



The Influence of Product Innovation and Marketing Performance to Maintain Market Leader Position as a Result of an Empirical Study at PT Telkom Indonesia Tbk.

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ABSTRACT

Telkom Indonesia is a holding company that provides telecommunication services. Telkom leads the telecommunication market in Indonesia with their strong product portfolio of mobile services, fixed broadband internet and telecommunications. However, to become a market leader in the industry, Telkom has to come up with innovation and effective marketing strategies. This study aims to establish the impact of product innovation and marketing performance towards maintaining market leader position in the industry. To evaluate the influence, a quantitative methodology was implemented. The questionnaire was distributed to the public through social media. IBM SPSS Statistics 26 was used to assess the 400 responses that we collected. The result shows that both product innovation and marketing performance have a significant influence on sustaining the market leader position. This study provides enhanced clarity in understanding the factors that influenced Telkom's position as a market leader.

Keywords: Telecommunication, Telkom, Product Innovation, Marketing Performance, Market Leader.

I. INTRODUCTION

The world of business is constantly evolving, with businesses always trying to become market leaders in their industries. To be a leader in the industry, companies need to understand what their customers need and be able to develop products that fulfil those needs quickly. One important commodity in our modern world is telecommunications, which helps us stay connected to people. It's become an important part of our daily lives because it allows us to communicate with families and friends.

However, there have not been any major breakthroughs or discoveries recently in the industry. [1] It is suggested that growth in the industry has been stagnant as the telecommunication industry is largely a commodity but also that it has not been hugely innovative for many years. It is also stated that the stagnant growth is probably caused by limited innovation in the development of new products in the industries. The telecommunications industry has undergone significant growth and transformation over the years, with changing consumer preferences shaping its evolution. As the industry has matured, becoming a market leader has become increasingly challenging to stand out. It is due to the product nature has become a commodity, with only little differentiation between the products and services offered by different companies.

Staying ahead of the competition can become one of the biggest challenges in the telecommunication industry. Being innovative in this industry is very challenging, as the telecommunication industry is becoming a commodity competition, where the basic products of telecommunication companies are the same from one brand to another [2].

Most of the telecommunication companies offer similar services. The only way they stand out from the other is by offering lower prices. It shows that most people choose their mobile plan based on the price rather than their experience of using the products. However, this has become a problem as it doesn't allow for much differentiation between each brand. Telecommunication companies are seeing stalled revenue growth and declining investment as in the recent quarter, the amount of money that is spent on investments by telecommunication decreased by 5% compared to the previous year [3]. This was due to factors such as slow revenue growth and macroeconomic instability. As a result, the total amount of money spent on investments over the year also decreased slightly.

The telecommunication industry in Indonesia has experienced significant growth over the past decade, driven by increasing demand for mobile and broadband services in the country. The telecommunication industry is a substantial contributor to the Indonesian economy, as it contributes a total of US\$ 50 billion to Indonesia's GDP [4]. However, the telecommunication market is highly competitive, with major players such as Telkomsel, Indosat Ooredoo, and XL Axiata competing for market share. Despite the challenges, the industry presents significant opportunities for growth, with increasing demand for internet and mobile services among Indonesia's population of over 270 million.

The giant that has established a dominant position in the telecommunications industry in Indonesia is PT Telkom Indonesia Tbk. It is a state-owned enterprise that acts as a provider of communication services and telecommunications networks based in Indonesia. There are various services provided by Telkom for the Indonesian markets, ranging from internet communication, telephone networks, fixed broadband internet, and so on. According to Telkom Annual Report, Telkom has become a market leader with a total of 75,2% of the fixed broadband internet market share through its internet product, Indihome as of 2022 [5].

Besides leading in the fixed broadband internet market, Telkom's subsidiary for mobile network operators, Telkomsel, also leads the mobile network operator markets. Telkom Annual Report also states that Telkomsel held the largest market share among mobile network operators in Indonesia, covering 49,5% of the market. Furthermore, Telkomsel has 156.8 million cellular subscribers, including 120.9 million mobile subscribers broadband [5].

The cloud business market and B2B IT services in Indonesia are projected to increase significantly, respectively 27% CAGR for cloud and 7% CAGR for B2B IT services by 2024. Telkom offers similar services through another subsidiary, called TelkomSigma with its B2B IT services [6]. Through Telkomsigma, Telkom Group's system integration market share in 2022 will reach 14.6%, growing 0.4% from the previous year, while Infomedia's Business Process Outsourcing (BPO) market share was 54.6%. On the other hand, Telkom Group controlled 29.4% of the satellite business market share, growing by 2.5% from the previous year [7].

