

Introducing Iconic Value Co-Creation to Indonesian Small Businesses

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Abstract— This research examines whether marketing innovativeness (MI) and market responsiveness capability (MRC) to enhance marketing performance (MP) and tries solve the problems of research gap between marketing innovativeness and marketing performance. The SME's handy craft industries in East Borneo, Indonesia used as a sample. The Total data that can be further analysed as much as 207 respondents. Data analysing using Structural Equation Modelling. The result showed that (1) small companies in these market segments based region-centric is likely have better marketing performance when they have the iconic value co-creation (2) the marketing innovativeness and market responsiveness have significant effect on iconic co-creation (3) iconic value co-creation is definitely a mediator in the correlation of marketing innovativeness and market responsiveness

Keywords— Marketing innovativeness, iconic value co-creation, market responsiveness capability, marketing performance.

I. INTRODUCTION

Indonesia is an archipelagic country, each region has its own characteristics about souvenirs, especially handy craft as a typical souvenir area. In East Borneo, many handy crafts are characteristic of Borneo such as beaded crafts, sarong Samarinda, ulap doyo and embroidered tumpar, seraung hat etc, the Kutai and Dayak symbolic culture which has the same design and a value co-creation product as a regional identity. So they need marketing innovativeness to enhance their sales performance, with marketing innovativeness is the activity involved in the implementation of three core business processes, i.e. the management of product development, supply chain, and customer relationship [27], [8]. This study focuses on the role of adaptive capability (responsiveness to customers and competitors) and innovative capabilities in gaining value co-creation and improving marketing performance in handy crafts based market segmentation.

Marketing innovativeness is an important trigger for increased marketing performance, in the form of

full support to research activities and market development, technology leadership and innovation. Some studies have found that marketing innovativeness plays a significant role in improving marketing performance, while several other researchers found the opposite. The multiplication of product lines, as well as creativity in product strategy, pricing, distribution channels and promotion as marketing innovativeness enhance marketing performance [5], [16]. Changes in marketing strategy represent fundamental elements of all strategies for achieving market success [20].

Nevertheless, some studies have found that MI is insignificant predictor of improved MP. For example, marketing innovativeness is not an important driver of marketing performance improvement [2], technical innovation orientation shows negative and insignificant effect on marketing performance [10], product innovativeness is not a determinant of new product marketing performance [9], [15] and an increase in the innovation market does not have a positive impact on the performance of the company [24]. Considering in isolation MI is negatively related to new performance [3].

For that matter, some studies have suggested that in order to produce better marketing performance, MI should result in value co-creation. Innovation is essential for the firms' survival. Innovation enables companies to update their products with the attributes that ultimately meet the needs of customers more than those of the existing products [22]. Co-creation acts as a problem-solving element for the firms to survive. In particular, cooperation through co-creation will facilitate access to new resources, intangible capabilities, innovation, and a greater adaptation to enormously dynamic environments. Value creation is a concept to create superior performance for customers [22]. Reference

[23] has found that innovation is an instrument for the creation of value. The market responsiveness approach is often used to predict the marketing performance of small businesses. Based on customer surveys, some research findings have shown that a cultural orientation responsive to the market (customers and competitors) plays a major role in improving the company's performance [7].

However, although this is a very topical subject, there has been a lack of research in the field of industrial marketing on procedures and methods for establishing effective processes of co-creation to encourage innovation in the development of solutions and to promote market responsiveness. To cope with this research gap, the objective of this study is to develop a conceptual model comprising a strategic bridge between marketing innovativeness, market responsiveness and marketing performance. To develop our conceptual model, we proposed a concept of iconic co-creation as a strategic bridge for a marketing innovativeness effort for maintaining and increasing marketing performance.

Iconic products, those whose market power derives from its symbolic dimension, have become notorious and durable cultural symbols. These products comprise collective identities, as illustration of social axes as class, gender, race within and beyond national discourse. People use iconic products symbolism to establish and perform basic status and connection [26]. In a country with a multiethnic background, a multi-culture background such as in Indonesia, icon could be developed with a multi-ethnic features coming out from the interaction of those multi-ethnic and multicultural society members. By interacting with those multi-ethnic and multi-culture society, a company has a chance to select and chose certain elements of foreign culture and domestic culture [12].

