

# Development Model of Traditional Local Product Based Marketing Innovation Driven for Entering Market Centre

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**Abstract** Marketing model to test the effect of variable marketing strategy (SP), the development of human resources (HR), operational management (MO), the innovation driven (ID), affecting the market center (MC). Assessing the effectiveness of the variable, the variable marketing strategies respondents of this research mostly has a range of local market than the international market. This causes the average standard variable rate of effectiveness of marketing becomes low, amounting to 69.54 % of the innovation driven. Variable human resource development throughout the indicator has a value below 70 % effectiveness. SMEs choose the appropriate training conditions in the field. Awareness to improve the quality of human resources is still low. Values are very ineffective contained in the indicator "international standards". This led to further decline in the effectiveness of human resource development variable that is equal to 52.6 % of the innovation driven. Variable operational management is not very effective value contained in the indicator "international standards" as the variable marketing strategy and human resource development. This causes the average level of the variable effectiveness of operational management becomes low, amounting to 59.65 % of the innovation driven. Variable innovation driven all indicators have high effectiveness value (over 70 %). This led innovation driven high level of effectiveness, ie 83.6 % of the market center. Respondents in this study can be considered to have driven innovation to market centers to be more effective, which amounted to 78.4 %. Based on these discussions, the variable has a much lower level of effectiveness due to "international standards" where many SMEs in this study had a range of local rather than international markets. With a range of local markets, international standards have not been much needed on SMEs in this study.

**Keywords:** *marketing strategy, development of human resources, operational management, innovation driven, and affecting the market center*

**Cite This Article:** Omar Hendro, Maftuhah Nurrahmi, and Zaleha Trihandayani, "Development Model of Traditional Local Product Based Marketing Innovation Driven for Entering Market Centre." *Journal of Business and Management Sciences*, vol. 4, no. 5 (2016): 125-131. doi: 10.12691/jbms-4-5-3.

## 1. Introduction

Palembang city has some special products that characterize the product belongs to the people of Palembang. Those special products are the traditional clothes woven, the traditional food dan the traditional furniture. A traditional clothes is made by hand woven by the local people of Palembang. One of the traditional foods of Palembang is called pempek that is made by fish and flour. Traditional carved cabinet is made using yellow gold color. Though the traditional products of Palembang have been sold in a specific area such as Ramayana Region is the center for traditional woven clothes, Seberang Ulu is the center for local food (pempek and crackers), Masjid Agung region is the center for traditional carved cabinet, and 3 Ilir Region is the center for cane furniture. However, the location of the market for those traditional products of Palembang is far from each

other or in other words those are not concentrated in one place (centralized market). Furthermore those products are not marketed in spacious place so it gives the impression that those products are not exclusive.

Market Centre (centralized market) need to be established for a traditional product of Palembang so pempek, crackers kemplang, songket and cabinets carving can be found in the market, besides if a traditional product is placed centrally in one market to facilitate the public in or outside the region know and consume the product (Hurley, 2006: 2). This would make the traditional product Palembang still will not be abandoned despite the entry of various similar products from outside the region.

The development of innovation-based marketing model driven by analyzing the situation, determine the market segmentation, target market and positioning of products as well as designing a marketing strategy, relationship strategy and the development of marketing programs ([7]: 6). Development of marketing models traditional regional products made in Phase I that is added human resource

development and operational analysis, the result of a development model that has been done is internal factor towards innovation-driven and market center negative effect. Innovation driven has a positive effect on market center. External factors on innovation-driven and market centers were affected positively. Internal factors towards innovation-driven and market center was not significant, while driven innovation is not significant to the market center. External factors on innovation and market driven significant center.

Based on the description above, to create a policy for sellers of traditional regional products in an attempt to enter the market center (centralized market), and improve product quality traditional of the region by improving the quality of human resources, technology, innovation, human resources and operations, the researchers intend to conduct research on development Traditional Areas Product Marketing Model-Based Innovation Driven To Entering the Centralized Market (Market Center). The purpose of this study is to examine the validity and effectiveness of the development of marketing models based on traditional regional products to enter the market driven innovation centralized (market center) against the seller traditional regional products.

