The Roles Of Creative Content And Business Strategy In Improving Business Performance

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ABSTRACT

With the rising ubiquity of digital technology, OOH (hereinafter abbreviated Out-of-Home) media industry has gained more popularity in recent years. There are twomain business formats in this industry: the Digital Out of Home format and Physical Out Of Home format. The market of media industry in Indonesia is dominated by two or three companies that control more than 30% of each business format. The industry is also characterized by the decline in sales prices due to competition, which pushes the level of profitability downwards. Such conditions demand the leverage of creative content and the corresponding business strategy to turn around the overall profitability of the industry. Therefore, this study aims at examiningthe influence of creative content and business strategy on business performance in OOH Media Industry. The sampling technique used was stratified random sampling. The sample consisted of OOH media companies located in Jakarta, Bandung and Surabaya. The results showed that both creative content and business strategy significantly influenced business performance. The study also proved that business strategy in the form of competitive and cooperative strategies played a greater role than creative content in the form of User Experience Value Proposition, Digital Evolution Scanning Skills dan Improvisation

Introduction

Global Entertainment and Media Outlook 2016-2020 issued by PwC (www.pwcmediaoutlook.com) reported there will be a fairly rapid increase of Out-of-Home (OOH) advertising in Indonesia for about 9.973% of CAGR (Compound Annual Growth Rate). The CAGR of OOH media occupies the third largest after Internet and TV. The detail about the growth is depicted in Figure 1.
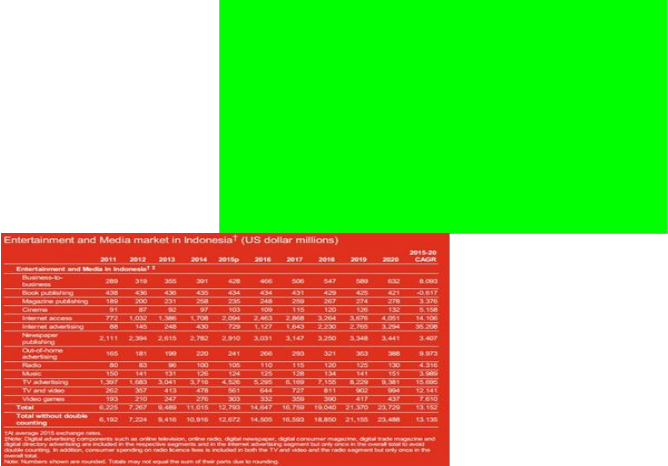

Figure 1 Entertainment and Media Market in Indonesia Source: Global Entertainment and Media Outlook 2016-2020 PWC(www.pwcmediaoutlook.com)

According to Grant & Meadows (2010), Out-of-Home media is any kind of forms that can deliver messages from a message sender to recipient with the receiver located outdoor or outside the recipient's house. The format of outdoor media business consists of Digital OOH, including plasma screen, LCD monitor, LED monitor and projection screen; and Physical Out of Home including billboards, banners and billboards, Solution Mall, Building Wrap and Ambient Branding in all places such as offices, shopping centers, transportation equipment and so on)..

The development of future OOH media will be focused on the Digital- Out-of-Home media. Figure 2 illustrates the comparison of the two Out-of- Home medias growth.

Out-of-home advertising market in Indonesia† (US dollar millions)

	2011	2012	2013	2014	2015p	2016	2017	2018	2019	2020	2015-20 CAGR
Out-of-home advertising in Indonesia†											
Digital out-of-home advertising	12	18	26	35	46	60	75	93	113	135	23.977
Physical out-of-home advertising	153	163	173	184	195	206	217	229	241	253	5.312
Total	165	181	199	220	241	266	293	321	353	388	9.973

†At average 2015 exchange rates.
Note: Numbers shown are rounded. Totals may not equal the sum of their parts due to rounding.

Figure 2 Out-of-Home Advertising Market in Indonesia Source: Global Entertainment and Media Outlook 2016-2020, PwC (www.pwcmediaoutlook.com)

The growth of Digital OOH reaches 23.977% CAGR (Compound Annual Growth Rate), meaning that the sustainability of the industry will focus on outdoor digital media. Digital outdoor media uses electronics in the form of plasma screens, LCD monitors, LED monitors, and projection screens that are connected to a digitally processed network system.

