Managerial Inter-Disciplines Study on Indonesian Retail Bond

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ABSTRACT

Retail bond is investment alternative for retail investors with short of fund, and more demanded on liquidity, low risk, and safety. Indonesia retail bond, known as Obligasi Retail (ORI) with 001 serial number was introduced on August 2007. This research is the first empirical research on ORI001. Our obstacles are obvious, such as lack of data, and lack of empirical support. This research is an interdisciplinary research with issues on finance, marketing, operation, and human resources. Those issues frame into grand research framework and tests interchangeably with secondary data. Samples are ORI investors and selling agents that located at Surabaya and East Java region. This research argues that investors of ORI are more concern on liquidity, safety, risk, and distribution channel. Finance management and marketing management tries to tests ORI positioning attributes based on liquidity, and safety. Finance management also focuses on risk of ORI and investors perception on risk. Operation management, and human resources management focuses on distribution channel and ORI selling agent. The preliminary result shows positive attitudes of ORI confirmed, but less likely actualize trough an increase on ORI transaction volume. This research suggests that ORI successfully adopt as promising investment alternative. Consumer perceived ORI as safe, liquid, with reliable distribution channel. However, investors actual behavior less likely confirmed the findings, especially for Surabaya investors. Sales of ORI in Surabaya regions are below target, but national wide sales are surpassing target by IDR3.4 billion.

Keywords: Retail, Bond, Liquidity, Risk, Safety, Distribution Channel, Selling Agent

INTRODUCTION AND BACKGROUND

The Government of Indonesia is planning to issue Retail Bonds to the public as from 28 July 2006. The Government will issue the 3-year Retail Bond with 12% per annum interest rate, monthly coupon payment, and par value of IDR 1,000,000. These bonds provide a safe, secure and risk free investment opportunity for ordinary investors especially individual investors. There are fees or costs, which a consumer pays by investing, and the bonds will earn a fixed interest rate during the life of the investment. The main objectives of these bonds are to:

✓ Create awareness of the importance to save;
✓ Diversify the financial instruments on offer to the market;

✓ Target a different source of funding; and
✓ Increase the awareness to invest in other investment instrument for ordinary investors.

Government point of views regardless deficits in balance of payment, fully support the implementation of retail bond in Indonesia. Before retail bond policy, government fulfills their financial obligation trough the use of nation debt notes (Surat Utang Negara – SUN). Buyers' of SUN mainly come from institutional investors such as banks (recapitalization banks) and financial institutions, but rarely from individual investors. The interest to widespread the ownership of SUN to individual investors depended on the success of retail bond policy.

Several banks that joint the recapitalization program build investment products that secure by SUN. They exploit high interest rate from SUN and discourage their intermediation ability. The conditions bring forward the needs for government to exploit the sources of funds from individual investors that usually invest their money to bank products and instruments. The government's motivation implement through retail bond offering or calls ORI001.

Other issue regarding retail bond is government credibility. Government credibility is important factor that induces ordinary investors to invest in retail bond. Indonesian ordinary investors usually invest in bank's instrument such as time deposits, and saving. They suggest that bank products are risk-less and credibility of government will help to shift their preferences from risk less investors to risk awareness investors. Whilst individual investors of bond retail more sensitive to expenses the equity investors more concerns to past performance. Zhao (2005) suggest that bond investors have different characteristic from equity investors, both from holding period and profile of investors.

Several researches test the argument of different characteristics. Gruber (1996), and Sirri and Tufano (1998) found that equity investors chase past performance rather than expenses. The bond investors on the other side chase low expenses as their determinant of investing. The discrepancies in performance among different bond funds tend to be narrower than equity funds. This condition makes the erosion effects of expenses stronger for bond fund returns.

According to the Investment Company Institute (ICI) 2001 as Zhao (2005) quotes regarding Profile of Mutual Fund Shareholders, that bond fund investors tend to be more risk averse, wealthier, and more sophisticated than equity fund investors do. As a result, the behavior of bond fund investors may differ from the behavior of equity fund investors.

This research will conduct several inter disciplines study regarding retail bonds. We will conduct conceptual arguments on retail bond, suggestion for preliminary marketing strategy, test of risk shifting issue, and selling agent motivation. This research conducts as analytical solution regarding retail bond, which support by empirical and conceptual arguments.

Marketing management will focuses on retail investors' behavior on ORI. Retail consumers have an interesting concern on ORI. They are more concern on liquidity and safety of ORI. Retail investors are small investors, and they usually have an issue regarding the speed of conversion of ORI to cash. They also concern on the safety issue of ORI. Their limited ability to invest makes them reluctant to invest on securities that have more risk than time deposits[10]. Liquidity and safety will affect retail investors loyalty on ORI, as the safest and liquid investment.

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[10] Majority of retail investors in Indonesia invest their money on time deposits and saving.

Financial management concerns on risk shifting mechanism of retail investors. Retail investors (not only individual investors but also household) need information on investment in securities other than savings and time deposits. The characteristic of savings and time deposits is different from securities in capital market. Risk and return become the fundamentals information on investment decision.

Human resource management concerns on the selling agent motivation to motivate and educate retail investors on ORI. Selling agent have important task on ORI marketing strategy. They have to introduce retail investor with unfamiliar investment tools such as risk, return, and portfolio. Selling agent also has responsibilities to increase the loyalty of retail investors as well. Human resource management tests intrinsic and extrinsic motivation of selling agent in selling ORI.

Operation management will focuses on productivity that emerges from ORI. This research argues that productivity analysis will be useful in analyzing ORI performance indicators in fund raising activity. Several indicators of productivity describes in detail on the next section of this research.

Research Contributions

This research uses inter-discipline study to test the effectiveness and operational dimension of ORI practices in Indonesian capital market. ORI as a new alternative of investment have major weaknesses, which is lack of educational champagne to retail investors. This study tries to accommodate the need of information regarding ORI, the trading mechanism, and motivation of ORI representative agent to successfully support ORI sustainability.

Therefore, the research contributions classifies into three main contributions. Research contribution for retail investors is the additional valuable information of ORI especially the shifting behavior (relatively risk-less investment to risky investment) of retail investors, the reasons for the shifting behavior, and the benefits for shifting their investment behavior. The contribution for selling agent is on the mapping of selling personnel of ORI, especially on their motivation on selling ORI. Other contribution for selling agent is on the evaluation of trading mechanism.

The contributions for regulators (government, and Surabaya Stock Exchange) are on evaluation of ORI practices, the behavior of investors, and trading mechanism. Government will have additional information on investors shifting behavior, and ORI trading practices. Government will also have sufficient information on selling agent motivation on selling ORI.

Research Original

The research has superior originalities on the research methods. This research is the first research that uses interdisciplinary research on ORI. An interdisciplinary research study is research with several discipline different test relatively the same issues and the argument justify interchangeably between those disciplines.

