marketing, the concept of agility is a proactive ability to respond in a timely, effective, and sustainable manner in dynamic market conditions (Geetha & Rekha, 2019). The ongoing COVID-19 crisis puts a sharp focus on marketers' need to be ready to change and be flexible on the fly when things change. The study conducted by (Kalaiganam et al., 2020) developed a research agenda related to organization, team, leadership, and marketing agility. That there are many challenges in implementing agility in marketing and therefore agility in marketing may not be suitable for all companies and marketing activities, so that it becomes one of the backgrounds of this research which is interesting to be studied further.

## **II. Review of Literature**

### **2.1 Marketing Agility and Innovation Capability**

Agile companies respond to market demands quickly, thereby gaining a larger market share advantage. Agility processes allow better use of assets (Jacobs et al., 2011). Agility allows companies to exploit creative potential to obtain greater financial benefits (Roberts & Grover, 2012). While (Jacobs et al., 2011) argue that the relationship between agility marketing and financial performance is mediated by innovation capability, it is recognized that innovation capability may not be the only mediator. This leaves the possibility that the direct relationship may still be significant after controlling for the innovation capability effect. Research conducted by (Zhou et al., 2019).

Hypothesis 1: Marketing Agility has a positive and significant effect on Innovation Capability

### **2.2 Marketing Agility and Marketing Performance**

Although developed market economies provide emerging market companies with opportunities to grow, these companies need unique abilities to work efficiently in developed market economies. Hence, marketing agility, through proactive sensing, flexibility and responsiveness enables enterprise economies to manage fluctuating demands and threats arising from the high complexity of developed economic markets (Osei et al., 2019). Marketing agility is a dynamic ability that has a significant impact on ordinary skills leading to superior financial performance (Zhou et al., 2019). The definition of marketing according to the American Marketing Association (AMA) as quoted by Kasali in Dianto (2020) is: Marketing is a process of planning and execution, starting from the conception stage, pricing, promotion, to the distribution of goods, ideas and services, to make exchanges that satisfy the individual and his institutions. The study was conducted in the Chinese food processing industry in which a sample of 518 companies participated. The result that the impact of innovation ability on financial performance is stronger under low market turbulence, and that market volatility moderates the indirect relationship between marketing agility and financial performance. The indirect effect is stronger when market turbulence is low than when it is high. Then the research was conducted by (Khan, 2020) on various industries in Pakistan where the sample data came from the 20 food industry companies in Pakistan. Through structural equation modelling analysis techniques (Structural Equation Model / SEM) the results obtained that marketing agility either directly or indirectly affects marketing and financial performance, the relationship between marketing agility and financial performance is stronger generated through market complexity and adaptation of marketing programs.

Hypothesis 2: Marketing Agility has a positive and significant effect on Marketing Performance

### **2.3 Innovation Capability and Marketing Performance**

Research conducted by (Utomo, 2020), that the influence of digital marketing capabilities on marketing performance, and innovation capabilities on marketing performance. The research was conducted on SMEs that produce batik at the Giriloyo batik center and the Wijirejo batik center, Bantul, Yogyakarta. Respondents of this study believed that 81 SMEs were selected by cluster sampling. The research instrument used a questionnaire, and the data was processed using SPSS and WarpPLS. The results of this study found that digital marketing capability has a significant effect on innovation capability, digital marketing capability has a significant effect on marketing performance, and innovation capability has a significant effect on marketing performance. The results of this study are useful for SMEs to improve their digital marketing capabilities and the government to participate in providing technical training related to online sales.