Telkom Group also carries out the wireless telecommunication tower business activities through its subsidiary, Mitratel. Mitratel's market share reached 40.6%. In terms of coverage, towers owned by Mitratel reached 35,418 towers distributed throughout Indonesia, where around 58% are located outside Java Island [8]. With the various market-leading products offered by Telkom for the Indonesian market, Telkom cemented its position as one of the largest holding companies for telecommunication services in Indonesia.

Even though Telkom is leading the market with its various products, the results of Telkom's financial ratio analysis from 2017 to 2021 show less stability in the profitability ratios because ratio values have been changing unstably [9]. From the analysis, we can conclude that Telkom's revenue is increasing. However, if we look at the profitability ratio, which is lower than the previous year, there seem to be profitability issues, which makes product innovation and effective marketing strategies inevitable to stay at its market leader position.

And to keep its position as a market leader in the telecommunication industry, Telkom should be agile and adapt to the ever-changing markets by innovating in its product offering and implementing relevant marketing strategies to maintain its position. One of its efforts is through expanding its product offering to the Telkom Digital Business unit, which oversees most of the digital projects such as

This study aims to explore the impact of product innovation and marketing performance on PT Telkom Indonesia Tbk's market leader position. We will explore the company's approach to product innovation and marketing strategies, understanding how it has adapted to changing market trends and customer preferences. Additionally, we will analyze the impact of these strategies on the company's market share.

The analysis in this study provides valuable insights for companies striving to become market leaders. The findings emphasize the important role of product innovation and marketing performance in reaching market leaders. Companies need to consider both marketing and innovation capabilities when allocating resources, as both are critical for long-term success and growth [10].

Overall, this study aims to contribute to the understanding of the critical role of product innovation, and marketing performance in achieving and maintaining market leadership in today's dynamic business environment.

II. LITERATURE REVIEW

A. Product Innovation

Innovation can contribute to a firm's competitive advantage by enhancing its product differentiation, reducing its cost structure, and increasing its customer base [11]. Innovation is not only about developing new products or services, but it should also involve new ways of thinking about business and developing new processes. And to innovate, companies needed to calculate their business process and identify the potential of the new business [12].

It is also stated that the scope of innovation's development is not only limited to the development of a new product or service, but innovation must also be able to touch the development of new business thinking and processes. Product innovation is any activity that is almost impossible to produce with just one trial, so product innovation will require a continuous process [13]. There are many processes that will be used in the decision-making process, from the ideation phase to implementing them in the market.

Based on the literature review above, the hypothesis proposed in this study is:

H1: Product Innovation has a positive impact on Maintaining the Market Leader position.

B. Marketing Performance

Marketing performance is a concept and tool to measure the marketing performance of a company. By using performance marketing, companies can study their achievements to reflect their success in competing in a market [14]. Marketing performance is a factor used to project the impact of the marketing strategy implemented by the company so that the company can create increasingly optimal performance [15].

Marketing performance is a benchmark used by companies in marketing their products to the market. Therefore, performance marketing is a concept used by companies to measure the performance of the company itself in carrying out its product marketing activities [16]. Effective marketing strategies can help a company become a market leader by creating a unique brand, building customer loyalty, and providing superior customer value compared to their competitors [17]. To achieve this, companies need to focus on providing better quality, more features, greater convenience, or lower prices to their customers. Building strong relationships with customers and creating strong brand equity are also important factors in becoming a market leader.

Based on the thought above, the hypothesis proposed in this study is:

H2: Marketing Performance has a positive impact on Maintaining the Market Leader position.

C. Market Leader Position

Competitive advantage comes from a company's ability to perform activities differently from its rivals [18]. This strategy of implementing competitive advantage must be oriented towards achieving continuous competitive advantage for the company to lead the existing market. Competitive advantage increases the value or benefits that a company creates for something new. Innovation is a new idea, a unique combination of old ideas that can be considered new by those involved and further developed internally [19].

Impact of product innovation on the company's competitive advantage or namely the Product Innovation indicator has a positive impact on marketing drive [20]. This means the better the product innovation, the better the market drive. The market drive has a positive impact on sustainable competitive advantage. This means the better the market drive, the better the sustainable competitive advantage. In a long-term competitive advantage, the companies achieve a sustainable competitive advantage when they can develop their core competencies to serve their target customers better than their competitors.