This research also tests the ORI practices on Indonesian capital market. The lack of data availability is the main obstacle of this research because ORI launched on late September 2006 while this research collects data on October to December 2006. This research uses primary data to test and describe motivation of selling agent, marketing champagne, risk shifting behavior of retail investors, and trading mechanism.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This research is interdisciplinary research; such disciplines are marketing management, human resources management, operation management, and finance management. Each section divided into four disciplines and each disciplines described their argument based on conceptual and theoretical background.

Marketing Management

Government appointed thirteen selling agent for ORI, and each selling agent have absolute chance to promote and target their owned customers. Open market competition will support the ORI marketing and at the end will be on government benefits. Several ORI's advertisement conducts in newspaper, for an example TRIM-ORI advertisement (Jawa Pos, Thursday July 18 2006). The advertisement promotes that ORI is safe, with low capital needs, and high return with regard to time deposits. Advertisement from Danareksa[11] focuses on ORI as investment with maximum return, with tolerable risk.

Unpublished research from central bank shows that on 2000 (when retail bond is not well known), retail investors in Indonesia have a potential fund of IDR 4.3 trillion until 8.5 trillion to invest on securities and valuable assets (gold, and jewelry) disregard of their lack of skills and knowledge of such investment. Danareksa's survey on retail investors on 2000 showed that bond and stock investors hold bachelor, master, and doctoral degree. The research also showed that they have top ranking positions in their career. They also more concern on liquidity for the sake of safety (emergency purposes). Much of their fund invested on time deposits and savings on state owned banks.

On 2001, total savings that potential to convert into retail bond is IDR 169.35 billions and on April 2004 increase to IDR 247.10 billions. At the same time, total time deposits slightly decrease from IDR 250.76 billion on 2001 to 231.87 billion on April 2004. Although savings on banks increase but the ratio of saving to gross domestic product (GDP) decrease from 24% into 19.4%, and ratio of deposits to GDP also decrease from 16.7% into 13.8%.

This research argues that the market segment of retail bond is retail investors with middle until upper class economic level. Consumers target are individual with minimum educational background of bachelor or individual as decision maker in households. Positioning by features and positioning with respect to competitor for ORI are safe investment tools, low investment fund, and profitable return relative to other investment alternatives (including bank products). The argument based on the characteristic of retail investors segment, which prefer liquidity, and safety.

Meanwhile, promotion strategy such as road show and pre-marketing event are suitable to educate the market and support the positioning mention above. One issue that important in promoting ORI is customer loyalty. Promotion strategy must have dependent mechanism in maintain loyal customer or prospective loyal customer. Loyal customers will help effectiveness of promotion and their ability to bring new customers.

Positioning strategy also becomes major strategy in ORI marketing strategy. Selling agent supposedly redesign a unique strategy on positioning to better describe product values and benefits. According to Cravens and Piercy (2003: 210) positioning strategy is the combination of marketing program (mix) strategies used to portray the positioning concept to targeted buyers. Meanwhile, positioning concept indicates the desired positioning of product (brand) in the eyes and minds of the targeted buyers. Kotler and

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[11] One of the largest in assets state-owned securities company, and also selling agent for ORI.

Keller (2006: 287) suggest that positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.

Appropriate positioning concept and strategy will creates *customer-focused value proposition*. *Customer-focused value proposition* is collocate product value in customer mindset and consider a sufficient reason on why customer should buy certain products (i.e. ORI).

Cravens and Piercy (2003: 210) describe positioning objective as to have each targeted customer perceive the brand distinctly from other competing brands and favourably compared to the other brands. Whilst, the actual positioning of the brand is determined by the buyers' perceptions of the firm's positioning strategy. ORI's positioning strategy describes how ORI become more favourable than competitors (i.e. saving, and time deposits). Retail investors should have different perception on ORI and eventually consider ORI as their best investment alternative.

The positioning concept should be linked to buyers' value preferences. The concept may be functional, symbolic or experiential (Cravens and Piercy; 2003: 212). Positioning concept commingles with value preference of retail investors as functional, symbolic, or past experience of other product similar to ORI.

a. Functional positioning concept applies to products that solve consumption-related problems for externally generated consumption needs.
b. Symbolic positioning concept relates to the buyer's internally generated need for self-enhancement, role position, group membership, or ego identification.
c. Experiential positioning concept is used to position products that provide sensory pleasure, variety, and/or cognitive stimulation.

Jain (1997: 346) argued that positioning implementation divided into six approaches. Those approaches are:

a. Positioning by attribute (i.e., associating a product with an attribute, feature, or customer benefit)
b. Positioning by price/ quality (i.e., the price/ quality attribute is so pervasive that it be can be considered a separate approach to promotion)
c. Positioning with respect to use or application (i.e., associating the product with a use or application)
d. Positioning by the product user (i.e., associating a product with a user or a class of users)
e. Positioning with respect to a product class (e.g., positioning Caress Soap as a bath oil product rather than as soap)
f. Positioning with respect to a competitor (i.e., making a reference to competition as in Avis's now-famous campaign: "We're number two, so we try harder".)

Finance Management

Total of IDR 661 trillion-government bond already offered to domestic bond market. Utmost 65% is government bond for banks recapitalization, after crisis struck Indonesian's financial industry. Some government bonds are foreign denominated to support bond recap programs. Table 1 shows ownership of government bond calls Surat Utang Negara (SUN) per December 2002 until March 2004.

Table 1 : Proportion of SUN Ownership

	Dec 2002(%)	March 2004 (%)	Change (%)
State Banks – recap	57.9	44.95	-12.95
Private Banks – recap	26.69	24.91	-1.78
Non-recap Banks	3.51	7.00	3.49
Regional Banks	0.31	0.46	0.15
Mutual Funds	9.06	12.21	3.15
Insurance Company	1.65	4.93	3.28
Pension Fund	0.09	2.89	2.80
Securities Company	0.03	0.08	0.05
Foreign holders	0.48	2.17	1.69
Others	0.26	0.42	0.16

Source: presentations materials "Profile of Indonesian Government Debt Securities and Policy Framework",
Center for Government Bonds Management

Table 1 shows institutional investors dominated bond's investors. Foreign investor also shows significant increase between 2002 until 2004, which is 1.69%. Non-institutional investors or individual investors unaware about bonds market or they have few funds to invest in bond market. Other arguments suggest that individual investors in Indonesia have lack of skills and knowledge in securities market. Lack of knowledge shows limited educational program from capital market authorities, and government.

Table 1 also shows that retail investors segment unaware of such investment and government realizes that such segment should well represent in the market. Other countries such as Japan, Philippine, and Hongkong also issues government retail bond. Based on other countries experience on retail bond issuance, several factors influence their decision on retail bonds. Such factors are the increasing rate of deficit on balance of payment, the increasing rate of ratio debt to GDP, undeveloped retail segment in bond market, and lack of options in securities market.