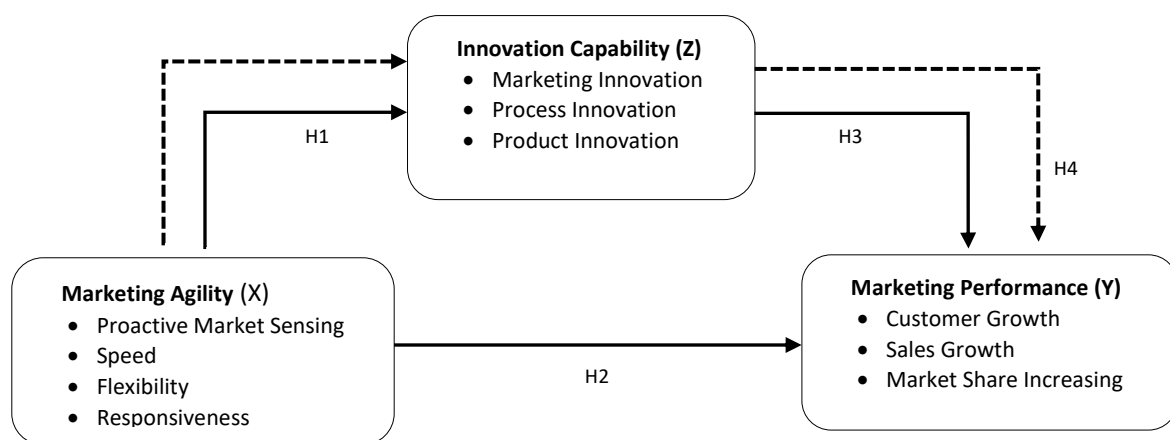
Hypothesis 3: Innovation Capability has significant effect on Marketing Performance

## 2.4 Marketing Agility and Marketing Performance through Innovation Capability

Research conducted by both (Khan, 2020) and (Zhou et al., 2019) shows that there is an influence relationship between marketing agility and company performance, both financial performance and marketing performance where the relationship is a direct or indirect relationship mediated or moderated by other variables. After the rise of the internet and the ease of communication offered, then the application of marketing to the company began to adopt internet media (Gunawan, 2020). Then the research conducted by (Zhou et al., 2019) showed that there was a significant positive effect of marketing agility on financial performance through innovation capability.

Hypothesis 4: Marketing Agility has significant effect through Innovation Capability on Marketing Performance.

Based on the formulation of hypotheses, the research model proposed by the authors is as shown in Figure 1



**Figure 2. Conceptual Framework**  
*Source: Result of author's analysis, 2021*

## III. Research Methods

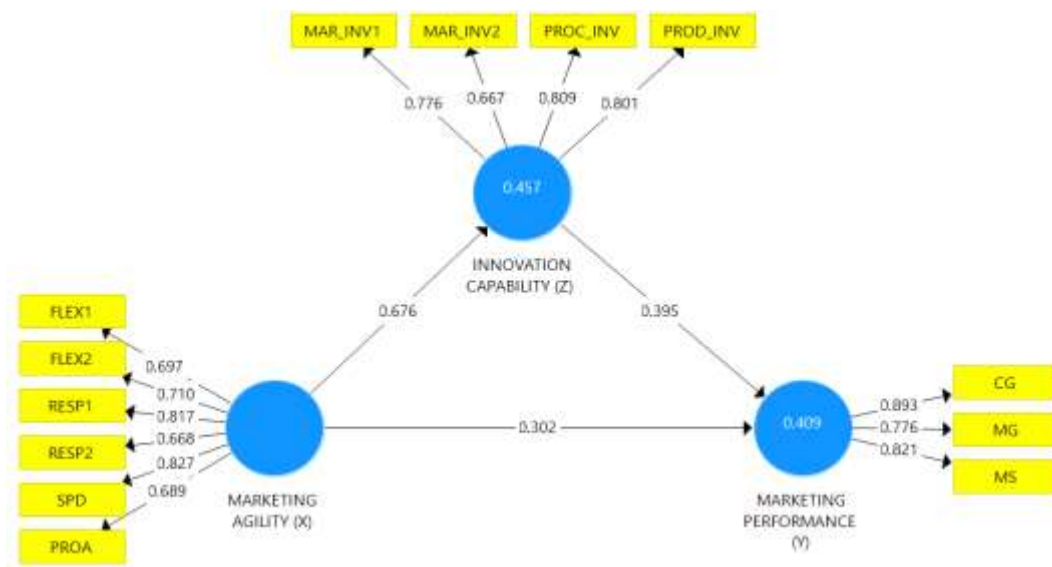
Based on the information and observations, the authors are interested in conducting scientific research as outlined in the form of a thesis with the title: "The Effect of Marketing Agility on Marketing Performance Through the Innovation Capability of Retail Companies for Heavy Equipment Spare Parts for Coal Mining in East Kalimantan". Samples were taken from 100 retail companies for heavy equipment spare parts for coal mining located in the East Kalimantan region. The respondent in this study is one of the representatives of the spare parts retail company who is a marketing professional, marketing manager, marketing director and decision maker at the company. The relationship between variables in this study was analysed using the Partial Least Square Structural Equation Modelling method (PLS-SEM). PLS-SEM is more suitable for identification of fewer problems, can use a much smaller and much larger sample, and is easier to construct formative and reflective constructs (Hair et al., 2014).