The growth of OOH media is heavily influenced by digital innovation, digitalization and mobile devices that actually speed up functions and processes. Through open innovation,

arena and architecture of physical and digital components can be combined (Yoo et al., 2012). Creative content must be optimized because the development of OOH media industry is strongly related to the existence of digital innovation, while the next development is increasing the flexibility of the existing digital screen. The article entitled "Innovations in Out-of-Home Advertising" (www.thedrum.com, 2012) explains that increasing flexibility through digital screens enables brands to run ad campaigns in a connected way, which is never thought before. Digital innovations enable us to see that interactive elements can be built on outdoor media formats, such as billboards with augmented reality, NFC and QR codes, all of which are well-established by multi-sensory advertising using

senses like scent, touch, sound and taste while adding a new dimension as brand experience to outdoor media.

Based on the above conditions, format of Digital OOH media business was examined since it has experienced the most rapid growth and caused a number of changes in the industry environment. It becomesa phenomenon in the competitive power of OOH media industry in Indonesia and influences the performance of business. In addition to inter-company competition, OOH media companies experience several pressures in business continuity, such as:

- The emergence of various newcomers, both local and global players;
- The need for strategic multilateral partnerships between OOH media companies and owners or agencies (malls, offices, hospitals, transportation equipment, and so on);
- The need for creativity and innovation in each format of OOH media business;
- The development of the latest technology that certainly impacts investment; and
- Limited space for business expansion due to regulations and licensing issues.

These pressures show the urgeto formulate the right business strategy to anticipate competition. It is in accordance with Pearce & Robinson (2015) who assuming that several business strategies are sources of competitive advantage.

The competition of OOH media business in Indonesia is very tight. Its market share is dominated by two or three companies that control more than

30% of each OOH media business form. The companies should get a ROI (return-on-investment) immediately while advertising sales in OOH media, hence, it is totally dependent on industry growth, media placement point, content creativity and price. As a result, in the state of under pressure (the

lease place, the regulation, the point of placement) the selling price will be lowered. A decrease in theprices certainly cause the level of profitability declining.The condition shows that business performance of the outdoor media industry has not been optimized yet. To analyze such condition, Wheelen and Hunger (2015) state that business performance can be measured from its sales, market share and business profitability.

Considering the aforementioned phenomenon, this study aims at examining the influence of creative content and business strategy on business performance of Digital OOH media industry in Jakarta, Bandung, and Surabaya.

Literature Review

Creative Content

According to Nylén and Holmstrom (2015), there are at least five

major areas of digital innovation strategy, which can be identified, measured and evaluated in managing digital products and service innovations. First, User Experience: Digital products and services must not only be efficient to use and easy to learn, but also must be able to provide user experience, which can be measured by the level of usability, aesthetics, and engagements. Second, Value Proposition: Companies must clearly articulate a value proposition on every digital product and service: The quality of the value proposition is judged on the dynamics of customer segmentation, products and services in a bundling way. Third, Digital Evolution Scanning: It involves gathering intelligence on new devices; digital channels such as web services, mobile operating systems, social media and applications capable of identifying or exploiting opportunities for innovation. Fourth, Skills: Digital innovation requires new skills, so companies need to evaluate the mechanisms that help learning process continues until a dynamic team of innovation is formed. Fifth, Improvisation: the occurring process of digital innovation should be able to provide some spaces for members of an

organization to improvise, and the mechanism to coordinate the effort is the

key.

In this study, the measurement of creative content employed the above

Nylén and Holmstrom's (2015) dimensions and indicators.

Business Strategy

Pearce & Robinson (2015) put forward several business strategies as a source of competitive advantage that can be developed through low cost strategies, differentiation, speed-based strategies, and market focus.

Furthermore, business strategy emphasizes on increasing the product or service's competitive position from a business unit or company from particular industry or specific market segment in which they compete (Wheelen and Hunger, 2015). Business strategies are divided into competitive strategies (competing against all competitors in excellence) and/or cooperative strategies (working with one or more companies to achieve excellence over competitors). Generic competitive strategies include(1) cost leadership: by designing, producing and marketing products more efficiently than competitors; (2) differentiation: by providing superior and unique value to buyers in terms of product quality, special features, or after sales service; and (3) focus: by providing superior and unique value to specific buyer groups, specific market segments, and geographic markets. While cooperative strategy is done through collusion and strategic alliance.

In this study, the business strategy used refers to Wheelen and Hunger's (2015) opinion, which includes competitive strategies and cooperative strategies

Business Performance

Best (2009) argues that business performance is an output or a result of the implementation of all activities related to business activities. Business
performance indicators are sales growth and profitability. On the other hand, Wheelen and Hunger (2015) state that sales, market share and profitability are used to measured business performance.