Government as issuer of retail bond based their decision to issue retail bond on economic characteristics on micro and macro views. On macroeconomic perspective, government tries to reduce deficit on balance of payment, as economic stimulant, increase investment options, increase involvement of small investors (retail investors), increase of debt rating, and maintain the level of safety on debt portfolio with different maturity zone. On microeconomic perspective, government creates eligible benchmark for other securities and investment tools in Indonesia.

This research argues that two main factors should consider in ORI. Firstly, investment behavior of retail investor in Indonesia should consider as primary problems. Retail investors more concern on risk, and have lack of knowledge regarding investment other than time deposits, and saving. Shifting in risk concern behavior from safety concern behavior will affect retail investor behavior. Educational program should develop to educate retail investors on risk, and risk relation with return (risk return trade-off). Retail investor's financial resource and retail bond scheme also plays major rules in their investment decision.

Secondly, distribution channel also consider important factors to implementing retail bond program successfully. Distribution channel should design with ease of use, and transparent information. Indonesian government appointed 13 selling agent to sell and distribute retail bond (ORI). Selling agent have right to use their owned distribution channel, promotion strategy, and marketing plan. Several selling agent are banks that have lack of experiences in selling capital market products such as retail bond. Government should aware of this situation and prepare distribution channel more carefully.

ORI have significant strategic factors for government. Beside to spread investment alternative, ORI also can mobilize retail investors to finance national budget (Anggaran Pendapatan dan Belanja Negara – APBN). Although ORI seem reasonable investment, but risk on investment should well aware among investors. Three kinds of risks are emerging in bond investment. First, credit risk is risk that considers when issuer fails to fulfill their obligation to pay. Second, interest rate risk is risk that emerges from interest rate fluctuation. Third, liquidity risk is risk when convert securities into cash (time needs to convert securities into cash).

Government guarantee makes ORI have low credit risk. Theoretically, government debts have less credit risk than corporate, and banks' time deposits and certificate deposits. Banks guarantee program for time deposits and saving is gradually reduces in the near future, and its makes banks' time deposits and saving riskier than government debt (ORI). Other factor that affects government credit risk is market perception of government performance in managing economy especially controllable inflation rate. Market perception of good economic growth will decrease credit risk, increase credit rating, and decrease high return demanded by the market.

Interest rate risk also affects fluctuation of bond price in secondary market. Theoretically, bond price have negative relationship with short-term interest rate. Increase (decrease) in short-term interest rate will increase (decrease) investors' required rate of return and eventually decrease (increase) bond prices.

Liquidity risk is also an important risk in ORI investment. Recently there is panic selling among mutual fund investors in Indonesia, because sudden increase in interest rate. Liquidity risk suddenly increases as investors desperately try to sell their mutual fund with high redemption cost (high cost to convert securities into cash). The panic selling behavior makes mutual fund prices plunge to the lowest rate in history of Indonesian mutual fund. Panic behavior among investors cause by lack of skills and knowledge about securities investment mechanism.

Risk Preference

Risk preference in finance management describes investor's perception and their willingness to accept risk. Finance theory argued that risk and return have trade off relationship. High-risk investment should followed by high return. Investors' have three area of risk preference which are risk averse investors, risk neutral investors, and risk seeker investors. Differences in risk preference will affect investors' indifference curves. Figure 1 shows investors' indifference curves between two investors in the same market.
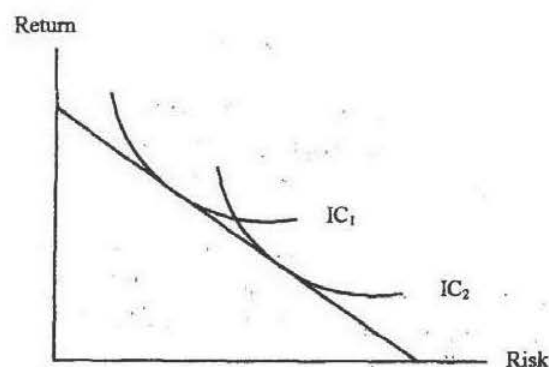
Figure 1 : Investor's Indifference Curves

Preference theory argued that investors have different behavior because they have different perception on risk. Sharpe (1964), and Lintner (1965) (as describe meaningfully by Miller, 1977) tested the investors perception on risk when there is uncertainty in investment environment. Key assumptions as suggest by Sharpe (1964) are investors have the same expectation (homogenous expectation) on expected return, and securities have the same probability distribution. However, Miller (1977) argued that the prediction on risk and return is difficult in uncertain environment for each of securities available in market.

Blume and Easley (1992) found that investors' consumption pattern effect their investment decision (saving or securities). Preferences on consumption plan should commingle with investment and saving plan.

Distribution Channel

As one of economics indicators, capital market has major purpose to engage in market perception, and align with market needs. Government as regulator has policies to align investors needs such as easiness in investment and investors protection on capital market.

This research argues that retail investors concerns on liquidity of their investment. Liquid market will attract more investors as their liquidity risk decrease substantially. As the issue of liquidity arises on retail investors' perception, so is the market maker issue. Market maker is an intermediary mechanism that maintains the liquidity of ORI in secondary market. Market maker committed to buy and sell ORI on secondary market, and eventually investors will have decrease level of liquidity risk. Market makers also have an obligation to provide quotation on ORI.

This research argues that market condition will affect market maker mechanism. Bullish market partially has fewer problems to market maker mechanism than bearish market. Market maker on bearish market should have enough amounts of cash to support their duties as market maker. Liquidity risk will rise as market become bearish because selling agent reluctant to provide their service as market maker.

Wahyudi (2004) suggest three distributions channel on ORI. Firstly, through Outlets that provides buying mechanism on ORI. Secondly, Agent as sub registry of ORI has several duties such as provide the information on ownership, identity, and transaction activity. Thirdly, Government as issuer of ORI will become the primary registry. Bank as selling agent can undertake Outlets and Agent function simultaneously.

Distribution channel of ORI as describe by Surabaya Stock Exchange is through selling agent (banks and securities companies). Selling agent provides quotation prices (mechanism of market maker) to retail investor. The quotation price will help retail investors to fulfill their selling and buying decision. Information on quotation price is fundamental to retail investors in maintaining their liquidity risk on minimum level. Selling agent credibility is also important factor in determining quotation price.

Research Problem for Finance Management

1. Is retail investors' risk preference on ORI affect investor switching behavior from saving investors to securities investors?
2. Is credible channel of distribution from ORI's selling agent affect investors risk preference on ORI?

Human Resource Management

Human resource management will employ conceptual and empirical review on selling agent motivation to sell and simultaneously educate retail investors. Retail investors have lack of knowledge and skills on investment in securities other than time deposits and saving.

This research argues that sales force should have ability and high motivation to sell such a new investment product (ORI). The level of difficulty is high because sales force simultaneously sells and educates potential investors on ORI. Motivation level will become major contributor on performance of sales force (Robbins, 2001: 168). Robbins's describe motivation as willingness to fulfill their goals and needs.

