The role of geo-cultural product attractiveness and acculturative aesthetic attractiveness in enhancing the relationship between innovation and SMEs marketing performance

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C H R O N I C L E

ABSTRACT

Small-medium enterprises (SMEs) have a significant and competitive role to play in the Indonesian economy. Numerous evidences support the fact that the nature of small and medium enterprises is quite prominent in the Indonesian economy. But most SMEs are not able to go up the class due to various weaknesses. One of the weaknesses of SMEs is marketing ability/performance. The purpose of this research to fill in the factor of the research gap between the ability of product innovation to enhance marketing performance. This research proposed Geo-cultural product attractiveness concept and Acculturative Aesthetic Attractiveness concept to connect the gap between product innovation capabilities to improve marketing performance. Samples are obtained from 230 of Small and Medium Enterprises (SMEs) in the Province of South Sulawesi in Indonesia using Purposive Sampling to test our model. Data were analyzed using Structural Equation Modeling (SEM). The result confirmed the model with variables: Innovation, Geo-cultural product attractiveness, Acculturative Aesthetic Attractiveness, and Marketing performance and indicated that Geo-cultural product attractiveness and Acculturative Aesthetic Attractiveness hold strategic roles in enhancing marketing performance.

Keywords:
Innovation
Geo-cultural product attractiveness
Acculturative Aesthetic Attractiveness
Marketing performance

1. Introduction

Small-medium enterprises (SMEs) play an important and strategic role in the economy. Various data support the fact that the existence of small and medium enterprises is very dominant in the Indonesian economy. It is a reality that Small and Medium Enterprises (SME’s) are the most strategic national economic sectors that concern the lives of many people so that they become the backbone of the national economy. SMEs are also the largest group of economic actors in the Indonesia market and have proven to be a key safeguard of the national economy in times of economic crisis and become a disseminator of post-crisis economic growth. But most SMEs are not able to go up the class due to various weaknesses (Pono et al., 2018). One of the weaknesses of SMEs is marketing ability/performance. One important factor in marketing performance is innovation. Product innovation is a change or omission of a product attribute or appearance of a particular product so that it looks new to win the competition in the market. Innovation is an organizations’ instrument to be able to create values and fresh concepts in improving marketing performance. To win the competition, businesses must attempt to offer a range of innovative products as a strategy to increase the attractiveness of the products offered to the consumer and boost the product's uniqueness or creativity. It was findings in a study by Shan, Song, and Ju (2016) that the speed of innovation as one of the strategic drivers for performance. Many empirical studies of product innovation on marketing performance have been conducted by previous researchers. The more the product innovation, the advanced the marketing performance (Hadjimanolis, 2000); Product innovation has a formidable impact on the performance of marketing (Han, Kim, & Srivastava, 1998); Product innovation has a positive impact on the performance of marketing (Damanpour, 1991). Research by Cheng, Chang, and Li (2013) demonstrate that continuous innovation is one of the bases of marketing accomplishment. Narver and Slater (1990)
also found that innovation influences marketing performance. But on the other hand, Jaworski and Kohli (1993) found that innovation has less effect on marketing performance. Several kinds of research of innovation also found gaps in product innovation incapability in inducing company achievement, such as a study by Cillo, De Luca, and Troilo (2010), which express that innovation insignificant influence for company performance. Liao and Cheng (2014) conducted a study and found that one of the effects of failed innovations for high brand equity products is damage to brand reputation. While in another study conducted by Santos, Basso, Kimura, and Kayo (2014) indicate less support for that innovation in the previous period has had a positive effect on the performance of the company in the next period. Findings from different studies on the impact of innovation on marketing performance show a research gap on product innovation's inability to increase product differences and marketing performance. Moreover, additional exploration is still required. Therefore, to fill this research gap, we offer the concept of Geo-cultural Product Attractiveness and Acculturative Aesthetic Attractiveness in the role of a strategic link to innovation for maintaining and increasing the performance of marketing.