In this study, business performance is measured by the dimensions of sales volume, profitability, and market share.
A number of studies show that innovations were related to organizational performance (Diaz-Fernandez, Bornay-Barrachina, & Lopez- Cabrales, 2013; Moghaddam et al., 2013; Al-bahussin & El-garaihy, 2013; and Maier et al., 2013).These findings illustrated that innovation couldimprove business performance. In outdoor media industry, creative content isgenerated from the innovation process.Therefore, it can be concluded that the creative content coul dimprove business performance. In addition, other findings proved that business strategy is associated with business performance (Parnell, 2010; Goll, Johnson, Rasheed, 2015; Nandakumar, Ghobadian, O'Regan, 2010). Parnell (2010) found that combined strategies wererelated to higher performance in some firms. Besides, Chenhall, Kallunki, Silvova (2011) also showed that differentiation corresponded with innovation and improves company performance.

In the following, a research hypothesis was established according to the literature review above.
H: Creative content and business strategy affect business performance in
Digital-Out-of-Home industry

Research Methodology

This study employs an explanatory survey. The unit of analysis and observation in this study is the management of business units of Digital OOH companies in Indonesia. The observation was conducted by using time horizon,which is cross section/oneshoot, meaning that the information or data was collected directly and empirically at one particular time Malhotra (2010) states that the population is a composite of all elements possessing a set of similar characteristics. The sample definition is the sub-element of the selected population to participate in the study. Based on this understanding, the population in this study is the entire industry of Digital OOH media companieslocated in Jakarta, Bandung and Surabaya.

The sample size was determined by taking into account the analytical techniques used in the hypothesis test that is Modeling (SEM). The sample size of SEM is at least 200 observations (Kelloway, 1998). Hair (1998) states there is no single criterion for determining sample size in SEM, but the sample ratio sample toward parameter (indicator) should be further considered.

The sampling technique used to obtain the sample but still represent the populationin this study is stratified random sampling, that divides the population based onthe industry group and each of the business formats. The sample was randomly collected by using proportional allocation related

to the number of population. Proportional allocation deals with gathering samples according to the size of the population, so the number of samples for each sub-population will be proportional compared to the population size. The sample size is wasto several Digital OOH media industries located in Jakarta, Bandung and Surabaya.

Results And Discussions

Analysis of structural model (inner model)

Analysis of structural model (inner model) shows the relationships between latent variables. Inner model was evaluated by using Goodness-of-Fit Model (GoF). The model shows the difference between the values of the observations result and the values predicted by the model. This was is indicated by the value of R square on endogenous constructs and Q square (Prediction relevance) or known as Stone-Geisser's. The value of Q square obtained 0.02 (minor), 0.15 (medium) and 0.35 (large). It was only used for the endogenous construct with reflective indicator. According to Chin (1998), the values of R
square are amounted to 0.67 (strong), 0.33 (medium) and 0.19 (weak). Table 1 explains the R square value in the Business Performance as endogenous variables in the strong criteria (> 0.67 = strong), and Q square values are in the large criteria, so it can be concluded that the research model was supported by the empirical condition or the model is fit.

Table 1 Test of OuterandInnerModel

Variable	R Square	Cronbachs Alpha	Composite Reliability	Q square
Business Performance	0.543	0.815	0.890	0.715
Creative Content		0.915	0.927	0.455
Business Strategy		0.814	0.871	0.575

Source:SmartPLS 2.0

Analysis of measurement model (outer model)

The analysis of measurement model (outer model) shows the connections between manifest variables (indicators) and each latent variable. Validity and reliability tests were used to measure the latent variables and the indicators in measuring the constructed dimension. Cronbachs Alpha's value wasused to measure the reliability of dimension in measuring variables. If the value of Cronbachs Alpha is bigger than 0.70, then the dimensions and the indicators were reliable in measuring variables (Nunnaly, 1994). The Composite reliability and Cronbachs Alpha > 0.70, meaning that all of variables in the model was estimated to fulfill the criteria of discriminant validity. Therefore, it can be concluded that all of variables had a good reliability. Table 1 shows the values of Cronbachs Alpha which was> 0.7 and Composite Reliability > 0.7, so it can be concluded that all variables had reliable dimensions and indicators.
Table 2 shows the result of outer model for each dimension on indicators. For the second order, this research model enables the

loading factor obtained to explain the relationship between   latent variables-dimensions and dimensions- indicators