The art of marketing is the art of brand building. If you are not a brand, you are a commodity. Then the price is everything, and the low-cost producer is the only winner [21]. This suggests that having a strong marketing strategy and a brand identity is crucial to maintaining a competitive edge. Achieving the goal of satisfying the needs of customers is not solely a marketing problem, nor is it solely a design problem or manufacturing problem; it is a product development problem involving all of these functions [22]. It is relevant that product development has become one of the deciding factors in gaining a competitive edge in the industry.

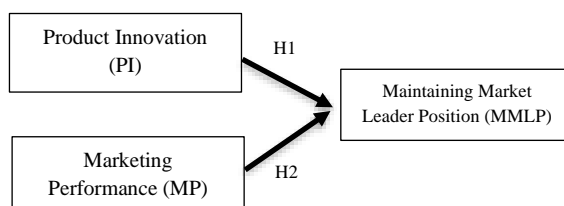
Market leaders have strong incentives to innovate as they stand to lose more if they fail to innovate, and competitors catch up or even surpass them [23]. However, every firm has its own capability and limitations in doing innovation. It is argued that any technological improvement that requires a substantial new process would need new capabilities from firms, which they must invest in to acquire and integrate into their operations [24]. It means that the capabilities of innovation vary from one brand to another.

Market leaders were more willing to adopt business process innovations, even if they involved internal adjustment costs, as long as the changes did not affect customers [24]. It is mainly because the potential impact on their existing customer base could potentially disrupt the existing customer relationships and processes that have been optimised over time and changing them may come with significant adjustment costs.

It is a mistake to assume that increased market share always leads to higher profits. Whether increased market share will be beneficial depends on the costs the company has to incur to achieve it and the revenue gained from it [17]. Sometimes the costs of increasing market share can be greater than the additional revenue gained, especially if rivals react with their own moves to counter the firm's efforts.

III. RESEARCH METHODOLOGY

Several studies show that there are two factors that lead to being in the Market Leader Position, namely product innovation and marketing performance. The correlation among product innovation, marketing performance, and market leader position can be seen in the theoretical framework model. Based on the literature review and the hypotheses, a conceptual model or theoretical framework can be developed a research model as follows:



IV. RESULTS AND DISCUSSION

To assess the influence of each factor’s data reliability and validity, we conducted a survey to collect data from respondents. We developed the survey using Google Form and distributed it through several online channels such as Line, WhatsApp, and Instagram. We collected 616 responses during the period of September - December 2023, but only 400 of them met the criteria to be included in our study.

A. Respondent Characteristics

The characteristics of the respondents are illustrated on the Table 1 as follows:

Demographic	Category	Number	Percentage
Gender	Male	201	50,2%
	Female	199	49,8%
Age	18 - 25	223	55,4%
	26 - 40	166	41,8%
	41 - 60	11	2,8%

Most of the respondents use Telkom products, where we have intensively filtered the respondents so that these respondents have used at least one Telkom product, which is related to the mobile network, Telkomsel. We also filtered those respondents so that 100% of the respondents came from the Greater Jakarta Area.

The characteristics of the respondents that used and interacted with Telkom Product is mostly Gen-Z (55,4%), followed by Millennials (41,8%) and the rest of them are filled by Gen-X (2,8%). The distribution of respondent’s gender is quite equal with male (50,2%) and female (49,8%)

B. Results and Discussions

To ensure the data’s validity and reliability to be included in the study, we run several tests on the collected data. The validity test results are illustrated on Table 2 as below:

Variable	R-value		R-table	Decision
PI1	0.470	>	0.08	Accepted
PI2	0.436	>	0.08	Accepted
PI3	0.561	>	0.08	Accepted
PI4	0.500	>	0.08	Accepted
PI5	0.472	>	0.08	Accepted
PI6	0.471	>	0.08	Accepted
MP1	0.500	>	0.08	Accepted
MP2	0.452	>	0.08	Accepted
MP3	0.555	>	0.08	Accepted
MP4	0.484	>	0.08	Accepted
MP5	0.415	>	0.08	Accepted
MP6	0.553	>	0.08	Accepted
MMLP1	0.566	>	0.08	Accepted
MMLP2	0.476	>	0.08	Accepted
MMLP3	0.564	>	0.08	Accepted
MMLP4	0.541	>	0.08	Accepted
MMLP5	0.512	>	0.08	Accepted
MMLP6	0.559	>	0.08	Accepted

We measure the r-table using the formula, which states that the data pass the validity test if the R-value is 0.08 with a degree of freedom value of 398. From the table above, it shows that all of the data meets the requirement for validity test, which concludes that the data is valid.