![Empirical Research Model](image)

2. Literature Review

2.1. Geo-cultural product attractiveness

One of the principal researches in product strategy is the product analysis and the features to attract buyers. The traditional view of marketing strategy supports the importance of product design as a major factor in the success of products that still exist in today's marketing literature (Bloch, 1995; Liu & Atuahene-Gima, 2018). For the product's appearance, the right design for a product is critical and also encourages potential consumers to consider and review the brand. Visual product design is an important factor for consumer decision-making (Creusen, Veryzer, & Schoormans, 2010). Appreciating the needs of customers and consumers involved in the design process should be an important part of the product design process. The study by Sri and Srivastava (2013) states the core products are the basis of marketing success, while the product design process is seen as an effort to bring more appealing goods to the market to raise consumer interest (Hisarcikli & Boujut, 2009). Handicraft and local culture-based souvenir products are supposed to have benefited over products imported from foreign countries. Firstly, the product arouses a personal tie because it symbolizes the cultural root's uniqueness. Second, to be a marker from the craft origin were created for travelers' souvenir. Lastly, Regional cultural handicrafts can also be a medium of inter-regional unity and build pride in a country. The company is trying to add something in the development of product design that can create many attributes that expose certain cultures and geographies that have a prospective appeal for consumers to pay attention and buy souvenir products. Within a country such as Indonesia with cultural and geographic diversity, products might be produced with cultural attributes that originated from the collaboration of culture and geographic elements where the origin from. Through assimilating local ethnics and values, a company can be classified and take several features of local culture (Celenk, & Van de Vijver, 2011), and blend these features in the products, a product with certain attractiveness of regional culture which in this study conceptualized as Geo-cultural product attractiveness (Munir, Ilyas, Maming, & Kadir, 2019).

2.2. Acculturative Aesthetic Attractiveness

Product Attractiveness is a concept based on a resource advantage theory approach (RA-Theory) According to Hunt and Morgan (1995), RA-Theory is a general theory of competition which describes that a resource-based strategy's main objective is to gain resource-based comparative advantages that can produce a positional advantage in a variety of market segments to achieve superior corporate performance. Resources and marketing capabilities shall determine the quality of decisions and how the corporate marketing strategy implemented. The value of the marketing strategy will decide the strategic advantage of the organization and that benefit will dictate both marketing and financial performance (Morgan, 2012). The concept of Acculturative was drawn from the theory of social identification. This method emphasizes the importance of acculturative as one of the most researched cultural elements to expose its influence on customer choice (Kaynak and Eksi, 2011; Lee et al., 2013). Through engaging with the multi-ethnic and multi-cultural community, an organization can pick and choose other components from a foreign culture and domestic culture (Celenk, & Van de Vijver, 2011), and to Combine such qualities with being unique to the product they are creating. Etymologically, the term "aesthetic" comes from the Latin “aestheticus” or Greek “aestheticos” which means to feel or things that can be absorbed by the five human senses. According to Herbert Read (in Thistlewood, 1979), the notion of aesthetics is the unity and relationship of forms that exist between human sensory perception. Meanwhile according to Allsopp (1984), aesthetic can cause positive feelings for people who see and feel it. Hofstede’s (1984, 1994) model may help explain the diversity of principles used across societies in marketing. It can also explain aesthetic preferences. Angularity, for example, is linked to conflict, dynamism, and masculinity. Roundness is related to harmony, softness, and femininity. Symmetry is the most admired in collectivist societies, while individualistic societies...
tend to prefer more iconoclastic forms of creativity. (Henderson et al., 2003; Schmitt & Simonson, 1997). Creusen et al. (2010) examined the impact of design on consumer-product choice and argued that customers’ esthetic preferences in product design should be taken into account by companies. The esthetics of visual products influence the perceptions of consumers in at least three ways. First, Product design identifies goods and aims to achieve market acceptance (Schmitt and Simonson, 1997). Second, Product aesthetics serve a symbolic role that affects product perception, understanding, and assessment (Yalch & Brunel, 1996). Finally, the presentation of a product is a key channel through which consumers can connect to products (Holllins & Pugh, 1990; Lewalski, 1988), and as such, it is a product attachment origin (Govers & Mugge, 2004). Elevating local brands is a strategic step to introduce local products made in Indonesia to the domestic market, and even global markets and combining these attributes with the modern aesthetics that will be embedded in products will produce products with some attractive features. The withdrawal, which is acculturation between local culture and culture from outside the area in the form of aesthetic patterns, styles, and forms in this study, which we call Acculturative Aesthetic Attractiveness (Pono, Munir, Maming, & Kadir, 2019).