Motivation of sales force affects by two factors. Firstly, incentive (compensation scheme) sells more ORI than targeted. Secondly, ORI is challenging task. Four views of motivation will employ and connects with motivation of ORI's selling agent. Table 2 shows the four type of motivation based on Woolfolk (1995). The table shows source of motivation, important factors that influence motivation and theorist that introduce the issues.

Table 2 : Four Views of Motivation

	Behavioural	Humanistic	Cognitive	Social Learning
Source of Motivation	Extrinsic reinforcement	Intrinsic reinforcement	Intrinsic reinforcement	Extrinsic and Intrinsic reinforcement
Important Influences	Reinforces, rewards, incentives, and punishers	Need for self-esteem, self – fulfilment and self-determination	Beliefs, attributions for success and failure, expectations	Value of goals, expectation of reaching goals
Key Theorists	Skinner	Maslow Deci	Weiner Covington	Bandura

Behavioral based the argument on reward and punishment approach. Misconduct behavior has the consequences and a proper conduct behavior also have the reward. This view argues that consistent behavior on specific issues will develop a lean and certain action, although other factors also have effect on the behavior.

Humanistic view argues that deterrence have major determinant on behavior. This perspective argues that to increase motivation, employee should actualize themselves with their inner resources such as sense of competence, self-esteem, autonomy, and self-actualization.

Cognitive view argues that behavior unaffected with punishment and reward they receive in the past. The major assumption of the argument is that people less likely to respond on physical conditions but also subject to their interpretation on such conditions (Woolfolk, 1995). Cognitive views more concern on intrinsic motivation.

Social learning is elaboration between behavioral and cognitive views. This view focuses not only on effect of behavior but also believed and expectancy. Punishment and reward will lead people to interpret their experiences and affect their intrinsic motivation.

Research Problems for Human Resource Management

The research problems describe as follows:

What is specific motivation profile for different characteristics of ORI sales force?

Research Contribution for Human Resource Management

The research objective (Human Resource Management) is to develop descriptive result and suggestion on sales forces motivation (bank and non-bank selling agent). The research on motivation contributes in several ways:

1. For selling agent (bank and non-bank), the result uses as evaluation materials on decision making regarding ORI sales force motivation.
2. For future research and academician, the result uses as preliminary information for further investigation.

Operation and Production Management

Operation management point of view suggests that three parties involved in ORI distribution. Those parties are government as ORI issuer, financial sectors as ORI distributors, and retail investors as ORI buyers. Productivity analysis will be useful in analyzing ORI performance indicators in fund raising activity.

Productivity as success indicator emerges when there is contradicting measurement of ORI performance between return (daya hasil) and purposes (daya guna) with Rupiah as point of scale. Productivity divides into three measurements, such as total productivity, partial productivity, and input productivity.

a. Total Productivity: return total (IDR) divide by total purpose of input (IDR).
b. Partial Productivity: return total (IDR) divide by several purposes of input (IDR).
c. Input Productivity: return total (IDR) divide by purpose of input (IDR).

Performance indicator for ORI or ORI's relative productivity calculated using those three measurements of productivity divided by ORI outstanding shareholding. Table 3 describes ORI productivity for three parties using three measurements.

Table 3 : ORI Productivity: Parties and Measurement

	Total Productivity	Partial Productivity	Input Productivity	Relative Productivity
Government	Aggregate Financial Sector	Aggregate Financial Sector	Aggregate Financial Sector	Aggregate Financial Sector
Financial Sector	Total Output per Total Input	Total Output per Partial Input	Total Output per Item Input	Total Productivity per The Worst Total Productivity
Retail Investor	Total Output per Total Input	Total Output per Partial Input	Total Output per Item Input	Total Productivity per The Worst Total Productivity

Research Framework

Research framework shows that ORI have four interdisciplinary fields in management. This research combines marketing, human resources, finance, and operation management. Marketing focuses on retail investors as major prospective investors for ORI. This research argues that retail investors concern on liquidity and safety of ORI.

While human resources management focuses on conceptual and theoretical explanation of selling agent behavior. Selling agent should a high motivated person that have sufficient skills to sell ORI and persuades retail investors about ORI's safety and liquidity.
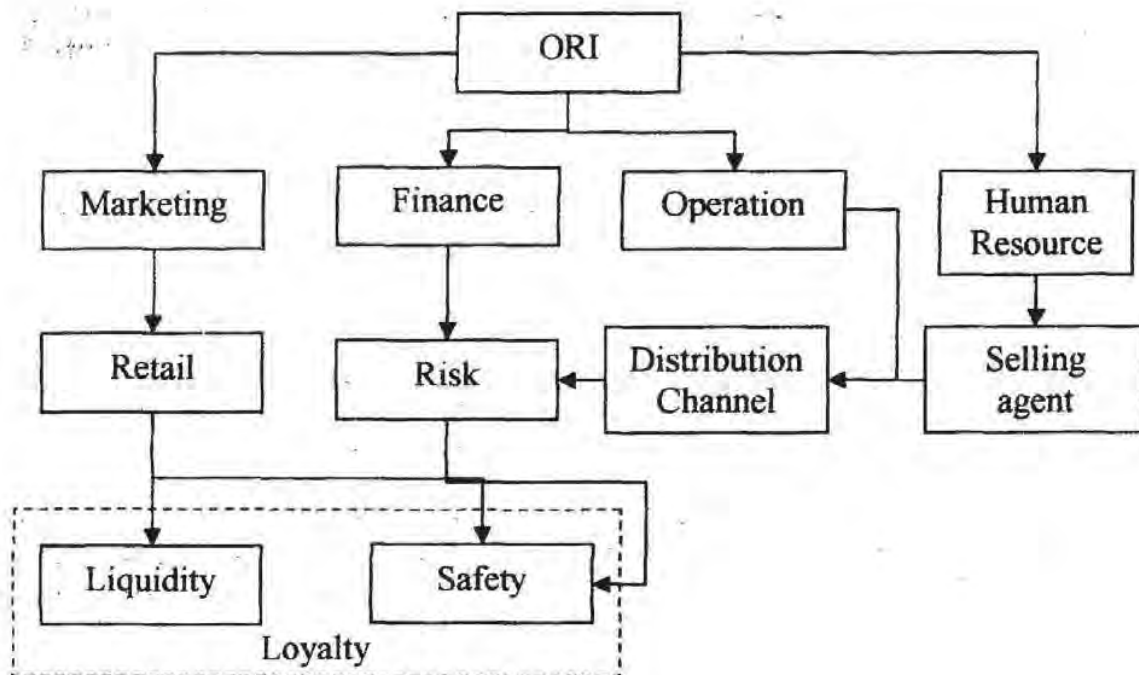
Figure 2 : Research Framework

Finance management will focus on risk shifting behavior of retail investors and the distribution channel of ORI. This research argues that different characteristic in risk between ORI and time deposits, and saving has emerged rather different perspectives in investment behavior. Risk becomes major issue in ORI investment and considers as new perspective for retail investors. Meanwhile distribution channel also affect loyalty of retail investors on ORI.

