

52. THE ROLE OF INDIGENOUS PRODUCT

by Agus Suroso

Submission date: 20-Oct-2022 12:42PM (UTC+0700)

Submission ID: 1930350024

File name: 52._THE_ROLE_OF_INDIGENOUS_PRODUCT.pdf (214.36K)

Word count: 1955

Character count: 11906

THE ROLE OF INDIGENOUS PRODUCT ATTRACTIVENESS TO IMPROVE MARKETING PERFORMANCE

Harini Abrilia Setyawati¹, Agus Suroso and Pramono Hari Adi

Universitas Jenderal Soedirman Indonesia

Abstract. This study raises a new variable attractiveness of indigenous products which is a synthesis of the theory of the firm and social cognitive theory. The purpose of this study is to examine these variables with product differentiation as antecedent and marketing performance as a consequence. Product differentiation has a positive and significant influence on marketing performance. Product differentiation has a positive and significant influence on Indigenous product attractiveness. And Indigenous product attractiveness has a positive and significant influence on marketing performance.

1. INTRODUCTION

This study will analyze the new construction as a proposition variable that can improve marketing performance and mediate the relationship between product differentiation and marketing performance, namely Indigenous Product Attractiveness. The Grand Theory of this research is the Resources based view theory. Research on Resources based view theory (RBV) in marketing during the 1990s only 19 articles, but in 2000 it increased to 204. In 2010-2012 there were more than 50 articles discussing RBT or RBV both conceptually and empirically (Kozlenkova, Samaha, & Palmatier, 2013).

Traditional crafts are the result of creative indigenous knowledge. The product describes the culture of the local population (Shaari, 2015). For example, in Indonesia, the most prominent product is batik, especially after the recognition of Indonesian Batik from the United Nations Agency namely Educational, Scientific and Cultural Organization (UNESCO) as a world heritage in 2009 which added value to the development of the batik business.

2. LITERATURE REVIEW

Indigenous Product Attractiveness

Cultural product representations play an important role in creating and reflecting the cultural identity of many cultures throughout the world. These cultural products are considered unique, so

¹ Corresponding Author, Email: harini.abrilia.setyawati@gmail.com

they have their own charm. The results of previous studies show that the purchase intention of handmade products is higher when the product is used as a gift for close people. They do not consider the price, but rather look at the quality of the product (Fuchs, Schreier, & Osselaer, 2015).

Attraction is a derivative of social cognitive theory in which the Social Cognitive Theory. Indigenous Product Attractiveness defined as product attributes reflected in local culture (Setyawati, 2018). Indicators of the Indigenous Product Attractiveness variables are Indigenous motive attractiveness, Indigenous style attractiveness and Indigenous symbols attractiveness.

The addition of features to the product is known to be able to increase the attractiveness of the product, but this happens if the addition of these features is in accordance with the product (Angelis, Carpenter, Angelis, & Shavitt, 2009). Formally, we hypothesize the following:

H1: product differentiation can increase Indigenous product attractiveness

Product Differentiation

Product differentiation is a strategy that positions a product on the market so that the product presents unique features that are not common to competitors' offers. Marketers try to position the product or service in the minds of consumers to convince customers that the product has unique and desirable characteristics. By developing the perceptions of these marketers trying to create competitive advantages compared to competing companies that offer similar products or brands (Shafiwu & Mohammed, 2013).

Product differentiation is a modified product activity that is intended to create a product that is more attractive and makes it different from other products of the same type. This is a strategy to increase product sales and marketing (Sukesti & Karim, 2014).

Formally, we hypothesize the following:

H2: product differentiation can increase marketing performance

Marketing Performance

Marketing performance is part of the organizational performance. The organizational performance consists of marketing performance, financial performance, and human resource performance. Marketing performance is a measure of achievement from the activities of the overall marketing process of a company. Furthermore, marketing performance can be seen as a concept used in measuring the extent to which market achievements can be achieved by a product that has been produced by the company.

Product attractiveness is recognized as a strategic factor to improve marketing performance, the attractiveness of the product must be maintained by incorporating several acculturative attributes (Ferdinand & Fitriani, 2015). Formally, we hypothesize the following:

H3: Indigenous product attractiveness can increase marketing performance

3. METHODOLOGY

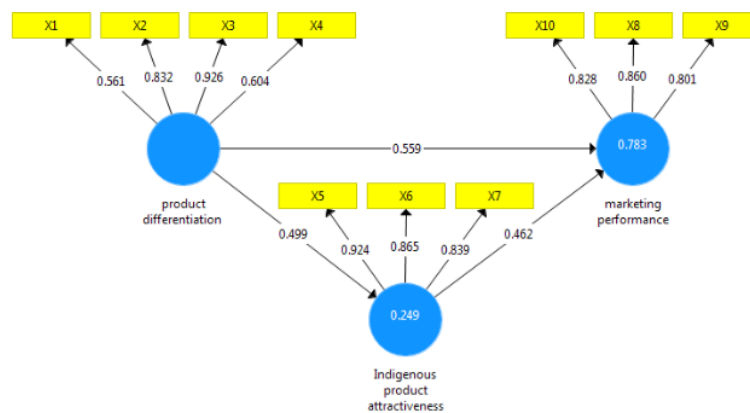
This paper followed a cross-sectional quantitative study. The data was collected through questionnaire. It was composed of three groups: product differentiation, Indigenous product attractiveness, and marketing performance.