In order value co-creation, we use Social Exchange Theory and that stems from the Resource-Based View (RBV) [6], as well as the marketing approach called Service-Dominant Logic (S-D L) The combination of these approaches enables us to consider the dual challenge associated with the above question—on the other hand encouraging cooperation and, on the other hand, managing relations to seek mutual benefits. Value

is created collaboratively through by multiple factors through the processes of exchanging and integrating public, private, and market-facing resources, it includes the role taken by customers and other stakeholders (suppliers, distributors, border agents) when drawing up solutions, called co-creation [30]-[32]. Definition of iconic value co-creation is co-creation created iconic product symbolic.

II. METHODS

A. Hypotheses formulation

1. Marketing innovativeness and iconic value co-creation,

Innovativeness is related to the entrepreneur's willingness to support creativity and experimentation in introducing new products or services, novelty, technology leadership and R&D in developing new processes [18]. In the context of marketing, MI arises when entrepreneurs make changes in strategic market planning and its implementation, manage the brand, CRM and NPD, and implement strategies that are typical in the marketing mix [25] explain that the value co-creation always has two sides, which are value creation based on perspectives corporations and customers. Both parties then provide resources in order to create value by integrating the resources of each party through the mechanism of co-design, co-development, or co-distribution.

H1: Marketing innovativeness has a positive effect on Iconic value co-creation.

2. Market Responsiveness Capability and Iconic Value Co-creation,

Reference [29] indicates that market orientation correlates with customers' value and the result is statistically significant. Response capabilities toward competitors allows companies to reconfigure their processes to meet the needs of new markets, take advantage of information processing systems and adopt new products and processes to win the competition [11].

Reference [17] innovativeness orientation have positive effect to value co-creation through product innovation, owners and managers can manage value co-creation by increasing the responsiveness to changing in customer' demand, increasing flexibility to changing customer needs, and deliver

quality product to customers. The value creation occurs when product innovation improved.

H2: *Market responsiveness capability has a positive effect on Iconic value co-creation.*

3. Marketing Innovativeness and Marketing Performance,

Changes in marketing strategy represent fundamental elements of all strategies for achieving market success [20]. Reference [4] states that the innovation of products consisting of uniqueness and newness in Small and Medium Enterprises (SMEs) has a positive and significant impact on the performance of firms. The results indicates that all dimensions of marketing innovation strategy has an effect on consequence in different ways, include that learning orientation, firm entrepreneurship, and R&D innovation strategy has a positive effect on new product development.

H3: *Marketing innovativeness has a positive effect on marketing performance*

4. Iconic Value Co-Creation and marketing performance,

Similar results are also found in the study conducted by [28] shows a positive influence of value creation on firms' sales performance. The results of the study of [1] show a positive and significant effect of the emphasis on value creation strategy on firms' performance. Value co-creation makes the maximum capital increase for the firms. Value co-creation is a coalition of different economic actors for reconfiguration and integration competence to generate shared value. The results of the study [21] shows a positive and significant effect of the emphasis on value creation strategy on firm performance.

H4: *Iconic value co-creation has a positive effect on marketing performance.*

5. Market Responsiveness Capability and Marketing Performance,

The increased of MI in the form of corporate creativity in finding products, pricing strategy, managing distribution and promotion of new products will become a strong incentive to improve marketing performance [5]. Another marketing capability needed to gain a positional advantage and superior marketing performance is adaptive

capability, which is the ability to respond to customers and competitors [33].

H5: *Marketing responsiveness capability has a positive effect on marketing performance*

B. Sample and Data Collection

The role of iconic value co-creation done in SMEs handy craft industries in East Borneo, Indonesia. They regional from Samarinda, Balikpapan and Tenggarong as population. The sampling technique is done by using a purposive sampling technique, the respondents must have been minimally 3 years experienced, because it was considered to have experience in business and know business performance development. The final evaluation of the questionnaire received after being examined whether it was broken or it had outlier data, obtained questionnaires which could be used for data analysis. Data is done by providing direct questionnaire developed the 207 respondent business owners. The data were analysed by using structural equation modelling with AMOS program assistance.