## 2. Literature Review

Towards market driven marketing model has been studied by PT Sinar Sostro to analyze the situation, determine the market segmentation, determining the target market and positioning of products ([7]: 6). Through analysis of the situation it is known that the products offered by PT Sinar Sostro demand by people, especially in the segment by the company. But in these studies has not devise a marketing strategy, relationship strategy and marketing program development, especially drafting model of centralized marketing to enter the market (market center).

Development of traditional regional product marketing

model based market driven done by adding a marketing strategy design, strategy and relationship marketing program development in research. So it can be tested for validity and effectiveness of the marketing model.

Marketing management requires information from the situation analysis to direct the preparation of the design of new strategies or change existing strategies ([1]: 12). Mechanisms acquisition of information within a company that are in Management Information Systems (MIS), more particularly at The marketing information system (SIP). The devices comprise a SIM. The diary of internal (Internal Record System). b. Marketing Intelligence System (Marketing Intelligent System). c. Marketing Research (Marketing Research System).

A population or consumer communities there are groups that have the characteristics described in the profile or the term consumer segment ([6]: 2). Kotler ([3]: 25) information obtained from marketing research, every business can obtain the information needed to identify customers based on characteristics. Information regarding such things as: demographic, geographic, psychographic, behavioral, external factors and internal influence consumer decision-making.

After performing the segmentation process, business units select one or more of consumer groups to be used as the target market (target market). Strategic policy on the vision, mission, goals and business unit policies, resources owned business unit of traditional products, competitive conditions, and so forth.

Positioning is an activity undertaken by business units in designing deals and images in order to get a place in the minds of consumers. Doing positioning, it is necessary distinction (differentiation) of the product offering to consumers that are not easily replicated for other companies. McDaniel ([4]: 12).

Furthermore, in designing a marketing strategy, a business unit traditional regional product perform market selection and positioning their products in the minds of consumers, build relationship marketing, and developing and introducing new innovative products.

