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# The effectiveness of business partnership to the marketing of home industry products

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## Abstract

The aim of this study is to analyze the effectiveness of business partnerships and co-branding on the marketing of home industry products in franchise companies. This study also uses a descriptive quantitative approach with a sample of 20 franchise companies. The results of the determination test showed 52.4%, while the remainder was 47.6%. Similarly, the beta coefficient test results on the business partnership variable are 0.364, while the co-branding variable is 0.289. In conclusion, business partnerships and co-branding partially and simultaneously have a positive and significant effect on the marketing of home industry products in franchise companies.

**Keywords:** Business, Partnership, Co-Branding, Marketing, Franchise

## La efectividad de la asociación comercial para la comercialización de productos de la industria doméstica

### Resumen

El objetivo de este estudio es analizar la efectividad de las alianzas comerciales y la marca compartida en la comercialización de productos de la industria doméstica en empresas de franquicia. Este

estudio también utiliza un enfoque cuantitativo descriptivo con una muestra de 20 franquicias. Los resultados de la prueba de determinación mostraron 52.4%, mientras que el resto fue 47.6%. Del mismo modo, los resultados de la prueba del coeficiente beta en la variable de asociación comercial son 0.364, mientras que la variable de marca compartida es 0.289. En conclusión, las alianzas comerciales y la marca compartida de manera parcial y simultánea tienen un efecto positivo y significativo en la comercialización de productos de la industria doméstica en empresas de franquicia.

**Palabras clave:** negocios, asociación, marca compartida, marketing, franquicia

## 1. INTRODUCTION

Marketing strategy is one of the main keys to success for a company to market its products to the customers. This also applies to all home industry business actors who are generally still having difficulties in marketing their products. In addition, the marketing strategy is also the spearhead for developing business activities, because without running the right marketing strategy, a company will be difficult to compete between increasingly fierce business competitions. It is meant that the business activity will only run and stay in stagnant place without supported by good management, service quality and market products. For a small business scale-like home industry, of course, they have a different marketing strategy from the large companies (RANGKUTI, 2009). Home industries usually have a limited marketing budget. Moreover, they have also difficulties in

creating customer loyalty to their brand, and consumer behavior changes very quickly.

The lack of capital and limited access to capital financing are the main factors needed to develop a business. Home industries usually only rely on personal capital or make loans to banks. In addition, the lack of human resources quality also hampers business development. Then the weakness of business networks and the ability of market penetration are also obstacles to the development of home industries. This makes it difficult for home industries to market their products so that the home industry demands creative thinking and new strategies in dealing with its competitors. One of the efforts that the home industry can make is through cooperative relationships with franchise companies in the form of business partnerships through shirkah.

In terms of the Islamic economy, shirkah is one of Islamic business contract that describes a partnership between two or more individuals. The parties involved combining a portion of their capital or labor in order to share in the profits and losses of the business. In the Islamic economic law theory and philosophy, shirkah is divided into two categories: first, shirkah al-milk is a joint ownership between the parties involved, where each party has provided capital in order to purchase a particular property, and second, shirkah al-'aqd is a partnership created through a contract (WASHBURN, BRIAN & TILL, 2000).

Shirkah can also be implemented to mean a type of joint commercial enterprise like practiced in a franchise business. In the world of business, franchising is famous for the term franchise, which

is giving a business license by a party (individual or company) to another party as a franchisee. In other words, franchising is a business arrangement with a system of granting rights to the use of trade names by franchisees to franchisees to sell products or services in accordance with the standardization of agreements to open a business using their trademark/trade name (MOHR & SPEKMAN, 1994).

According to ODOP (2006), partnerships with franchise companies are very important for the development of home industry businesses. The development of the home industry is also indeed considered and difficult to do without involving large business participation. In addition, partnership is one solution to overcome the gap between home industry and franchise companies. The marketing network owned by franchise companies is an opportunity for home industry business actors to market their products.

Economic development with a partnership pattern can be considered as the most profitable business (maximum social benefit), especially in terms of achieving long-term development goals. Thus it can be concluded that the growth of the home industry cannot be separated from its function as a partner of a franchise company that is bound in a business partnership pattern. In addition, home industries can also do co-branding to improve the marketing of their products (LEUTHESSER, 2003).

As suggested by KOTLER & ARMSTRONG (2011) who explained co-branding as a business practice by using established brand names from two different companies on the same product. In addition, co-branding is also seen as generating more sales from

existing target markets and also opening additional opportunities for consumers because it is a combination of two well-known products.

BLOOMQVIST (2002) explains that the development of industry in the era of free markets like today is full of uncertainties and complexities so large companies need small companies to supplement their knowledge and increase flexibility. This, of course, will create equality among all business actors for interdependence in developing both types of businesses (KELLER, 2008).