INTERDISCIPLINARY METHODS OF ANALYSIS

This research uses descriptive methods of analysis on marketing, finance, operation, and human resources management. Data is primary data; with samples are Surabaya investors and selling agents that located at Surabaya regions.

Data and Sample for Marketing and Finance

This research uses primary data with support secondary data from ORI trading system provided by Surabaya Stock Exchange (SSX). Samples are ORI investors of, and non-ORI investors. Secondary data uses as support for primary data analysis. The lack of secondary data especially trading data is the major obstacle for this research. Respondents are 200 Surabaya's investors (100 ORI investors and 100 non-ORI investors). Marketing management uses mainly on 100 ORI investors to examine investor's perception and behavior of ORI.

Questionnaire[12] divides into two parts, which are general information of retail investors, non-ORI investors, and perception of ORI investors. The questionnaire also uses Likert scale ranges from one (absolutely disagree) to seven (absolutely agree).

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[12] Available upon request.

Questionnaire for marketing research will commingle with finance research because the respondent relatively the same characteristics.

Specific Research Methods for Marketing Management

Marketing research for positioning strategy is descriptive research using questionnaire (Likert scale) and convenience sampling method. Population is people who have information on ORI promotion, with minimum requirement in ORI basic knowledge. Potential respondents should have undergraduate diploma, middle-upper class economy, and employed.

Retail investors' perception on positioning will measure on attribute and benefits of ORI. Several positioning measurement are:

a. Positioning by attribute: perception of retail investors that ORI is safe, with punctual payment, liquid, and require relative small investment funds. ORI is investment alternative with maximum return with low level of investment fund.

b. Positioning with respect to competitor: perception of retail investors that ORI is more favorable than competitors (i.e. saving and time deposits).

Specific Research Methods for Finance Management

Finance management describes research methods as discusses in previous chapter. The research question asks two major issues, which are retail investors risk preference and their switching behavior, and credibility of selling agent. Risk preference measures using questionnaire for ORI investors and non-ORI investors. The questionnaire describes investors switching behavior from saving investment to securities investment. The question ranges from safety level to liquidity of ORI relative to other investment alternatives (saving and time deposits).

Credibility of selling agent also becomes major issue in selecting ORI as investment alternative. Retail investors will concern on the credibility of selling agent. Retail investors believe that credible selling agent will be more reliable in funding support and able to provide market maker mechanism. Credible selling agent also unsure that level of liquidity risk is acceptable. Credible selling agents also provide reliable price quotation, which in return reduce the level of transaction cost (Wei and Syahruzad, 2006). Questionnaire for finance research will commingle with marketing research because the respondent relatively the same characteristics.

Research Methods for Human Resources and Operation Management

Data and Sample

The research methods for human resources is descriptive conclusive. Motivation conceptual and theory is base on Woolfolk (1995) especially intrinsic and extrinsic motivation. The research methods for Operations/Productions Management is descriptive conclusive. Productivity concept and production theory is a most approach to measure production performance.

Primary data will be use with questionnaire technique based on motivation mapping of sales force. Respondents are sales force of ORI in bank and non-bank selling agent. Secondary data such as literature and numerical data on ORI also will provide additional information.

Samples are sales forces of ORI's selling agent. Total there are eleven selling agent (bank and non-bank) that appointed by government to sell and distribute ORI to prospective retail investors. Sampling technique uses probability sampling because the

probability of selling agent to include in sample is certain. Sub-sample uses as part of cluster sampling based on selling agent that appointed by government.

Population target is individual sales force on selling agent (bank and non-bank). Target population characteristic is sales person that have responsibility in selling ORI, educating prospective retail investors on ORI, and providing mechanism to protect investors' investment fund from risk, such as liquidity risk.

Measurement and Collection Data

This human resources research uses ordinal base measurement with one to five scales of measurement (semantic differential monopolar adjective scale). Primary data uses in this study provides through several procedures. The procedures are:

1. Formal permission from selling agent.
2. Questionnaire dissemination.
3. Questionnaire elaboration by respondent.
4. Collecting of questionnaire and analysis.

Variable Identification and Operational Definition

This study uses two motivation variables. The variables describe in details on chapter two of this study. Those variables are intrinsic motivation, and extrinsic motivation. Extrinsic motivation is inducement to sales forces in selling ORI based on sales target. The inducement occurs because of external factors such as sales person have reluctances to punishment, pretension on bonuses (reward), apprehension on treats, and assertion on deadline. Intrinsic motivation is inducement to sales person in selling ORI based on internal factors. The internal factors are responsibility, high accomplishment, job satisfaction, quest for experiences, and meaningful assignment.

RESULT AND DISCUSSION

This research spread questionnaire to eleven selling agent that eligible to sell ORI to retail investors. All of the selling agent also have branches that located at Surabaya region. Respondents categorized into four segments for Marketing and Finance Management, those are banks depositors, and banks and securities investors, ORI investors, and Non-ORI investors. Respondents for Human Resources and Operation Management are sales person of selling agent. Some question also interchangeably between discipline and uses to discuss interdisciplinary issues as describe in research framework. This research, due to lack of data[13], only analyzes data using descriptive analysis.

Descriptive Result for Individual Respondents: General Result

Total respondents are 150, and Surabaya resident. Several obstacles also occurred during data collection, such obstacles are:

1. Only few sales forces eligible and willing to fill their questionnaire. Several selling agent reluctant to fill their questionnaire due to workload, and client confidentiality issue.
2. The research has found one respondent that fill questionnaire for their friends.
3. Preliminary interview with selling agent showed that ORI unsuccessful to attract Surabaya investors.

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[13] ORI introduced on late September 2006, and this research collected data during October to December 2006.

million, and affiliate to private sector. Respondents type II (ORI and Non-ORI) showed majority of male investors, with 36 – 45 years of age, undergraduate, monthly income of IDR 5 million to 14.9 million and private sector job status. ORI investors dominate by individual investors due to government restriction on primary market. Majority of ORI investors invested IDR 15 million (20.7%), 50 million (17.2%), and 45 million (13.8%).

Finance Management Specific Result: Individual Respondents

Bank respondent, and bank and securities respondents have similar preferences on saving as liquid and safe investment rather than time deposits. This preference will destine their investment preferences when they choose between securities. They will prefer low risk securities with low liquidity, and punctual payment. Banks respondents also recognize firmly about securities as other investment tools. Type I respondents (bank and securities) prefer stock (90.67%) as their investment alternative. Other chooses bond and mutual fund (54.67%, money market (38%), and derivative (13.33%). Meanwhile, 51% of banks and securities investors know about ORI. 84% of banks respondents have an investment alternative other than bank products, and only 16% invest mainly on bank products.