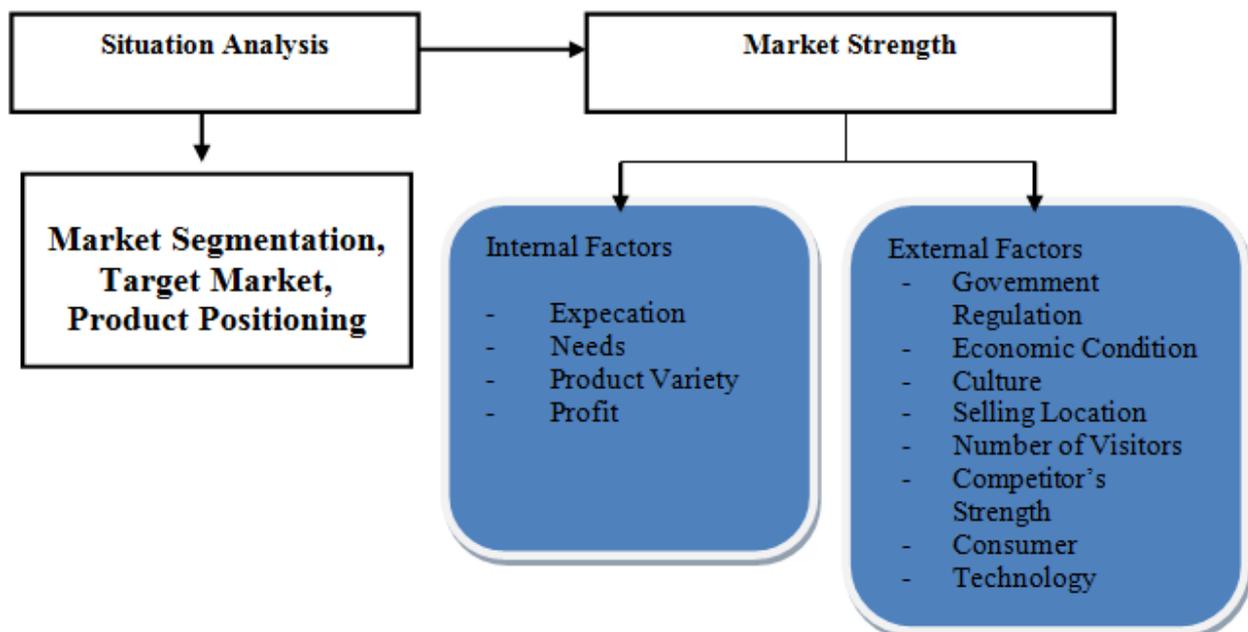


Figure 1. Marketing Model for Traditional Local Product for Market Driven

A good relationship needs to be established between the business units' traditional regional products to the final consumer, distribution channels, retailers), suppliers, competitors have no collaboration with the business units, as well as internal team business unit traditional regional products.

Dawes ([2]: 8) The strategies of segmentation, determination of target markets, and positioning or Segmentation, Targeting, and Positioning (STP) is a cornerstone in the design, implementation, and control of a marketing strategy, the strategy of marketing mix or marketing mix (4P product): a. Product (product), as it forms, features, design, and others. b. Price (price) determines the price of the products/services. c. Placement (distribution), channel distribution, warehousing, and transportation d. Promotion, a promotional tool in informing the product to consumers.

Development of human resources and operations by considering internal factors such as vision, mission, objectives, strategies for achieving objectives, nature and type of activity, type of technology used and external factors such as government policies, socio-culture and the development of science and technology ([8]: 12).

### 3. Methodology

This research is a marketing management plan will be implemented in two (2) phases. The first phase includes: 1. Analisis situation. 2. Determine market segmentation. 3. Designing a marketing strategy. 4. Analyze the internal and external factors. 5. Development of traditional regional product marketing model based Innovation centrally driven to enter the market (market center). Outputs from the first year of research activity is development of marketing models based on traditional regional products to enter the Innovation driven centralized market (market center).

The second phase is testing the validity and effectiveness of the development of marketing models based on traditional regional products to enter the Innovation driven centralized market (market center). Outcome of the second phase of testing the validity and effectiveness of the development of marketing models based on traditional regional products to

enter the Innovation driven centralized market (market center). Facts traditional regional products business unit internally and externally empirical-descriptive basis obtained from informants adequate research in the field (field research).

There are two main design studies, exploratory design and design that is conclusive. This study uses a conclusive design, particularly descriptive study was conducted to determine the value of either one independent variable or more variables (independent) without making a comparison with other variables.

The study population was a traditional product seller Palembang in Palembang, South Sumatra is not known for sure (infinite). Sampling techniques using purposive sampling technique means that sample intentionally because according to the research objectives.

This phase 2 study will be to test the validity and effectiveness of the development of marketing models based on traditional regional products to enter the Innovation driven centralized market (market center) by distributing questionnaires to the seller traditional regional products will be tested in addition to the 2 expert marketing experts. Overall the following stages:

Research Phase I

1. The first phase of the survey conducted by distributing questionnaires to the respondents as many as three times to do:

a. The situation analysis business unit of traditional regional products by examining the strengths, weaknesses, hopes and threats.

b. Determine market segmentation by examining: demographics, geographic, psychographic, behavioral and internal and external factors as well as determining the target market as well as the position of traditional regional products through product differentiation traditional of the region

c. Designing a marketing strategy, relationship strategy and the development of marketing through the 4Ps program are: product, place, placement, promotion, human resources development and Operational designing innovative and creative

2. Processing the results of the study, as the basis for the development of marketing models of traditional regional products based innovation driven in an attempt to enter a centralized market (market center).