## IV. Discussion

### 4.1 Data Analysis

The first-stage model evaluation focuses on the measurement model. Examination of the PLS-SEM estimation for the measurement model allows the researcher to evaluate the reliability and validity of the constructs (Hair et al., 2011). In particular, multivariate

measurement involves using multiple variables to measure a concept indirectly. Evaluation of the measurement model includes tests of internal consistency reliability, indicator reliability, convergent validity and discriminant validity as shown in Table 1. Hair et al (Hair et al., 2014) explain that to measure reliability of a construct, two methods can be used, namely Cronbach's alpha or composite reliability. However, the use of Cronbach's alpha tends to provide a lower estimated value so that PLS-SEM is recommended to use composite reliability. Indicator reliability on PLS-SEM is measured from the outer loading value which shows the correlation between the indicator and its construct. Convergent validity in constructs can be measured using AVE. Discriminant validity can be measured from cross loading or the loading value of other constructs is a comparison to the value of the outer loading indicator associated with a construct where the required loading indicator value must be more than the cross loading value.



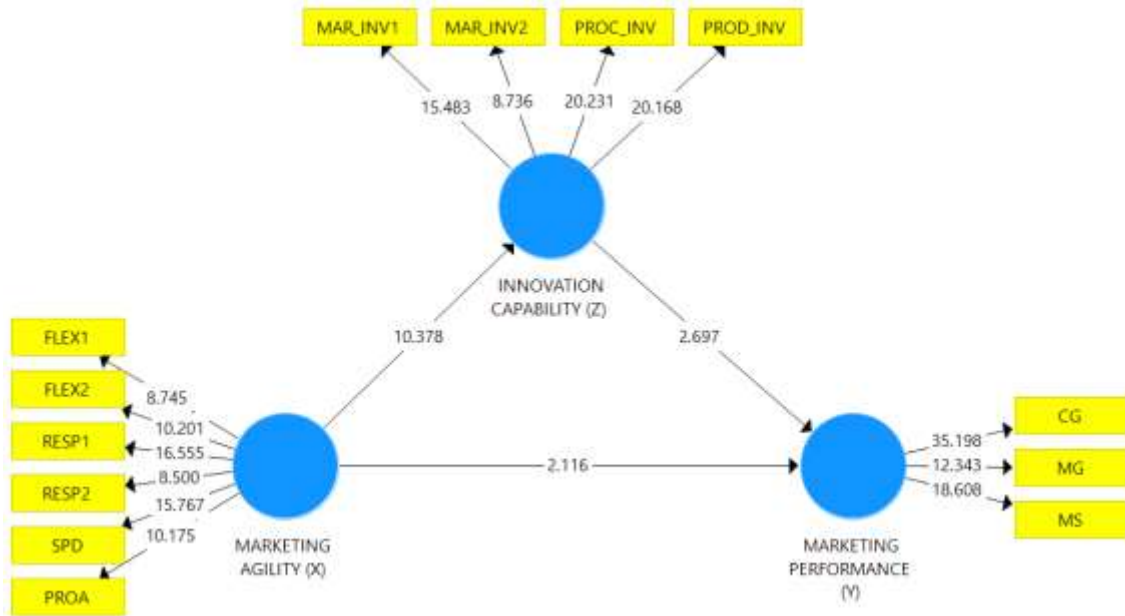
**Figure 3. PLS Algorithm**  
Source: Calculated using SmartPLS, 2021

**Table 1. Evaluation of Measurement Model**

Variables and Indicators	Loadings	Composite Reliability	AVE	Cross Loading
<b>Marketing Agility</b>				
• PROA	0.689	0.876	0.586	Yes
• SPD	0.827			
• FLEX1	0.697			
• FLEX2	0.710			
• RESP 1	0.827			
• RESP 2	0.668			
<b>Innovation Capability</b>				
• MAR_INV1	0.776	0.849	0.544	Yes
• MAR_INV2	0.667			
• PROC_INV	0.809			
• PROD_INV	0.801			
<b>Marketing Performance</b>				
• CG	0.893	0.870	0.691	Yes
• MG	0.776			
• MS	0.821			

