

# THE ROLE OF INDIGENOUS PRODUCT ATTRACTIVENESS TO IMPROVE MARKETING PERFORMANCE

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**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

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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.

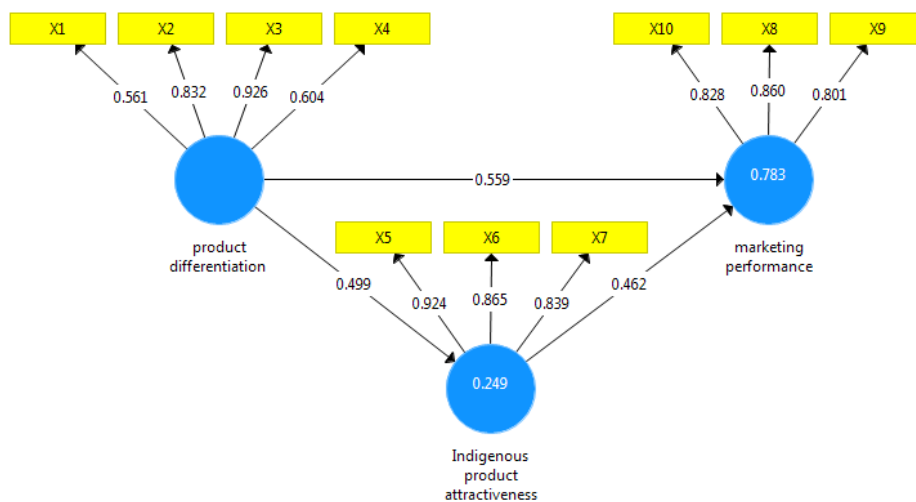
Both groups were measured using the ten-point scale (1 = strongly disagree, 10 = strongly agree). The assessment of validity, reliability and descriptive statistical analysis were performed using SPSS whereas hypotheses testing uses SEM (Structural Equation Modelling) and Partial Least Square (PLS).

### 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.

<b>Table 1</b>				
<b>MEASUREMENT MODEL EVALUATION RESULTS</b>				
<b>Constructs/Indicators</b>	<b>Loading</b>	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
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			

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.

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

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 Table 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), (Chen, 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.

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