**Table 1. Differentiation form of traditional regional products**

| Bentuk Diferensiasi | Differentian Form   | Explanation  | Example  |
|---------------------|---------------------|--|--|
| Product             | Form of Product     | Size, color, physical form   | Logo, packaging, label   |
|                     | Feature             | An additional benefit of a major product   | Characteristic attached  |
|                     | Performance quality | The degree to which the main characteristics of the product is operating. On 4 levels of performance, namely low, average, high, and superior    | Traditional products that have a wide market                             |
|                     | Conformance quality | The degree to which the entire unit with the same specifications and the same manufactured products are able to meet the promised specifications | Songket with the onset thread  |
|                     | Durability          | Operating life expectancy of products under normal and stress conditions   | Cupboard carved durable for years of usage                               |
|                     | Reliability         | The ability of the product to be a failure or an error in a certain period   | Traditional products can Entering the national and international markets |
|                     | Repairability       | Ease of repair products that were damaged or malfunction   | Improvements to the traditional regional products                        |
|                     | Style               | The look and feel of a product   | Innovation of traditional regional products.                             |
|                     | Design              | Features that affect how the function and appearance of the product  | Songket modified with embroideries and jemputan                          |

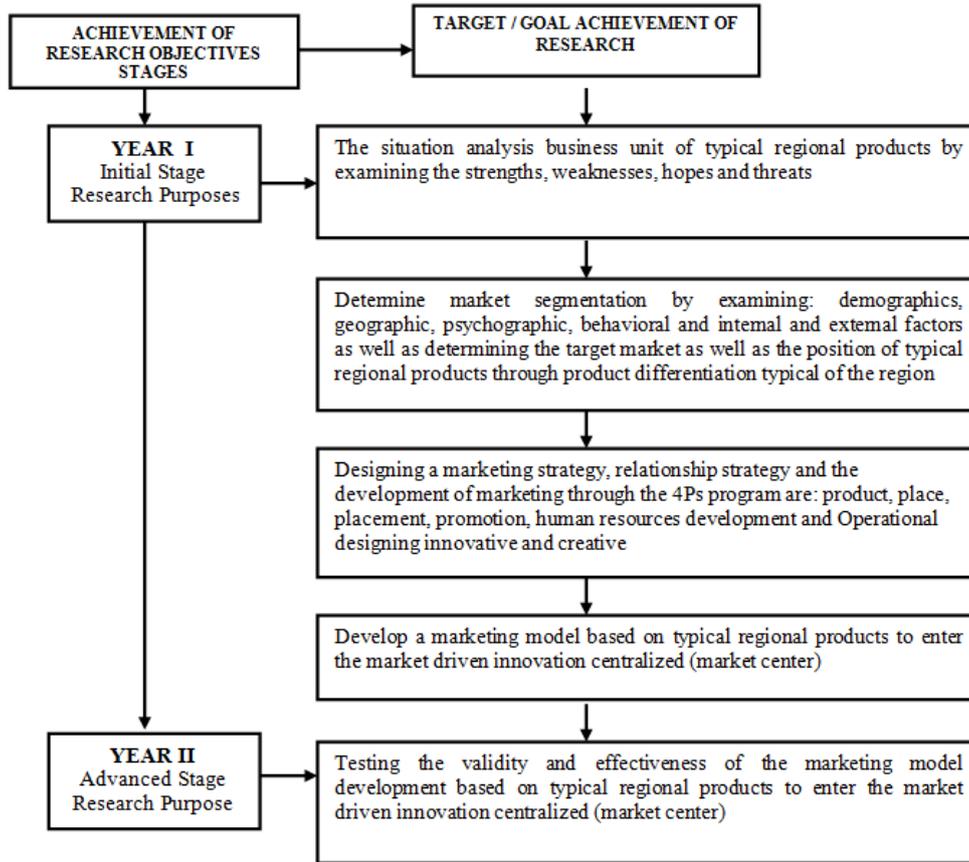


Figure 2. Research flow on traditional product marketing model based regional innovation driven to entering the centralized market (market center)