2.3. Innovation

A visionary business is committed to improving goods, programs, and ways of doing things on an ongoing basis. The company attempt to keep expand the internal competences and resources. The more innovative the company is in a country, the stronger the competitive advantage of that country. An Innovative company is more efficient in managing their resources than others (Wang & Ahmed, 2004). According to Wu et al. (2008) in Akgün et al. (2010:44) shows that innovation is defined as an individual's concept, product or process, or system that is considered new. Damanpour (1991) explains the concept of innovation as; “an awareness of facilities, processes, regulations, products or services, the production of new technologies, the architecture and the latest strategic planning method to be implemented.” Meanwhile, Wang and Ahmed (2004) state that organizational innovation defined as a total advanced capability of an organization to launch novel inventions to the marketplace, or enter different markets, by linking strategic orientation with innovative behavior and processes. Meanwhile according to Tyler (2001), and innovation is some technical knowledge of how things can be done better than the current state of the art. It can be inferred from the definitions before that innovation is producing a product or service which is fresh or enriching of current perception or greater value performance as the organization's strategic choice to increase capabilities of the organization to more competitive. Different forms of the invention can be, for instance, material, service or system development, revolutionary or foundational change, administrative or technical advancement, etc. (Zaltman et al., 1973; Utterback, 1994; Cooper, 1998 in Wang & Ahmed, 2004).

2.4. Marketing Performance

The marketing performance concept can be used to assess the marketing performance of a company. This concept in line with Farris, Bendle, Pfeifer, and Reibstein (2010) shows that the term marketing performance is a method used to assess the quality of the product on the market. Clark (2000) moreover reveals that marketing performance is a business-performance significant part in general because a business performance can be perceived by its marketing performance. Voss and Voss (2000) define Market performance is an endeavor to determine the level of quality of a business by calculating the number of sales, number of customers, revenue, and profit growth. Marketing performance can be understood as a construct with several indicators such as sales growth, market share, and sales to an existing customer (Chang, Park, & Chaey, 2010), market share and growth of sales (Garcia-Villaverde, Ruiz-Ortega, & Ignacio Canales, 2013), acquiring new customers and increasing sales to existing customers (Krash, Aghinhotri, Trainor, & Nowlin, 2013), stronger growth in sales revenue, better able to acquire new customers, greater market share and sales increase to existing customers (Merrilies, Rundle-Thiele, & Lye, 2011), market share of the brand, sales growth of brand (O'Cass & Weerawardena, 2010) and market share (Wu, 2013). Halim et al. (2012), in their study, determine the performance of marketing performance over four indicators, which are value delivery, customer satisfaction, marketing programs effectiveness, and the new product's success. While Ferdinand (2014) states that good marketing performance is indicated in three main values, namely sales value, sales growth, and market share. Fig. 1 shows the empirical research model that was built into this study. From literature reviews, previous research, and figures, there are four hypotheses in this study as follows:

1. The higher Innovation, the more Acculturative Aesthetic Attractiveness.
2. The higher Innovation, the more Geo-cultural product attractiveness.
3. The higher Geo-cultural product attractiveness, the more Marketing Performance.
4. The higher the Acculturative Aesthetic Attractiveness, the more Marketing Performance.

3. Research Method

This research conducted in several regencies and cities in South Sulawesi Province, Republic of Indonesia. The variables to be tested in this study consisted of exogenous variables and endogenous variables. The Exogen variable is Innovation, which consists of three indicators, while the Endogen variables are Geo-Cultural Product Attractiveness, Acculturative Aesthetic Attractiveness, and Marketing Performance, which each consists of three indicators. The population of this study is all small and medium enterprises (SMEs) registered in the South Sulawesi Cooperative and SME Office and each Regency / City of the study location. The sampling technique in this study uses purposive sampling. The sample in this study were entrepreneurs/
business owners. The number of samples used as respondents were 230 entrepreneurs with the same proportion each regency/city. In this research, we use four variables, namely; Innovation, Geo-cultural Product Attractiveness, Acculturative Aesthetic Attractiveness, and Marketing Performance. The questionnaire was used to ask the respondents for their perceptions. Measurement of research variables based on respondents' perceptions or responses to all indicator variables that have been constructed in the model (Sugiyono, 2006). The Likert Scale was employed to measure by using one to five scale, where scale one indicates strongly disagree, and scale five indicates strongly agree. The definitions of all variables and its indicators in this study are shown in the next Table 1:

Table 1
Operational Definitions of Variables and its Indicators.