Source: Calculated using SmartPLS, 2021





**Figure 4. Bootstrapping Results**  
Source: Calculated using SmartPLS, 2021

**Table 2. Bootstrapping Results**

<i>Path Coefficients</i>						
<i>Variable</i>	<i>Original Sample</i>	<i>Sample Mean</i>	<i>Standard Deviation</i>	<i>t Value</i>	<i>p Value</i>	<i>5% Significance Level</i>
Marketing Agility (X) -> Innovation Capability (Z)	0.676	0.686	0.065	10.378	0.000	Significant
Marketing Agility (X) -> Marketing Performance (Y)	0.302	0.300	0.143	2.116	0.034	Significant
Innovation Capability (Z) -> Marketing Performance (Y)	0.395	0.403	0.147	2.697	0.007	Significant
<i>Specific Indirect Effects</i>						
<i>Variable</i>	<i>Original Sample</i>	<i>Sample Mean</i>	<i>Standard Deviation</i>	<i>t Value</i>	<i>p Values</i>	<i>5% Significance Level</i>
Marketing Agility (X) -> Innovation Capability (Z) -> Marketing Performance (Y)	0.267	0.281	0.118	2.273	0.023	Significant

Source: Calculated using SmartPLS, 2021

## 4.2 Hypothesis

After ensuring that the measurement model of the construct is reliable and valid, then hypothesis testing is carried out. Hypothesis testing in this study is carried out on a structural model or inner model which shows a direct or indirect relationship between exogenous and endogenous latent variables. Hypothesis testing is based on the significance value of the path coefficient after resampling or bootstrapping 5,000 times (Hair et al., 2014). The statistical test used is the t test with a confidence level of 95% or a significance level of 5%. The hypothesis is accepted if the t value is more than the t-table value for the two-tailed test, namely 1,96. The results of bootstrapping procedur as shown in Table 2.

Based on Table 2, the results of hypothesis testing can be interpreted as follows:

1. The effect of Marketing Agility on Innovation Capability has a positive path coefficient value of 0.676, t value of 10.378 and p value of 0.000 which indicates that the relationship between the two variables is significant at the 5% significance level because it has t value

- of more than 1.96. This shows that Marketing Agility has a positive and significant effect on so that Hypothesis 1 is supported.
2. The relationship between Marketing Agility and Marketing Performance has a positive path coefficient value of 0.302, t value of 2.116 and p value of 0.034. This shows that Marketing Agility have a positive and significant influence on Marketing Performance so that Hypothesis 2 is supported.
  3. The influence of Innovation Capability on Marketing Performance has a positive path coefficient value 0.395, and t value of 2.697 and p value of 0.007. This shows that Innovation Capability have a positive and significant influence on Marketing Performance so that Hypothesis 3 is supported.
  4. The indirect effect of Marketing Agility on Marketing Performance through Innovation Capability has a positive path coefficient value 0.267, and t value of 2.273 and p value of 0.023. This shows that Marketing Agility have a positive and significant influence on Marketing Performance through Innovation Capability so that Hypothesis 4 is supported.

## V. Conclusion

Marketing Agility has a significant positive effect on Innovation Capability, so that the more agile the company is, the marketing performance will also increase. The physical market as a place of concentration of some permanent and non-permanent traders in an open or closed room or a section of road (Marlizar, 2020). There is also significant direct influence of Marketing Agility on Marketing Performance. So that the more agile the company directly have a significant effect on increasing the marketing performance. Innovation Capability has a significant positive effect on Marketing Performance. So that the higher the innovation capability of the company, the higher the marketing performance produced by the company. Indirectly, Marketing Agility has a significant influence on Marketing Performance through Innovation Capability. So that with the company's innovation capability as a mediating effect, marketing agility can significantly affect the performance of retail companies for heavy equipment spare parts for coal mining in East Kalimantan.

The researcher realizes that this research still has many limitation, one of which is that there are many other variables that affect marketing agility and innovation capability. Therefore, the researcher hopes that if there are other researchers who conduct research with a similar theme, it is necessary to add indicators to their research. The next interesting research to examine is the effect of Leadership Agility on Organizational Agility. Because Agility is a framework that is currently widely used in several companies to solve problems in uncertain and dynamic condition.

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