Based on the analysis of Structural Equation Modeling (SEM) carried out in Phase I, formed a development model based marketing of traditional regional products to enter the market driven innovation centralized (market center) in the table as follows:

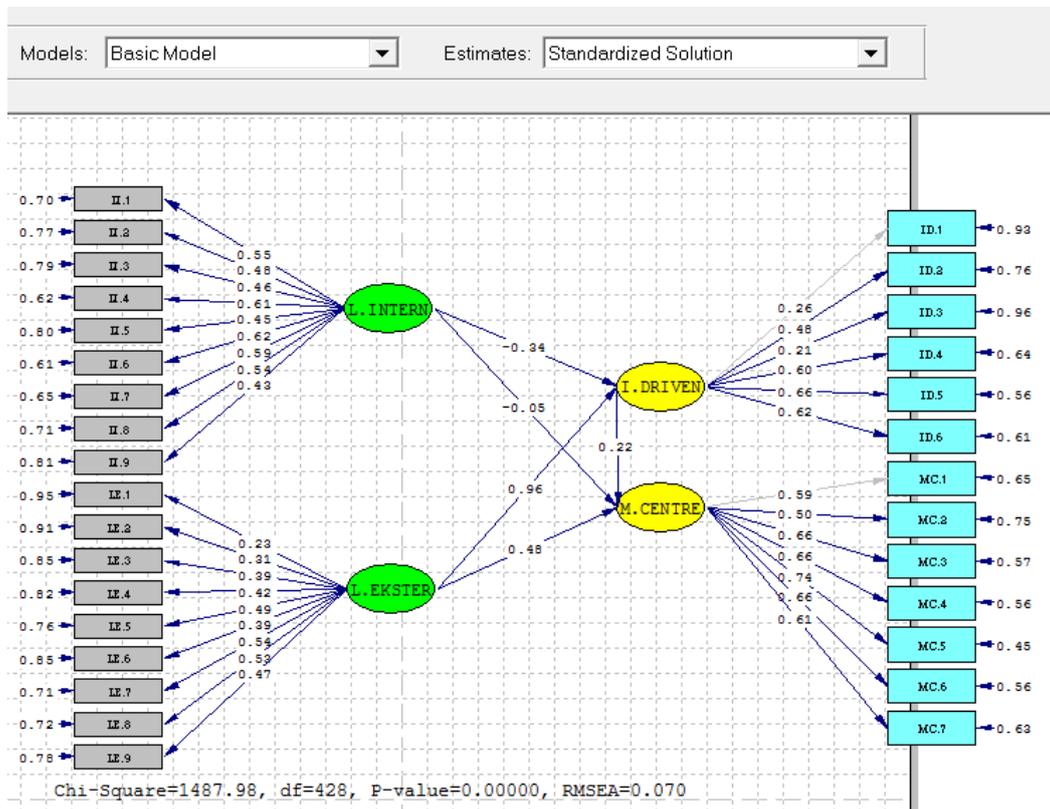


Figure 3. Structural Equation Modeling (SEM) Phase I Development Model-based marketing traditional regional products to enter the market driven innovation centralized (market center)

Internal factors adversely affect the Driven Innovation, the path coefficient -0.24. Internal factors also impact negatively on the Market Centre, with a coefficient of -0.05 path. While Innovation Driven positive effect on Market Centre, with the path coefficient of 0.22. External factors affect positively towards Driven Innovation, the path coefficient of 0.96. External factors also impact positively on the Market Centre, with the path coefficient of 0.48

Internal factors did not significantly influence Driven Innovation, the path coefficient -2.26. Internal factors are not significant to Market Centre, with a coefficient of -0.52 path. While Driven Innovation too insignificant to Market Centre, with the path coefficient of 1.42. External factors significantly influence Driven Innovation, the path coefficient of 4.84. External factors are also significant to the Market Centre, with the path coefficient of 2.54.