| Variables                  | Definition                                                                 | Indicators                                                                 |
|----------------------------|----------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Innovation                 | The ability to innovate products                                          | 1. Ability to make various type of products                                |
|                            |                                                                           | 2. Special design capabilities                                             |
|                            |                                                                           | 3. Ability to make different brands                                         |
| Acculturative Aesthetic Attractiveness | The aesthetic level of the product as an attraction is the acculturation of local culture and global culture. | 1. Aesthetic Patterns                                                      |
|                            |                                                                           | 2. Aesthetic Style                                                         |
|                            |                                                                           | 3. Aesthetic Form                                                          |
| Geo-cultural Product Attractiveness | The level of product attributes as an attraction is a combination of the region and the culture of the area | 1. Cultural Patterns Attractiveness                                       |
|                            |                                                                           | 2. Cultural Style Attractiveness                                           |
|                            |                                                                           | 3. Cultural Symbolic Attractiveness                                        |
| Marketing Performance      | The level of marketing achievement in the market                          | 1. Sales Volume                                                           |
|                            |                                                                           | 2. Sales Value                                                            |
|                            |                                                                           | 3. Customer Growth                                                        |

Construct Reliability (CR) is using to measure latent variables reliability in this study and Variance Extracted (VE) as well. Normally, the cut-off value of CR is 0.70 (Hair, Black, Babin, & Anderson, 2013). At the same time, the cut-off value of VE is 0.50 (Ghozali, 2011). In this research, all variables have passed the cut-off value; therefore, all variables are reliable. To measure validity, we were using confirmatory factor analysis (CFA) to produce loading factor value for all indicators from the latent variables. The loading factor value, which greater than 0.50, is used as an indicator validity cut-off value (Hair et al., 2013). The next Table 2 shows that all of the indicator's value is estimated at more than 0.50; then, it is confirmed that all of our indicators are valid.

Table 2
Validity and Reliability

| Variables                        | Indicators, Standardized Loading Factors, Standard Errors, Reliability |
|----------------------------------|------------------------------------------------------------------------|
| Innovation                       | X11 0.921 0.77, X12 0.857 0.50, X13 0.810 0.44, CR 0.82, VE 0.58 |
| Aesthetic Acculturative Attractiveness | X21 0.902 0.55, X22 0.884 0.48, X23 0.906 0.53, CR 0.75, VE 0.54 |
| Geo-cultural product attractiveness | X31 0.954 0.38, X32 0.949 0.37, X33 0.920 0.66, CR 0.78, VE 0.57 |
| Marketing Performance            | X41 0.854 0.79, X42 0.902 0.58, X43 0.883 0.60, CR 0.87, VE 0.66 |

All data from samples then analyzed using structural equation modelling (SEM) with AMOS version 23.

4. Results and Discussion

Goodness of Fit Indices from Structural model analysis below shows level of good model acceptance as since numerous indices such as $\chi^2 = 69.51$; Significance Probability = 0.08; GFI= 0.953; AGFI= 0.917; TLI = 0.986; CFI =0.990; RMSEA = 0.050, thus we can say our model fit with expected population. The structural coefficient from SEM results shows in the next Table 3. Table 3 shows, for hypotheses testing; the probability of significance for every hypothesized variable relation is lower than 0.5%, we can conclude that all of our hypotheses are support by data from our sample.

Table 3
Hypothesis Testing Results

| Hypothesis                      | Standardize Estimate | P     |
|---------------------------------|----------------------|-------|
| Innovation $\rightarrow$        | Acculturative Aesthetic Attractiveness | 0.651  | 0.000 |
| Innovation $\rightarrow$        | Geo-Cultural Product Attractiveness   | 0.513  | 0.000 |
| Acculturative Aesthetic Attractiveness $\rightarrow$ Marketing Performance | 0.407  | 0.000 |
| Geo-Cultural Product Attractiveness $\rightarrow$ Marketing Performance | 0.352  | 0.000 |
5. Conclusions

Our model that shows the relationship of Innovation, Acculturative Aesthetic Attractiveness, Geo-cultural Product Attractiveness, and Marketing Performance has been constructed and tested empirically using structural equation modeling. The acceptance of hypotheses and model relationships have demonstrated various methods to increase marketing performance. There are three key findings, which are illustrated as follows: (1) Companies that have high Innovation will enhance geo-cultural product attractiveness towards marketing performance. (2) Companies that have high Innovation are believed to enhancing Acculturative Aesthetic Attractiveness as leverage for strengthening marketing performance, (3) therefore, that geo-cultural product attractiveness and Acculturative Aesthetic Attractiveness certainly performs as the mediator in the model of Innovation and marketing performance. Theoretically, the findings of this study contribute to solving problems of the research gap in the relation of Innovation and marketing performance. The concept of geo-cultural product attractiveness and Acculturative Aesthetic Attractiveness which are offered as a bridge in connection with innovation and marketing performance has been tested and plays a vital role in mediating the relationship between the two variables. Then, further research needs to add some variables, the coverage area of research and types of industries to gain research findings widely.

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