C. Data Analysis

Validation of the data collected is done with the data of 207 questioner collected and data that can be used for further testing. Thus, the analysis of hypothesis testing can be done. The results of hypotheses testing based on hypotheses that have been formulated can be seen in the following figure. Indicator marketing innovativeness openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal [14]. Indicator iconic value co-creation is co-design iconic, co-motive iconic, co-symbol iconic, co-experiment iconic [12]. Indicator market responsiveness ability in fast adjust market product model, ability in fast responding on changes on demand, ability in fast adapt on changes product motive, ability in fast responding customer need [12], [14]. Indicator marketing performance is sales volume growth, sales revenue growth, total customer growth, new area level sales [4].

TABLE I
SCALE AND MEASUREMENT – CONSTRUCT VALIDITY

| Indicator | Standard Loadings | | CR | AVE | DV |
|---|------------------------------|-------------|-------------|-------------|-------------|
| Marketing Innovativeness : <ul style="list-style-type: none"> • Openness of new ideas • Repairing product appearance • Develop business opportunity • Develop product renewal | 0.72 0.76 0.76 0.75 | 0.83 | 0.83 | 0.57 | 0.76 |
| Iconic Value Co-creation : <ul style="list-style-type: none"> • Co-design iconic • Co-motive iconic • Co-symbol iconic • Co-experience iconic | 0.69 0.73 0.68 0.64 | 0.78 | 0.78 | 0.59 | 0.77 |
| Market Responsiveness: <ul style="list-style-type: none"> • Ability in fast adjust market product model • Ability in fast responding on changes on demand • Ability in fast adapt on changes product motive • Ability in fast responding customer need | 0.80 0.77 0.81 0.77 | 0.86 | 0.70 | 0.56 | 0.75 |
| Marketing Performance: <ul style="list-style-type: none"> • Sales volume growth • Sales revenue growth • Total customer growth • New area level for sales | 0.75 0.81 0.80 0.79 | 0.87 | 0.86 | 0.74 | 0.75 |
| $\chi^2 = 106,050$; DF = 220, Probability = 0.272, GFI = 0.941, AGFI = 0.918, TLI = 0.994, CFI = 0.995, RMSEA = 0.20, CMIN/DF = 1.082 | | | | | |

III. RESULTS

High construct reliability shows internal consistency, which means that indicators consistently represent the same latent construct [13].

The estimation of Coefficient Cronbach's Alpha (), Composite Reliability (CR), Average Variance Extracted (AVE) and discriminant validity to construct reliability assessment. Statistical results for all database with a value of alpha and the value of the composite reliability (CR) must be above 0.7 (see Table II). Value of Average Variance Extracted (AVE) is recommended to be above 0.5. And Discriminant Validity must be above 0.7 Table II shows the measurement scales, confirmatory factor analysis and reliability.

The statistical results shows that the marketing innovativeness and market responsiveness have positive and significant impact to the iconic value co-creation, as well as marketing innovativeness and market responsiveness have positive and significant impact on marketing performance. All variables showed that each instruments had good validity in determining the used research. Statistical results are presented in Table II below:

TABLE II
REGRESSION WEIGHT

| | Estimate | S.E. | C.R. | P | Label |
|---|----------|-------|-------|-------|-------------|
| Marketing Innovativeness → Iconic Value Co-creation | 0.371 | 0.084 | 4.438 | *** | Significant |
| Market Responsiveness Capability → Iconic Value Co-creation | 0.387 | 0.086 | 4.588 | *** | Significant |
| Iconic Value Co-creation → Marketing Performance | 0.573 | 0.154 | 3.723 | *** | Significant |
| Marketing Innovativeness → Marketing Performance | 0.250 | 0.103 | 2.415 | 0.016 | Significant |
| Market Responsiveness Capability → Marketing Performance | 0.272 | 0.107 | 2.253 | 0.011 | Significant |

Measurement model was using AMOS 20 by applying the maximum likelihood (ML) procedural. The statistical results with a model that is fit Chi-square = 106.050, probability = 0.272, CMIN / DF = 1.082 GFI = 0.941, AGFI = 0.918, TLI = 0.994, CFI = 0.995, RMSEA = 0.20.