One of the biggest obstacles to starting and running a business is the fear of the inability to control the market. Though creative ideas are supported by the availability of resources could be one of support for businesses to dominate the market.

Application innovation can produce a product that has a higher competitiveness, such as improving product quality, product design improvement, or improvement of production efficiency. One of the real effect of the application of innovation in the production system is the improvement of production efficiency, which means that a traditional product can be produced with lower cost, so the lower the selling price of products. Through the application of innovation, a product can be made diverse and unique so as to create a new trend in the international market preferences. Adoption of innovations without regard to customer needs the product will fail when marketed.

### 4. Findings

Description of respondent profiles that include gender, age, education, past, old business, the location of sales, products sold, turnover, spacious place of business, the number of places of business, market reach and product origin. The number of respondents that used for the processing of the data in this study as many as 500 people.

According to the table of descriptive statistics, the average value of the respondents to the question item construct marketing strategies in top median theoretical range, so it can be concluded that in general the respondents have a marketing strategy that is high. The average value of respondents to the question item construct human resource development above the median value of the theoretical range, so it can be concluded that in general the respondents have human resource development is high.

The average value of respondents to the item in question operational management construct theoretical range above the median value, so it can be concluded that in general the respondents have human resource development is high. The average value of the respondents to the question items driven innovation construct a theoretical range above the median value, so it can be concluded that in general the respondents have driven innovation is high. The average value of respondents to the item in question market center construct theoretical range above the median value, so it can be concluded that in general the respondents have a high center market.

Structural model in the picture above is used as the basis for testing the effect of variable marketing strategy (SP), the development of human resources (HR), operational management (MO), the innovation driven (ID), affecting the market center (MC).