35.7% bank respondents are reluctant to invest on other securities because of risk, and 35.7% from elaborate distribution mechanism. 35.7% respondents were interested to invest based on investment return. The result suggests that risk and trading mechanism will be primary factors when they decide to invest in capital market. Investors prefer to avoid risk and enjoy safety investment rather than high return investment. The result also consistent with banks respondents that prefer saving (safe and low risk) rather than time deposits (less liquid).

Whereas, distribution channel that affect trading mechanism also become preference of investors. Trading mechanism in capital market more complicated than bank products. Investors should understand appropriately about trading mechanism in capital market because its affect their return and risk (for example to calculate trading fee, and liquidity). This research suggests that trading mechanism will affect potential investors' perspective and preferences on risk, liquidity, and safety between bank products and securities.

Result showed that bank and securities respondent have stock (62%), mutual fund and bond (22.67%), and ORI (19%). As new investment alternative, it is appropriate that only few investors have recognized and invested on ORI. Bank and securities respondents consider risk as main factor (10.67%) for investment decision, then return (6%), and trading mechanism (7.33%). Although ORI is a new investment alternative, 59.4% bank and securities respondents know about ORI. The result suggests that government program top wide spread ORI popularity is partially successful and increase attention of potential investors.

The result also reveals that investors with lack of knowledge on ORI will seek first information from investment managers or broker (12.3%). Secondly they will seek for selling agent (10.4%), then newspaper (9.4%), bank and leaflet (5.7%), and TV (2.8%) consecutively. Meanwhile, respondents that already know ORI if they seek additional information they will look for investment managers or broker (19.8%). Interesting result showed that selling agent immoderately major information on ORI. The result suggests that independences of sources of information is important factor for investors when seek information on ORI. Independences will provide objective suggestion on investment decision, and unbiased solution. Beside, independence parties will have wide range of other investment alternative to compare with ORI. Other factor that affects election of sources of information is trust. Investment managers usually manage investors fund,

create portfolio, and manage those portfolio. Investors entrust their fund to be manage by investment managers. Investors will have more believe on investment managers rather than selling agent. Independences and trust will affect perspective and preferences of investors on investment decision making process.

Marketing Management Specific Result: Individual Respondents

Table 5 showed the descriptive result for Non-ORI investors based on marketing management questionnaire (perception and positioning). 65 Non-ORI investors collected from Surabaya investment community. Surveyors were personally assisted respondents in answering the questions. Table 5 proposed that positioning strategy of ORI on Non-ORI investors appropriately confirm by potential investors.

ORI positioned with accentuation on two main attribute which are liquid, and safe investment alternative. Retail investors also viewed ORI as safe, liquid, small amount investment fund, and punctual payment relative to other investment alternative. Media promotion has significant effect on perceived behavior of potential retail investors. Sources of information on ORI are investment managers (28 respondents), newspaper (28 respondents), invitation on ORI promo (20 respondents), banks and leaflet (19 respondents), bulletin (10 respondents), and TV (9 respondents). Investment managers and newspaper became the highest source of information for ORI's potential investors.

The research suggested that the independences of investment managers are the main reason for investors to discuss about ORI. Beside interdependences, investment managers also have skills and knowledge on other investment alternative. Investors will have sufficient investment alternative rather than only invest on ORI. Meanwhile, newspaper is publicly available sources of information.

44.62% respondent agreed that ORI is correspondent to investment with punctual payment. The result showed that potential investors have high expectation on ORI, however not yet withdraw the intention to invest. 32.31% respondents perceived ORI as safest investment than other investment alternative. As showed on Table 5, majority of respondent always choose absolutely agreed when answered each positive statement. The result showed that ORI has positive attributes on perceived behavior of Non-ORI investors. However, Non-ORI investors have to convince to actively invest on ORI.

Twenty-three respondents of ORI investors were collected based on selling agent references. This research has several difficulties to collect data for ORI investors. Such difficulties are confidentiality principles, and reluctances of ORI investors to reveal themselves. Fifteen respondents said that newspapers are their sources of information. Only seven respondents elected investment managers as their sources of information. The result showed quite different attitude between ORI and Non-ORI investors.

Ten respondents knew ORI from formal invitation of selling agent. Eight respondents choose banks and leaflet as their sources of information. Only five respondents choose TV and bulletin to seek information on ORI. This research argued that as ORI investors decided to invest on ORI, as experienced investors, they have enough knowledge on securities investment and decided less dependent on investment managers. Table 6 showed descriptive result for ORI investors based on marketing management specific question on perception and positioning.

Positioning strategy of ORI (positioning by product attribute and positioning with respect to a competitor) succeeded in support the idea of ORI as liquid, safe, and high return relative to other investment mechanism. As shown on Table 6, majority of ORI's respondents agreed that ORI has positive attributes as promote by the government.

Table 5 : Descriptive Result for Non-ORI Investors

No.	Statement	Respondent	Answer	%
1	ORI is investment alternative with punctual payment than other banking products, and other securities.	0	Absolutely Agreed	0
		18	Mostly Agreed	27.69
		29	Agreed	44.62
		10	Abstain	15.38
		5	Disagreed	7.69
		0	Mostly Disagreed	0
		3	Absolutely Disagreed	4.62
2	ORI is safer than other banks product (i.e. saving and time deposits) and other securities.	4	Absolutely Agreed	6.15
		19	Mostly Agreed	29.23
		21	Agreed	32.31
		15	Abstain	23.08
		4	Disagreed	6.15
		0	Mostly Disagreed	0
		2	Absolutely Disagreed	3.08
3	ORI provide more return than other banks product (i.e. saving and time deposits) and other securities.	1	Absolutely Agreed	1.54
		13	Mostly Agreed	20
		21	Agreed	32.31
		10	Abstain	15.38
		12	Disagreed	18.46
		2	Mostly Disagreed	3.08
		6	Absolutely Disagreed	9.23
4	ORI provide more liquidity than other banks product (i.e. saving and time deposits) and other securities.	4	Absolutely Agreed	6.15
		17	Mostly Agreed	26.16
		16	Agreed	24.62
		10	Abstain	15.38
		13	Disagreed	20
		1	Mostly Disagreed	1.54
		4	Absolutely Disagreed	6.15
5	ORI is investment alternative with small amount of investment fund and other securities	2	Absolutely Agreed	3.08
		15	Mostly Agreed	23.08
		29	Agreed	44.62
		9	Abstain	13.84
		4	Disagreed	6.15
		1	Mostly Disagreed	1.54
		5	Absolutely Disagreed	7.69
6	ORI is investment alternative with maximum return relative to small amount of investment fund	0	Absolutely Agreed	0
		14	Mostly Agreed	21.54
		20	Agreed	30.77
		13	Abstain	20
		12	Disagreed	18.46
		2	Mostly Disagreed	3.08
		4	Absolutely Disagreed	6.15

Result for Operation Management

Descriptive Result for Sales Forces Respondents

Sales forces respondents were collected for Human Resources Management. Twenty respondents collected from eleven selling agent located in Surabaya region (East Java). One respondent is inadequate for further analysis. Respondents asked their judgment on several comments, which cover extrinsic and intrinsic dimension of motivation.