Multi-items analyzed by estimated factor loading, Cronbach alphas, Composite Reliabilities (CR) and Average Variances Extracted (AVE). All results are positive and significant factor loading ($p < .05$) Cronbach alphas of .0.78 to .0.87, Composite Reliabilities (CR) range of .90 all values above 0.7. Lastly, AVE all cases above 0.5. And all the indicators and construct reliability on the results support of this study.

IV. DISCUSSION

This study found an interesting complementary effect between marketing innovativeness, market response capability on iconic value co-creation and marketing performance of small business. Specifically, this finding contributed significantly to extend the theory of RBV on the effect of complementary capability like what [20] have envisioned, a view that the ability of a business to develop and spread several internal capabilities (especially innovation capability and market response capability) are significant for sustainable growth.

The results of this study confirm the argument that marketing innovativeness are a consequence of the pursuit of performance and prove that marketing innovativeness which is indicated by level of openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal [14] could improve marketing performance. Further marketing innovativeness also have significant positive effect on iconic value co-creation, which has the meaning that the higher the firms in SMEs industries improve their marketing innovativeness, the value co-creation will increase.

Our contribution is in specifying key components of marketing innovativeness building value iconic co-creation that a firm and its managers must strategically develop and adopt to carry out its primary pursuit (iconic value creation). The components of the value offering that we offer are valid conceptualization and measures specifying

where a firm is headed in its efforts to strategically develop that iconic value co-creation is co-design iconic, co-motive iconic, co-symbol iconic, co-experience iconic [12].

This finding provide strong support for the importance of market response capability and iconic value co-creation in improving marketing performance evidenced a significant positive effect of on market response capability on marketing performance. On the other hand the results of this study confirm the importance of iconic value co-creation as an important aspect of and marketing performance, which proved the positive effect of market responsiveness on iconic value co-creation, and the positive effect of iconic value co-creation to marketing performance.

The results of this study provide two possible alternative to be done by the owners of small and medium enterprises in the SMEs handy craft industries in Indonesia is the first, managing marketing innovativeness by openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal. With increasing marketing innovativeness can increase the marketing performance. The second alternative is using the iconic value co-creation approach with customers to achieve high marketing performance. Owners can manage iconic value co-creation by increasing the market responsiveness to ability in fast adjust market product model, ability in fast responding on changes on demand, ability in fast adapt on changes product motive, ability in fast responding customer need. The iconic value creation occurs when marketing innovativeness and market responsiveness improved.

V. CONCLUSION

This paper has the end goal of describing the effect of marketing innovativeness that prosper the process of iconic value co-creation within the context of SME's. The research done contributes and delivers new evidence to the literature concerning iconic co-creation and marketing innovativeness. The importance of finding and selecting the right key partners and developing partnerships for the longer term has been proven in this research within the context of SME's. This study increases the understanding of which

innovativeness tools can be used to facilitate the process of iconic value co-creation.

Results of this research indicate the important role of the iconic value co-creation in bridging the gap between the marketing innovativeness and marketing performance. Even though there was researches result claimed that there is contradiction between marketing innovativeness and marketing performance by [15], [34], [24] results of this contradiction is concluded with clear statement that iconic value co-creation are able to mediate the gap between marketing innovativeness and marketing performance.

To win the global business competition East Borneo SMEs handy craft industries must be able to innovate in order to improve marketing performance. SMEs handy craft should be able to continue iconic value co-creation to survive. Surely, it is better when handy craft SMEs are also able to make their own branch label to simplify consumers in identifying products of handy craft SMEs in the market. Finally, this research gives focus on the handy craft SMEs industries in Indonesia, to develop new strategy of Indonesian SMEs handy craft marketing in the future. Hopefully, the next research about advantage of iconic value co-creation will be applied to other industries such as the handy craft industries to perfection patterns against other products with new design, new motive and new symbolic for preserving the local culture.

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