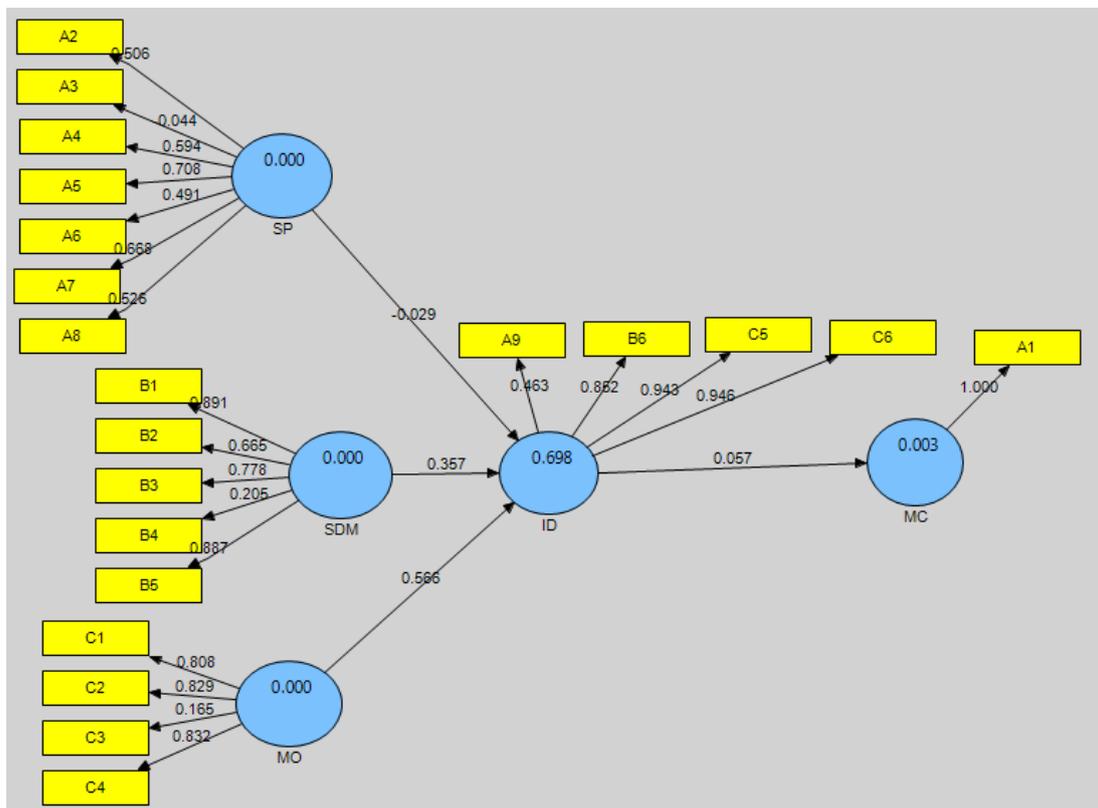


Figure 4. Flowchart of Outer Loading Assessment

Variable marketing strategy has seven indicators. On indicators A3 and A6 have the value of the indicator below 0.5 so it does not meet the requirements of validity. However, this indicator is maintained because according to the researchers this indicator is an important indicator in measuring variable marketing strategy.

Variable human resource development has five indicators. At B4 indicator has indicator values below 0.5 so it does not meet the requirements of validity. However, this indicator will be retained because, according to the researchers, this indicator is an important indicator to measure the variables of human resource development.

Variable operational management has four indicators. In indicator indicator C3 has a value below 0.5 so it does

not meet the requirements of validity. However, this indicator will be retained because, according to the researchers, this indicator is an important indicator in measuring the operational management variables.

Variable driven innovation has 4 indicators. In indicator A9 has the indicator value is below 0.5 so it does not meet the requirements of validity. However, this indicator will be retained because, according to the researchers, this indicator is an important indicator in measuring variables driven innovation.

Variable center market has one indicator consisting of A1. This variable has one indicator that has the indicator value of 1.0 which means that this indicator is only one variable gauge market center. Assessing the effectiveness of the variables is shown in the following picture.