Table 7 showed general characteristic of sales force respondents. Majority of sales force are young with age 26 to 35 years old, single, with undergraduate as their educational background. They also quite experienced persons with period of occupation

period 2 to 5 years. Surprisingly, 16% of respondents are gazed themselves as self-employed person. They argued that their payment scheme mainly based on sales commission, and less supported by fixed income.

Table 6 : Descriptive Result for ORI Investors

No.	Statement	Respondent	Answer	%
1	ORI is investment alternative with punctual payment than other banking products, and other securities.	1	Absolutely Agreed	4.35
		1	Mostly Agreed	4.35
		16	Agreed	69.57
		5	Abstain	21.73
		0	Disagreed	0
		0	Mostly Disagreed	0
		0	Absolutely Disagreed	0
2	ORI is safer than other banks product (i.e. saving and time deposits) and other securities.	2	Absolutely Agreed	8.70
		3	Mostly Agreed	13.04
		17	Agreed	73.91
		0	Abstain	0
		1	Disagreed	4.35
		0	Mostly Disagreed	0
		0	Absolutely Disagreed	0
3	ORI provide more return than other banks product (i.e. saving and time deposits) and other securities.	0	Absolutely Agreed	0
		7	Mostly Agreed	30.43
		13	Agreed	56.62
		2	Abstain	8.70
		1	Disagreed	4.35
		0	Mostly Disagreed	0
		0	Absolutely Disagreed	0
4	ORI provide more liquidity than other banks product (i.e. saving and time deposits) and other securities.	0	Absolutely Agreed	0
		5	Mostly Agreed	21.73
		16	Agreed	69.57
		1	Abstain	4.35
		1	Disagreed	4.35
		0	Mostly Disagreed	0
		0	Absolutely Disagreed	0
5	ORI is investment alternative with small amount of investment fund and other securities	0	Absolutely Agreed	0
		0	Mostly Agreed	0
		18	Agreed	78.26
		4	Abstain	17.39
		0	Disagreed	0
		1	Mostly Disagreed	4.35
		0	Absolutely Disagreed	0
6	ORI is investment alternative with maximum return relative to small amount of investment fund	0	Absolutely Agreed	0
		2	Mostly Agreed	8.70
		16	Agreed	69.57
		4	Abstain	17.39
		1	Disagreed	4.35
		0	Mostly Disagreed	0
		0	Absolutely Disagreed	0

Motivation Profile of Sales Force

Robbins (2001) argued that differ in individual characteristics will affect the differentiation on individual motivation. Robbins's argument suggests age, gender, marital status, occupation period, and level of education are factors that affect individual motivation. Table 8 showed motivation profile (extrinsic and intrinsic) based on respondents characteristics.

Table 8 showed intrinsic motivations (3.58) is higher than extrinsic motivations (2.21). Female sales forces have higher intrinsic motivation than male sales forces (3.71 versus 4.20 scales of 5). However, this research due to lack of data, only support their argument based on descriptive analysis. Respondents on the age over 45 year's old shows high intrinsic motivation (3.13) than other age category. Other respondent specific information shows consistent result that intrinsic motivation higher than extrinsic motivation.

Table 7 : Sales Force Characteristics

Respondent Characteristics	Number	%	Respondent Characteristics	Number	%
Gender			Income/month (IDR)		
Male	14	74	1-4.9 million	10	53
Female	5	26	5-14.9 million	8	42
			15-24.9 million	1	5
Age			>24.9 million	0	0
18-25	8	42			
26-35	10	53	Affiliation		
36-45	0	0	Public Servant	1	5
>45	1	5	Private Sector	15	79
			Self Employed	3	16
Marital Status			Other	0	0
Single	12	63			
Married	7	37	Work Period		
			< 2 yr	5	26
Child(s)			2 – 5 yr	9	47
Yes	6	32	> 5 – 10 yr	3	16
No	13	68	> 10 – 15 yr	0	0
			> 15 yr	0	0
Education					
Junior/High School	1	5			
Diploma	1	5			
Undergraduate	13	68			
Graduate/Postgraduate	4	21			

Discussion on Sales Force Result

Female respondents are more motivated intrinsically than male respondents. Female sales forces have eagerness to pursue internal achievement such as need for self-esteem, self-fulfillment and self-determination. Age categories showed partially different result for each category. Age 18 to 25 more motivated to seek new experiences, 26 to 35 motivated to seek new experiences, new achievement, and meaningful assignment. Meanwhile, age 45 more motivated to achieve high job performance. Majority of workforces in securities firms, especially for sales forces prefer to have established and reliable career path. Result from extrinsic motivation showed majority of respondents prefers additional bonuses or incentive.

The result regarding intrinsic motivation contradicted with the fact that ORI sales for Surabaya region unsuccessful to attract retail investors. Interview with sales force revealed that retail investors reluctant to change their investment from other securities to ORI. High intrinsic motivation from sales forces should support by espouse investment environment.

Table 8 : Motivation Profile on Respondents Characteristic

Respondents Characteristic	Extrinsic Motivation	Intrinsic Motivation	Respondents Characteristic	Extrinsic Motivation	Intrinsic Motivation
Gender			Income/month		
Male	2.39	3.71	IDR 1 - 4.9 mil	2.51	3.85
Female	2.28	4.20	5 - 14.9 mil	2.17	3.81
Age			15 - 24.9 mil	2.38	4.00
18 – 25 yr	2.61	3.77	> 24.9 mil	0.00	0.00
26 – 35 yr	2.09	3.88	Affiliation		
36 -45 yr	0.00	0.00	Public Servant	2.25	3.50
> 45 yr	3.13	4.00	Private Sector	2.24	3.79
Marital Status			Self Employed	3.00	4.22
Single	2.33	3.76	Other	0.00	0.00
Married	2.44	3.94	Work Period		
Child(s)			< 2 yr	2.75	3.77
Yes	2.29	3.92	2 – 5 yr	2.04	3.72
No	2.39	3.81	> 5 – 10 yr	2.67	4.06
Education			> 10 – 15 yr	1.63	4.50
Junior/High School	1.88	3.50	> 15 yr	3.13	4.00
Diploma	2.50	3.17			
Undergraduate	2.47	3.94			
Graduate/Postgraduate	2.09	3.79			
Mean Extrinsic Mov.	2.21				
Mean Intrinsic Mov.	3.58				

Operation Management Result and Further Analysis

Investors have positive perceived attitude on trading mechanism. However, they less likely actualize their attitude to invest on ORI. Operation management research has to conduct specific test on the failure of positive perceived attitude shifting into actual behavior. This research will implement focused research on distribution channel on second phase of the research. The first phase of research collects several issues for second phase research. Those issues collected using interview methods with selling agent and sales forces. Several issues emerge from the interview, such as:

1. Perceived to actual behavior: the reason and analysis.
2. The ability of selling agent to explain and proof that ORI has hard facts on low risk, safety, and reliable trading mechanism.
3. The effect of independences of investment managers and selling agent on ORI efficient trading mechanism (less transaction cost and less time consuming).