Home industries that conduct business partnerships and co-branding with franchise companies will certainly get various benefits, such as increasing productivity, guaranteeing quality and quantity, getting high benefits, increasing market competitiveness, and strengthening product brands. But this should also be balanced with the mastery of science and technology, as well as good moral attitudes in order to be able to act as partners who need each other and grow up (WAHYUNI, 2003).

The main purpose of doing business partnerships and co-branding in addition to increasing the marketing of home industry products will also be useful to attract the attention of consumers so that they buy products that are issued. Therefore, in this study, we will study more about the effectiveness of business partnerships and co-branding and their influence on the marketing of home industry products in franchise companies (SUDJANA, 2005).

## **2. METHOD**

This research examines the effectiveness of the use of business partnerships and co-branding on the marketing of home industry products in franchise companies. The object of the study as an independent variable is a business partnership ( $X_1$ ) and co-branding ( $X_2$ ). As for the dependent variable in this study is the marketing of home industry products (Y) (SUGIYONO, 2011; 2007).

This study uses descriptive methods and quantitative approaches. The data sources used in this study are primary data from franchise companies in the city of Bandung. Sampling is done by purposive sampling technique. In this case, there were 20 respondents in the franchise company. The research data was obtained using a questionnaire with a Likert scale. The analytical tool used to test the hypothesis is by using validity and reliability tests, multiple linear regression analysis, multiple correlation analysis, coefficient of determination and hypothesis testing through significance tests of t test (Partial) and f test (Simultaneous) (RATIH & VIKA, 2016).

## **3. RESULTS AND DISCUSSIONS**

Before the stages are analyzed, the results of the research data are first tested for validity and reliability to test whether the measuring instrument used is what item statement items that have been submitted to the respondent have measured carefully and precisely what they

want to be measured in the study. To test the hypothesis in this study, the researcher first collected data, one of which can be seen from one of the characteristics of the respondents who were the object of the main study in this study can be shown in the table below:

Table 1: Types of Business of Respondents

<b>Type of business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Food	12	60
Handmade	3	15
Fashion	5	25
Total	20	100

Source: Research Data (2019)

Table 2: Respondents' Duration

<b>Duration of business</b>	<b>Frequency</b>	<b>Percentage (%)</b>
< 1 year	7	35
>1 year	13	65
Total	20	100

Source: Research Data (2019)

Based on the results above, it can be stated that the majority of respondents in this study were food businesses (60%) and had used the application to run a business for more than 1 year (65%). After testing the validity with reliability, and the data declared valid and reliable. Then, the next step is to test the multiple regression analysis. The results of the analysis of Multiple Regression are used to determine the

effect of business partnerships ( $X_1$ ) and co-branding ( $X_2$ ) on the marketing of home industry products ( $Y$ ). The results are shown as follows:

Table 3: Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	<b>3.805</b>	2.656		1.432	.170
Business Patnership	<b>.364</b>	.217	.358	1.673	.113
Co-Branding	<b>.289</b>	.181	.342	1.601	.128

Coefficients<sup>a</sup> a. Dependent Variable: Y

Source: Research Data (2019)

Based on these results, the regression model formed is  $Y = 3.805 + 0.364 X_1 + 0.289 X_2 + e$ , with the following interpretations:

a)  $b_0 = 3,805$

Kostanta from this regression equation shows a value of 3.805 which means that if there is no contribution to the business partnership variable ( $X_1$ ) and co-branding ( $X_2$ ) to the marketing of the home industry products ( $Y$ ) it will be worth 3.805.

b)  $b_1 = 0,364$

This regression coefficient shows the amount of contribution given by the business partnership variable ( $X_1$ ) to the marketing of home industry products ( $Y$ ). The Business Partnership ( $X_1$ ) variable coefficient which is positive means that every increase in the Business Partnership ( $X_1$ ) variable by 1 unit will increase Product Marketing ( $Y$ ) by 0.364 assuming other variables are constant.

c)  $b_2 = 0,289$

This regression coefficient shows the amount of contribution given by the co-branding ( $X_2$ ) variable on product marketing ( $Y$ ). The coefficient of co-branding variable ( $X_2$ ) which is positive means that every increase in co-branding variable ( $X_2$ ) of 1 unit will increase product marketing ( $Y$ ) by 0.289 assuming other variables are constant.

Multiple correlation analysis is used to find the magnitude of the relationship and contribution between two independent variables ( $X$ ) or more simultaneously (together) with the dependent variable ( $Y$ ).

Table 4: Multiple Correlation Coefficients Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	<b>.724<sup>a</sup></b>	.524	.264	1.164	2.042

a. Predictors: (Constant),  $X_2$ ,  $X_1$

b. Dependent Variable:  $Y$

Source: Research Data (2019)

Based on Table 4, it can be seen that the correlation coefficient between business partnership variables ( $X_1$ ) and co-branding ( $X_2$ ) on the variables of Marketing of home industry products (Y) gets a figure of 0.724. So based on the interpretation of the correlation coefficient table, the acquisition of these figures shows that between business partnerships ( $X_1$ ) and co-branding ( $X_2$ ) for the production of home industry products (Y) has a strong positive relationship which is at intervals (0.600 -0,799).