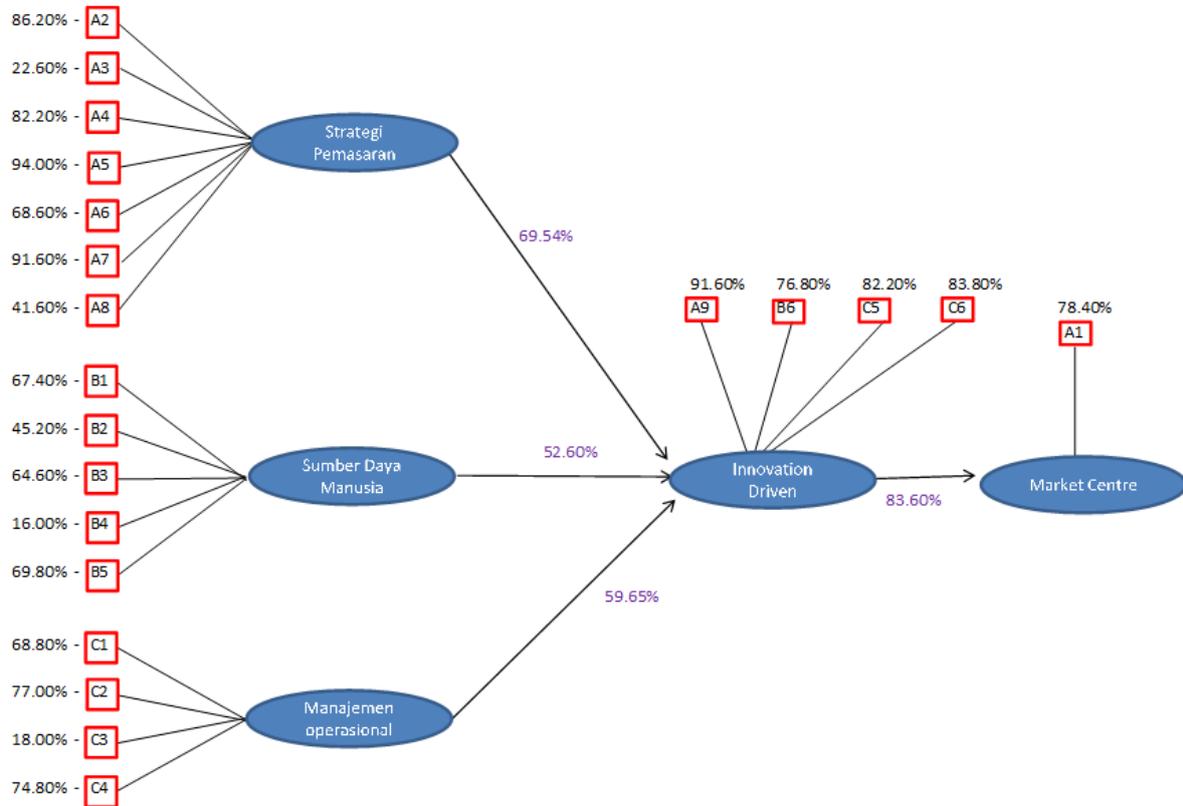


Figure 5. Variables Effectiveness

Variable marketing strategy has seven indicators. Values are very ineffective contained in indicators A3; in the amount of 22.60% for this indicator is a question of "international standards". Respondents of this research mostly have a range of local market compared to international markets shown in table profile of respondents. This causes the average standard variable rate of effectiveness of marketing becomes low, amounting to 69.54% of the innovation driven.

Variable human resource development has five indicators. All the indicators have a value below 70% effectiveness. This is due to SMEs prefer training in accordance with the conditions of the field, regardless of a standard or help others. Last Education respondents are mostly found in high school that looked at the table so that the profile of respondents lack of awareness to improve the development of human resources through training that have certain standards. In addition to these things, many SMEs in this study have branches less than 2 business

premises, therefore it needs more human resource development. The value is not very effective because there is the indicator B4 related to "international standards" as described in the variable marketing strategy. This led to further decline in the effectiveness of human resource development variable that is equal to 52.6% of the innovation driven.

Variable operational management has four indicators. The values are not very effective on the indicator C3, which amounted to 18% for relevant "international standards" as the variable marketing strategy and human resource development. This causes the average level of the variable effectiveness of operational management becomes low, amounting to 59.65% of the innovation driven.

Variable driven innovation has 4 indicators. On all indicators have a high effectiveness value (over 70%). This led innovation driven high level of effectiveness, ie 83.6% of the market center. Respondents in this study can

be considered to have driven innovation to market centers to be more effective, which amounted to 78.4%.

Based on these discussions, the variable has a much lower level of effectiveness due to "international standards" where many SMEs in this study had a range of local rather than international markets. With a range of local markets, international standards are not yet much needed on SMEs in this study.

## 5. Conclusion

Respondents have driven innovation is high. The average value of the respondents to the question items constructs center above market median value range. Theoretically, this means that in general respondents have a high interest in order to market their center. Respondents do not feel the need to enter the international market reach, so that the international standards they have not done.

The Government has a continuous program for human resource development of SMEs sector. Innovation driven is needed to create a competitive and comparative advantage with huge potential to be used as a trigger to increase competitiveness. Respondents have driven innovation is high. The government should support and build a market center to facilitate interaction between the seller and the buyer. SMEs had to be oriented to the international market, so that the resulting product must be of international standard. What more especially the city of

Palembang in South Sumatra is often implemented even international (implementation of the ASEAN Games). The government should be a mediator in the case of financing / capital between SMEs, banks and outside investors. The resulting product also has a market that can increase sales productivity.

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