Interdisciplinary Result and Discussion

Investors agreed that ORI is punctual and provide high return relative to other investment alternative. Respondents also agreed that risk of ORI is lower than other investment alternative. Respondents envisage ORI as investment alternative that provide simple trading mechanism. They also believe that ORI selling agent appropriately act as market maker. Although, perceived perception is support positive attribute of ORI, sales of ORI is low and potential investors still reluctant to sincerely swift their investment to ORI.

Contradiction of investors' behavior suggests that Surabaya (Indonesian) investors avoid risk excessively even if they believe the investment alternative will provide them with sufficient return relative to risk. However, ORI investors also showed positive attribute on ORI. This result suggests that reluctances to try new investment alternative is high. Kotler

and Keller (2006: 611-612) argued that personal factor played major rules in decision-making process. There are five characteristics of investors on ORI's program based on value orientation, consumer motives:

1. Innovators: enthusiastic consumers and always enjoy new products.
2. Early Adopter: consumers that carefully assesses new products. They will assess new product that provide additional benefits. Consumers tend to sensitive about price and only adopt the new product if afford with solution and sufficient aid.
3. Early Majority: consumers will adopt new product if there are sufficient positive fact regarding the product.
4. Late Majority: consumers that afraid of risk and reluctant to adopt and sensitive to price.
5. Laggard: consumers that restricted themselves to innovation, until they really need new products.

Marketing research found that investors behavior have different value on perception and actual behavior. Kotler and Keller (2006) explained contradiction of behavior. They stated that consumes pass several stages that end up on buying decision. Those stages known as Response Hierarchy Models. There are so call major stages and minor stages. Major stages are cognitive (learn), affective (feel), and behavior (do) stage. Each major stage contains minor stage. Figure 4 shows Kotler and Keller models of hierarchy effects.
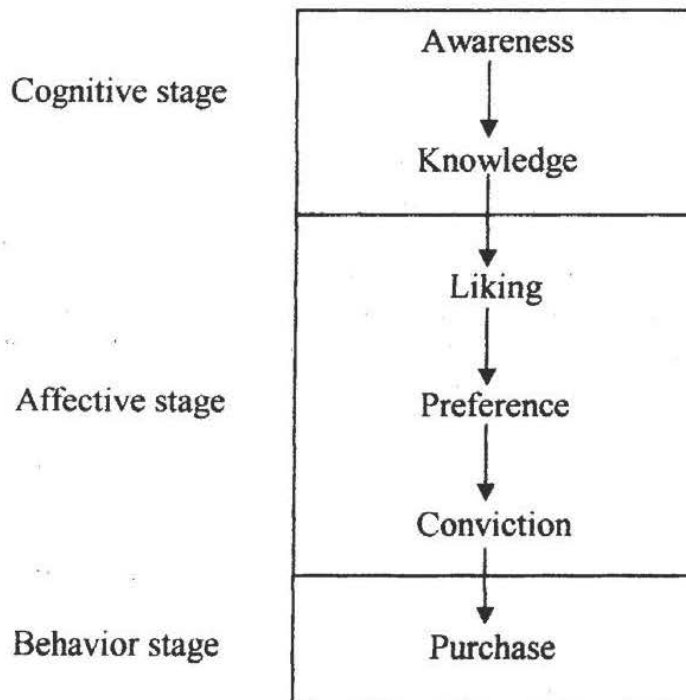
Figure 4 : Model Hierarchy of Effects

Awareness is a stage for new consumer to realize about product through market information. Knowledge is a stage to begin knowing more complete information about the product. Liking is a stage for consumer begin to like the product. Preference is a stage for consumer to like the product but not as fond as other product. This stage is crucial to build strong preference regarding the product on quality, value, performance, or other identity.

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Conviction is a stage for consumer to have conviction about the product as the best product. Purchase is a stage for consumer to finally buy the product.

The research suggest that ORI investors still on preference stage. They have positive preference about ORI. However, they less convince that ORI is a promising investment alternative. This research showed investors have perceived liquidity and safety although they have not yet implemented their buying strategy. Based on personal effect, ORI investors tend to count as early majority and late majority group. These two groups are only willing to invest when there are sufficient evident about ORI investment benefits. They will have more confidence when earlier investors also profiting from ORI.

Sales forces behavior shows intrinsic motivation on selling ORI. Their motivation simply based on internal factors such as desire to improve their achievement in selling securities, daring to accept new duties and authority, and considering to accept more work satisfaction. Henson and Eller (1999) stated that individual who motivated by intrinsic motivation will tries assignment based on interest factor, satisfaction in accomplish new task, sense of accomplishment, and other intrinsic factors. Hidayat and Prakosa (1997) argued that intrinsic motivation would lead individual to achieve high work performance. However, this result less supported by actual investors investment behavior.

The sales forces research supported by positive effect of product positioning surprisingly have less effect on transaction volume of ORI in Surabaya. However, national wide transaction volume of ORI shows approximately IDR 3.4 billion. Government succeeded in selling ORI in Jakarta, but unsuccessful in other regions such as Surabaya. This research suggests that asymmetry information of Surabaya investors is higher than Jakarta investors on distribution channel, risk, and safety. Preference stage of Surabaya investors should slide to conviction stage, and hopefully to purchase stage.

Investors, especially in East Java region, show positive perceived behavior on risk, distribution channel, and safety. Thus, government, selling agent, and capital market regulators have to provide hard facts on ORI performance to attract ORI investors at Surabaya. ORI investors suspected to find information on ORI to investment managers, and less likely to selling agent. This research suggests that trust factors to investment managers are higher than to selling agent. Trust factors also strengthen by independences of investment managers. Independences will provide investment managers with unbiased judgment on ORI. Robbins (2001) argued that trust would emerge from mutual understanding relationship, and appreciative attitudes. Investment managers provided investors with those attitudes (Robbins, 2001).

Trust develops trough integrity, (honesty and truthfulness), competences, consistency, loyalty, and openness dimension (Robbins, 2001). Trust has been formed between investment managers and investors from earlier relationship and advantageous relationship strengthen mutual relationship and trustworthiness. Meanwhile, selling agents have less independence in their investment proposal because they have an obligation to sell ORI. Thus, they will appoint their investment suggestion to support their ORI sales target. This research estimates that investors contemplate selling agent simply as technical trading operators for ORI. However, the estimation needs further research and discussion.

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