10th groups were measured using the ten-point scale (1 = strongly disagree, 10 = strongly agree). The assessment of validity, reliability and descriptive statistical analysis were performed using SPSS whereas hypotheses testing uses SEM (Structural Equation Modelling) and Partial Least Square (PLS).

4. RESULTS

The appropriateness of the model is examined by assessing its goodness of fit (GOF) while the outer model or measurement model is tested by assessing the validity and composite reliability of block indicator of each variable.

Figure 1
Structural Model



Product differentiation indicators are all valid with factor loading exceeds 0.5. Indigenous product attractiveness was assessed with three items indicators and all indicators are considered valid since factors loading exceeds 0.5. Marketing performance was assessed with three indicators and all indicators are valid based on the factor loading which exceeds 0.5.

<div> <div>9</div> Table 1 MEASUREMENT MODEL EVALUATION RESULTS </div>				
Constructs/Indicators	Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
product differentiation		0,849	0,909	0,769
PD1	0,561			
PD2	0,832			
PD3	0,926			
PD4	0,604			
Indigenous product attractiveness		0,775	0,869	0,689
IPA1	0,924			
IPA2	0,865			
IPA3	0,839			
marketing performance		0,724	0,828	0,557
MP1	0,801			
MP2	0,860			
MP3	0,828			

2 Table 1 demonstrates that all square roots of Average Variance Extracted of the constructs are higher than their correlations with other constructs, which supports discriminant validity of the constructs in our model (Fornell and Larcker's, 1981). Cross loadings of the indicators have also been evaluated and highest loadings of indicators on their constructs provided more evidence for discriminant validity of the constructs.

<div> Table 2. INNER MODEL RELATIONSHIP COEFFICIENT </div>

Relationship	Original Sample estimate	Standard deviation	T- statistic
product differentiation → Indigenous product attractiveness	0,499	0,088	3,473
product differentiation → marketing performance	0,559	0,121	5,696
Indigenous product attractiveness → marketing performance	0,462	0,133	4,627

Based on the result of the inner model analysis, as shown in Tab 2, all hypotheses were supported as t-value exceed 2.052. As expected product differentiation has a positive and significant influence (t-value > 2.052) on marketing performance. Product differentiation has a positive and significant influence (t-value > 2.052) on indigenous product attractiveness. And Indigenous product attractiveness has a positive and significant influence (t-value > 2.052) on marketing performance. So, the mediation is partial mediation.

5. CONCLUSIONS

This study investigated the relationship between product differentiation, indigenous product attractiveness, and marketing performance. Prior empirical research on product differentiation and marketing performance are insignificant (Durand & Coeurderoy, 2001), (Sarah, Spencer, Joiner, & Salmon, 2009), (Atikiya, Mukulu, Kihoro, & Waiganjo, 2015), (Devece, Palacios-Marqués, Galindo-Martín, & Llopis-Albert, 2017), (Lee, Lee, & Wu, 2011), (Ren, Huang, & Wey, 2017) dan (Bayraktar, Hancerliogullari, Cetinguc, & Calisir, 2016). Product differentiation has negative and significant influence marketing performance (Valipour, Birjandi, & Honarbakhsh, 2012).

This research fills the gap, by exploring the mediating effect of indigenous product attractiveness. Results indicated that product differentiation has a positive and significant influence on marketing performance. Product differentiation has a positive and significant influence on indigenous product attractiveness. And Indigenous product attractiveness has a positive and significant influence on marketing performance.

This research has several additional limitations that should be noted. We limited the respondent only owner of Batik SMEs. Further research should use large size sample with the owner of handicraft as respondents.