Table 2 Loading Factors of Latent Variable-Dimension-Indicator

Variable-Dimension	Indicator-Dimension	1	SE(l)	t-value	Conclusion
Creative Content	**Creative Content -> User Experience**	**0.926**	**0.015**	**62.823**	**valid**
	X11 <- User Experience	0.796	0.029	27.702	valid
	X12 <- User Experience	0.681	0.081	8.375	valid
	X13 <- User Experience	0.815	0.027	29.911	valid
	Creative Content -> Value Proposition	**0.887**	**0.020**	**44.485**	**valid**
	X21 <- Value Proposition	0.746	0.050	14.926	valid
	X22 <- Value Proposition	0.771	0.036	21.519	valid
	X23 <- Value Proposition	0.718	0.087	8.251	valid
	Creative Content -> Digital Evolution Scanning	**0.920**	**0.018**	**49.943**	**valid**
	X31 <- Digital Evolution Scanning	0.712	0.054	13.196	valid
	X32 <- Digital Evolution Scanning	0.660	0.081	8.103	valid
	X33 <- Digital Evolution Scanning	0.812	0.037	21.767	valid
	Creative Content -> Skill	**0.896**	**0.026**	**34.051**	**valid**
	X41 <- Skill	0.814	0.032	25.801	valid
	X42 <- Skill	0.810	0.036	22.395	valid
	X43 <- Skill	0.655	0.055	11.908	valid
	Creative Content -> Improvisation	**0.898**	**0.025**	**35.537**	**valid**
	X51 <- Improvisation	0805	0.036	22.632	valid
	X52 <- Improvisation	0.695	0.060	11.500	valid
	X53 <- Improvisation	0.733	0.041	17.838	valid
Business Strategy	**Business Strategy -> Competitive Strategy**	**0.982**	**0.005**	**204.071**	**valid**
	X61 <- Competitive Strategy	0.830	0.025	32.782	valid
	X62 <- Competitive Strategy	0.730	0.039	18.591	valid
	X63 <- Competitive Strategy	0.765	0.052	14.678	valid
	Business Strategy -> Cooperative Strategy	**0.959**	**0.012**	**82.719**	**valid**

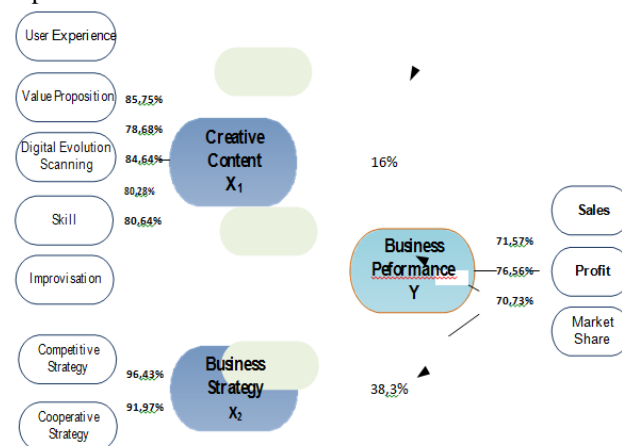| Variable-Dimension	Indicator-Dimension	1	SE(l)	t-value	Conclusion
	X71 <- Cooperative Strategy	0.763	0.034	22.672	valid
	X72 <- Cooperative Strategy	0.805	0.032	25.223	valid
					valid
Business Performance	Y1 <- Business Performance	0.846	0.023	37.452	
	Y2 <- Business Performance	0.875	0.021	42.364	valid
	Y3 <- Business Performance	0.841	0.028	30.269	valid

The result of outer model of dimensions through its indicators showed that the indicators were valid witht -value < 2.01 (t table at α = 0.05). The result of latent variables measurement model on their dimensions showed to what extent the validity of dimensions in measuring latent variables.

Figure 3. Complete Path Diagram of Research Model

Based on the research framework, then a structural model was obtained as in the following:

$Y = 0.300X_1 + 0.558X_2 + z_1$

X_1= Creative Content
X_2 = Business Strategy
Y = Business Performance
z_1 =Residual

Below is the result of hypothesis testing both simultaneously and partially.

Table 3 Simultaneous Testing of Hypothesis

Hypothesis	R^2	F	Conclusion
Creative Content and Business Strategy -> Business Performance	0.543	27.89*	Hypothesis accepted

* significant at a=0.05 (F table =3.19)

Table 3 shows that with the confidence degree reaches 95% (a=0.05), simultaneously the influence of Creative Content and Business Strategy to Business Performance was amounted to 54.3%, while the rest 45.7% was affected by other factors that were not examined.