Calculation of the coefficient of determination used to determine the magnitude of the influence of business partnership variables ( $X_1$ ) and co-branding ( $X_2$ ) on the marketing of home industry products (Y).

Table 5: Determination Coefficient Value Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.724 <sup>a</sup>	<b>.524</b>	.264	1.164	2.042

a. Predictors: (Constant),  $X_2$ ,  $X_1$

b. Dependent Variable: Y

Source: Research Data (2019)

The value on the coefficient of determination can be seen from the output correlation coefficient on the R square symbol. The results of these calculations show that the magnitude of the coefficient of determination is 52.4%, which means that the marketing variable for home industry products is influenced by the business partnership and

co-branding variables. The value of the interpretation of the coefficient of determination is included in the medium category which is at the interval (0.40-0.599). Whereas the remaining value that is equal to 47.6% is influenced by other factors not examined in this study.

Table 6: Partial Business Partnership Test Results Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	5.500	2.540		2.165	.044
Business Partnership (X <sub>1</sub> )	.500	.209	.492	<b>2.396</b>	<b>.028</b>

a. Dependent Variable: Y

Source: Research Data (2019)

In testing the hypothesis, the influence of business partnership variables (X<sub>1</sub>) on the marketing of home industry products (Y), obtained t count of 2, 396 with a significance value of 0.028. The statistical value of the t count test is greater than t table (2,396 > 2,086) or the significance value is smaller than  $\alpha = 0,05$ . Then it was concluded that the business partnership variable (X<sub>1</sub>) partially had a significant influence on the marketing variable of home industry products (Y).

Table 7: Co-Branding Partial Test Results Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	6.843	2.033		3.365	.003
Co-Branding (X <sub>2</sub> )	.408	.174	.482	<b>2.336</b>	<b>.031</b>

a. Dependent Variable: Y

Source: Research Data (2019)

Furthermore, in testing the hypothesis of the co-branding variable (X<sub>2</sub>) on the marketing of home industry products (Y), t count is 2.336 with a significance value of 0.031. The statistic value of the t count test is greater than t table (2.336 > 2.086) or the significance value is smaller than  $\alpha = 0.05$ . Then it was concluded that the co-branding variable (X<sub>2</sub>) partially had a significant effect on the product marketing variable (Y).

Table 8: Simultaneous Test Results ANOVA<sup>b</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	11.922	2	5.961	<b>4.401</b>	.029 <sup>a</sup>

Residual	23.028	17	1.355		
Total	34.950	19			

a. Predictors: (Constant), X2,

X1

b. Dependent Variable:

Marketing of home industry products (Y)

Source: Research Data (2019)

Based on the results of the calculations in the table above, F counts obtained are 4.401 (Sig F = 0.029). Table on the real level of 5%, F count > F table (4.401 > 3.55) and Sig F < 5% (0.029 < 0.05) then Ho is rejected which means that together the business partnership variable (X<sub>1</sub>) and co-branding (X<sub>2</sub>) has a significant influence on the marketing of Home industry products (Y).

The results of this study indicate that partially business partnerships have a positive and significant influence on the marketing of home industry products so that they can be said to be effective. Then co-branding has a positive and significant influence on the marketing of home industry products. Based on the results of simultaneous tests on regression analysis, it can be seen that the business partnership variables and co-branding simultaneously have a positive and significant influence on the marketing of home industry products. The influence of the two variables on the marketing of home

industry products is 52.4%, while the remaining 47.6% is influenced by other factors not examined in this study.

Business partnership in this study is the most dominant variable when compared with the second variable, co-branding, based on determining the independent variables that most influence the Y variable (marketing home industry products) which can be done by comparing the regression coefficients (Beta) between one variable with another. Business partnerships (0.364) are variables that have the largest beta coefficient compared to co-branding (0.289). That is, business partnership variables (X1) are more effective than co-branding (X2) in increasing the marketing of home industry products in franchise companies.

#### **4. CONCLUSION**

Referring to the results of research, discussion, analysis and testing of hypotheses that have been carried out, it can be concluded that the business partnership variable (X1) has a positive and significant effect on the marketing variable of home industry products (Y) which is indicated by the t test value of 2.396 with a value significance of  $0.028 < 0.05$  which means there is a significant positive effect. Then the co-branding variable (X2) has a positive and significant effect on the marketing variable of home industry products (Y) based on the t-test value of 2.336 with a significance value of  $0.031 < 0.05$ , which means there is a significant positive effect. Then

the simultaneous test results show business partnership variables (X1) and co-branding variables (X2) have a positive and significant effect on the marketing variables of home industry products (Y) with a F test value of 4,401 with a significance value of  $0.029 < 0,05$  as a reference indicating a significant positive influence.

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