REFERENCES

- Angelis, M. De, Carpenter, G. S., Angelis, M. De, & Shavitt, S. (2009). The Effect of Adding Features on Product Attractiveness : The Role of Product Perceived, *36*, 651–652.
- Atikiya, R., Mukulu, E., Kihoro, J. M., & Waiganjo, E. W. (2015). Effect of Differentiation Strategy on the Performance of Manufacturing Firms in Kenya. *Asian Journal of Humanities and Social Studies*, *3*(2), 2321–2799.
- Bayraktar, C. A., Hancerliogullari, G., Cetinguc, B., & Calisir, F. (2016). Technology Analysis & Strategic Management Competitive strategies, innovation, and firm performance : an empirical study in a developing economy environment, *7325*(June). <https://doi.org/10.1080/09537325.2016.1194973>
- Chen, C.-Y., Huang, H.-H., & Wey, S.-C. (2017). The mediating roles of differentiation strategy and learning orientation in the relationship between entrepreneurial orientation and firm performance 創業導向與績效關係之研究—學習導向與策略導向之 中介效果. *Corporate Management Review*, *37*(1), 1–40.
- Devece, C., Palacios-Marqués, D., Galindo-Martín, M.-Á., & Llopis-Albert, C. (2017). Information Systems Strategy and its Relationship With Innovation Differentiation and Organizational Performance. *Information Systems Management*. <https://doi.org/10.1080/10580530.2017.1330002>
- Durand, R., & Coeurderoy, R. (2001). Age, order of entry, strategic orientation, and organizational performance. *Journal of Business Venturing*. [https://doi.org/10.1016/S0883-9026\(99\)00061-0](https://doi.org/10.1016/S0883-9026(99)00061-0)
- Ferdinand, A. T., & Fitriani, L. K. (2015). Acculturative Iconic Product Attractiveness And Marketing Performance, 15–23. <https://doi.org/10.20460/JGSM.2015915570>
- Fuchs, C., Schreier, M., & Osselaer, S. M. J. Van. (2015). The Handmade Effect : What ' s Love Got to Do with It ?, *2429*(Barber 2013). <https://doi.org/10.1509/jm.14.0018>
- Kozlenkova, I. V, Samaha, S. A., & Palmatier, R. W. (2013). Resource-based theory in marketing. <https://doi.org/10.1007/s11747-013-0336-7>
- Lee, H., Lee, C., & Wu, C. (2011). Brand image strategy affects brand equity after M&A. *European Journal of Marketing*, *45*(7/8), 1091–1111. <https://doi.org/10.1108/03090561111137624>
- Sarah, X., Spencer, Y., Joiner, T. A., & Salmon, S. (2009). Differentiation Strategy, Performance Measurement Systems, and Organizational Performance: Evidence from Australia. *International Journal Of Business*, *14*(1).
- Setyawati, H. A. (2018). Daya tarik produk indigeounous untuk meningkatkan kinerja pemasaran, *7*, 1–4.
- Shaari, N. (2015). Indigenous Knowledge Creativity in Batik Cultural Product based on Kansei, 56–60.

- Shafiwu, A. B., & Mohammed, A. (2013). The Effect Of Product Differentiation On Profitability In The Petroleum Industry Of Ghana. *European Journal of Business and Innovation Research*, 1(4), 49–65.
- Sukesti, F., & Karim, A. (2014). Development Strategy For SMEs Through Product Differentiation And Government Regulations With Working Capital As Moderating Variable : Case Study In Semarang City Indonesia. *South East Asia Journal of Contemporary Business, Economics, and Law*, 5(2).
- Valipour, H., Birjandi, H., & Honarbakhsh, S. (2012). Publisher: Asian Economic and Social Society The Effects of Cost Leadership Strategy and Product Differentiation Strategy on the Performance of Firms The Effects of Cost Leadership Strategy and Product Differentiation Strategy on the Performance of Firms. *Journal of Asian Business Strategy*, 2(21), 14–23.

52. THE ROLE OF INDIGENOUS PRODUCT

ORIGINALITY REPORT

30%

SIMILARITY INDEX

23%

INTERNET SOURCES

18%

PUBLICATIONS

11%

STUDENT PAPERS

PRIMARY SOURCES

1

repository.petra.ac.id

Internet Source

8%

2

www.wjmpapers.com

Internet Source

4%

3

Submitted to Institute of Professional Studies

Student Paper

4%

4

Submitted to Universiti Sains Malaysia

Student Paper

3%

5

Submitted to Universitas 17 Agustus 1945
Surabaya

Student Paper

3%

6

Hatane Samuel, Hotlan Siagian, Stefanie Octavia. "The Effect of Leadership and Innovation on Differentiation Strategy and Company Performance", Procedia - Social and Behavioral Sciences, 2017

Publication

3%

7

seajbel.com

Internet Source

2%

8	GEORGE R. GREEN. "Forecasting State Variables from National Econometric Models", Growth and Change, 1972 Publication	2%
9	researchbank.rmit.edu.au Internet Source	1%
10	La Hatani, Hasanuddin Bua, Mukhtar, Dasmin Sidu, La Ode Geo. "Development Model of Cacao Agro-Industry with Sectoral Competitive Advantage Based in Southeast Sulawesi, Indonesia", Global Journal of Flexible Systems Management, 2016 Publication	1%
11	www.laujet.com Internet Source	1%

Exclude quotes On

Exclude matches < 1%

Exclude bibliography On