Table 4 Partial Testing of Hypothesis

			g	g)			
Creative Content -> Business Performance			0.300	0.123	2.429	0.160	H1 accepted
Business Strategy -> Business Performance			0.558	0.095	5.847	0.383	H1 accepted

* significant at a=0.05 (t table =2.01)

Table 4 shows that, partially, Creative Content and Business Strategy significantly influenced Business Performance, which is business performance had a greater influence (R2=38.2%).
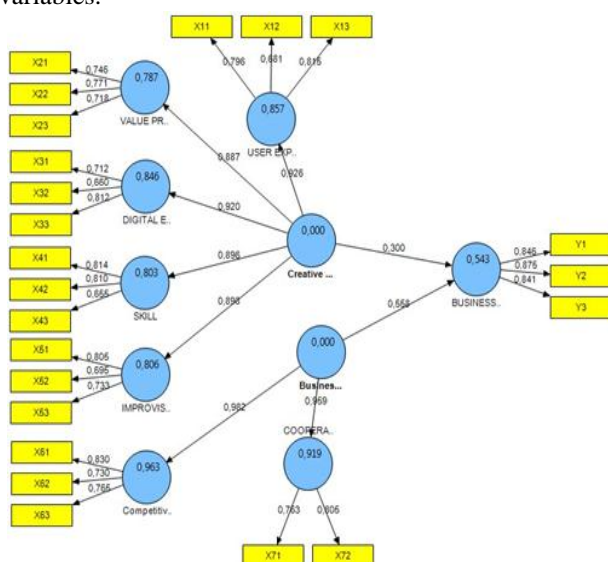
Based on the results of the hypothesis testing, the research finding can be depicted as follow:

Figure 4 Research Finding

The research findings indicated that business strategy had a greater influence than creative content in affecting business performance. Business strategies were more dominantly shaped by competitive strategies than by cooperative strategies. Meanwhile, creative content was more dominantly formed by the implementation of user experience, supported by the implementation of digital evolution scanning, improvisation, skill, and value proposition. These findings indicated that the improvement of business performance of digital out-of-home (hereinafter abbreviated DOOH) media should rely on the development of business strategy supported by the development of creative content.

In OOH media industry in Indonesia, competitive strategy had a more dominant role than cooperative strategy in enhancing business performance. Competitive strategy was implemented by the development of cost leadership strategy, differentiation strategy, and focus strategy. Meanwhile, the cooperative was is implemented by the development of

collusion and strategic alliance. The DOOH media companies in Indonesia have not been optimal in applying collusion strategy and strategic alliance, so that it could not optimally support the competitive strategy in improving business performance.

The cost leadership strategy emphasized the creation of efficiency and differentiation. Efficiency reduced costs that are not needed, which led to reduction in the expenses and increase in the income. Product differentiation aimed at creating more unique products more than competitors. Uniqueness makes customers more interested in company's products. Consequently, increasing number of customers provides more opportunities for increasingsales and profits for the companymeaning that company's business performance increases as well.

The finding, that business strategy has had important role in improving business performance, is in line with the findings of Parnell (2010), and Nandakumar, Ghobadian, O'Regan (2010) that strategy was associated with performance.

On the other side, it was found that creative content also affected business performance. This finding supports Diaz-Fernandez, Bornay-Barrachina, & Lopez-Cabrales, (2013), who found that innovation was in with organizational performance. Besides, innovation was significantly and strongly related to financial performance (Moghaddam et al., 2013).

Therefore, the result of this study is expected to provide implications for the management of DOOH Media companies in improving the implementation of business strategies that are supported by the development of creative content for enhancing the business performance.

Conclusions

The finding supports the hypothesis that Creative content and business strategy simultaneously and partially influenced business performance in

DOOH media industry in Indonesia. Business strategy had more dominant influence than creative content in improving business performance.

The results of this study suggest the management of DOOH media companies to emphasize the implementation of business strategy, namely competitive strategy and cooperative strategy supported by the improvement of creative content in their effort to improve business performance. Competitive strategy needs to be implemented of leadership strategy, differentiation strategy, and focus strategy development. Creative content must be improved by creating more valuable user experience, supported by the improvement of digital evolution scanning, improvisation, skill, and value proposition

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