We run the test to measure data's reliability for the study to ensure that the data is reliable to be included in the study. Table 3 shows the reliability test results as follows:

Variable	Cronbach Alpha		0.70	Decision
PI	0.746	>	0.70	Accepted
MP	0.754	>	0.70	Accepted
MMLP	0.786	>	0.70	Accepted

Cronbach's Coefficient Alpha values that are accepted for research papers are greater than 0.70. It is recommended that the reliability of 0.70 or better for basic research to represent the reliability of data [25]. From the table above, it shows that all the data meets the requirement for the reliability test, which concludes that the data is reliable.

To measure the data's distribution, we used the Kolmogorov-Smirnov test. Table 4 shows the results for the data distribution as follows:

Variable	Skewness	Kurtosis	Decision
PI	-1.710	4.558	Accepted
MP	-1.518	4.139	Accepted
MMLP	-1.228	2.006	Accepted

It is recommended that the normality test is conducted just by looking at the Skewness and Kurtosis value, when the sample for the study is large [26]. It is also stated that data can still be considered normal if the skewness value is between -2 to 2 and kurtosis value is between -7 to 7 [27]. From the table above, it is concluded that all the data meets the requirement for the normality test.

To measure the impact of the variable, we used regression analysis to show the linear relationship between two variables [28]. Table 5 shows the result of the regression analysis as follows:

HYPOTHESIS	STD ERROR	T-VALUE	P-VALUE	DECISION
H1	0.058	6.098	0.000	Accepted
H2	0.061	7.250	0.000	Accepted

Hypothesis 1 (H1): “Product Innovation has a positive impact on Maintaining the Market Leader position.” As shown in table 5, the hypothesis is accepted. We conclude that implementing product innovation has the potential to increase the firm's competitive advantage, putting the firm ahead of its competitor. This observation is consistent with the findings established in earlier research investigations that the impact of product innovation on the firm’s competitive advantage has a positive impact on the marketing drive [20].

Hypothesis 2 (H2): “Marketing Performance has a positive impact on Maintaining the Market Leader position.” As shown in table 5, the hypothesis is accepted. We conclude that implementing the marketing initiatives with satisfactory performance could improve the firm's position in the industry and stay ahead of the competition. These findings align with previous studies which state that effective marketing strategies can put a firm with a stronger position in the market [17].

V.CONCLUSION

Maintaining the market leader position in a specific industry is a challenging task. The firm needs to invest significant resources in various aspects to ensure continuous activities and to remain the top-of-mind for its target market and users. Even after reaching the market leader position, the firm must continue innovating to sustain its position. In this case, we have observed that the market leader for the Indonesian telecommunications industry is PT. Telkom Indonesia Tbk. There are numerous factors that influence how a firm can maintain its market leader position. The main objective of this study is to analyze whether factors such as Innovation and Marketing Performance significantly affect PT. Telkom Indonesia Tbk, from the user's perspective, in maintaining its market leader position in the telecommunications industry. The findings align with the objective of evaluating the strength of the relationships between variables for Telkom to sustain its position as the market leader.

From the findings in the previous journal, we also found out several factors that influence the firm in its effort to maintain its position as a market leader position includes keep innovating their products and optimizing their marketing efforts. This study analyze the factors of product innovation and marketing performance as the variables that are assumed to have influenced the firm’s efforts in maintaining its market leader position. The study results show that product innovation and marketing performance have a significant impact on the firm’s efforts to maintain its market leader position in the telecommunication industry. Product innovation enables the firms to continually improve its competitive advantage by responding to changes and adapting to the market conditions and capturing a significant portion of the market. Meanwhile, optimizing the firm’s marketing performance helps the firm to gain a deeper understanding of its target users and position them as a solution-oriented firm.

This study aims to act as a reference for Telkom or any similar firms when identifying influential factors in their pursuit of maintaining the market leader position. This study also aims to help decision-makers in determining the suitable marketing strategies and factors to consider when developing product innovation. In conclusion, marketing performance is indeed crucial to assess and optimize marketing strategy effectiveness, and product innovation ensures sustained relevance and competitiveness, both being key factors in maintaining the market leader position.

VI. LIMITATIONS AND FURTHER STUDY

The limitation of this study is the short timeframe that is available, preventing the distribution of questionnaires in a more effective manner. As a result, the study only managed to obtain responses from 400 valid respondents among Telkom users located in Jakarta.

In the future study, researchers can aim to reach a larger number of respondents and broaden the scope throughout all the regions in Indonesia. Future research can also include any additional variables that are assumed to help the firms in maintaining a market leader position could be included in future studies due to possible changes in perspectives among the users using telecommunication services in Indonesian society.

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