

Iconic Product Innovation Model to Improve Sengkang's Silk Marketing Performance

Abdul Rahman Kadir¹, Muhammad Sabranjamil Alhaqqi², Daniella Cynthia Sampepajung³,
Andi Nur Bau Massepe⁴
{rahmankadir90@yahoo.com¹, sabranjamilalhaqqi@gmail.com², ellasampepajung@yahoo.com³,
massepe@gmail.com⁴}

Faculty of Economics and Business, Hasanuddin University^{1,2,3,4}

Abstract. One of the prominent sectors of SMEs in Indonesia is woven fabric sector particularly Sengkang's Silk producer in Wajo Regency, South Sulawesi. Sengkang's Silk has positioned itself as an iconic product that may serves as tourist attraction within the region. However, innovation in this sector is limited particularly in Sengkang's Silk. However, such advantage may not be sustainable in the long run. Our study analyses 219 questionnaire responds from Sengkang's Silk SMEs and analyze whether innovation combined with iconic product advantage can improve their marketing performance. Our result indicated that iconic product innovation affects marketing performance positively and significantly. Furthermore, our study found that organizational innovativeness variables can affect the development of iconic product innovation. Our study suggests that, Sengkang's Silk SMEs should focus on developing their organizational innovativeness through product innovativeness, market innovativeness, process innovativeness, behavior innovativeness and strategic innovativeness to improve their iconic product innovation strategy.

Keywords: Iconic Product Innovation, Organizational Innovativeness, Marketing Performance, Sengkang's Silk

1 Introduction

Small Medium Enterprises (SMEs) contribution towards economic development is paramount [1]. However, SMEs faces various difficulties and challenges in operating. Several difficulties particularly in marketing challenges include, lack of resources, inadequate marketing trainings, and poor employee skills [2]. To solve such challenges, SMEs are required to adapt and react effectively within their respective constraints because if SMEs are succumbing towards market challenges and internal challenges, SMEs may not develop successfully.

Wide opportunities also lie within the intense pressure and challenges in the market. Opportunities can be appeared in terms of product and market opportunity. The former may be approached by SMEs with product-led innovation and the latter with market-led innovation. Both opportunities have arguably a similar view to approach which is trough innovation. Organizational innovation particularly in businesses refers toward companies' capability to improve and produce products or services in a unique way through new technological process, new market identification or new product advancement

Sengkang's Silk is one of the primary business sectors in the Wajo Regency, South Sulawesi, Indonesia. There are approximately 6,000 SMEs producing Sengkang's Silk in the regency. Sengkang's

silk can be categorized as traditional woven fabric businesses that is still operated with a limited technological tool and typically owned and passed down from generation to generation. Sengkang's silk products is also serves as a tourist attraction in Wajo and typically bought as souvenirs by tourists. Despite having wide popularity within the region, Sengkang's silk faces stagnation in terms of product and market innovation. Compared towards nationally popular 'Batik' fabric, Sengkang's silk may not have such similar popularity in national and even international level. Some of the possible conditions that may cause such stagnation is low usage of technological innovation and limited marketing campaign.

This study aims to understand the opportunity and potential strategies gap that may be utilized by Sengkang's silk SMEs to improve their marketing performance. This study combines several variables of organizational innovations and analyses them towards iconic product innovation to maximize the iconic status of Sengkang's silk.

This paper is organized as follows: this study starts with literature review and theoretical framework to identify required skills and capabilities to drive organizational innovations. This study then reviews the literature in the context towards iconic product innovation and marketing performance. The study then proposes and tests various hypotheses and discuss the research findings. This study is closed with conclusions and future research direction.

2 Theoretical Background

In this study we define organizational innovativeness as the capability of organizations to use and generate innovation through their resources. This is consistent with RBT framework, which states that firms may outcompete their competitors because of their differences of leveraging their resources in improving their product and services. We use Wang's [3] variables in organizational innovativeness construct which are product innovativeness, market innovativeness, process innovativeness, behavior innovativeness, strategic innovativeness.

2.1 Product Innovativeness

Product Innovativeness can be view in two perspectives either from customer or firm perspective. Customer views product innovativeness in their product attributes, risk associated in using the product and required behavioral change in adopting the product. Specifically for the product attributes, customer value innovativeness whether the product has relative Innovation, compatibility, complexity, observability and trialability [4]. Product innovativeness is paramount in determining a new product success [5] and business performances [6]. Furthermore, able to understand customer's point of view towards product innovativeness can be beneficial for firms it can helps firms to have a focused product development process on necessary features required by market [7].

From a firm perspective, firms view product innovativeness in two dimensions in terms of technological disruption and market disruption [4]. Technological disruption refers to using new technology domain that involve with implementing a new process and development in a firm. Market disruption refers to or entering a new market or segments that previously not entered by a firm. However, market disruption should be supported with market sensing capability. Market sensing capability itself refers toward the ability to understand the market trends and various aspects of the market. Market sensing ability can improve product innovativeness because it allows greater acceptance on product innovation to the market [8].

2.2 Market Innovativeness

Market innovativeness refers toward the uniqueness approach of the product that introduce to the market [3]. Market innovativeness construct also has been used widely by researchers in combination with product innovativeness. However, there is slight difference toward product innovativeness and market innovativeness in their focus approach. The former focuses on improving the new features of product and the latter focuses toward addressing new market opportunity [9]. Furthermore, market innovativeness focuses on exploiting new area to target either introducing new products or new marketing activities [3].

2.3 Process Innovativeness

Process Innovativeness refers towards approach and process used by firms to improve their products in a unique way either through product innovativeness or to the market. Process innovativeness is crucial and aligned with RBT where it is imperative that firms must have certain capability in leveraging their resources to meet creative and innovative production [3]. Process innovativeness itself can be viewed as a pre-requisite capabilities and activities to the end development of products and improved business performance [10].

2.4 Behavioral Innovativeness

Behavioral innovativeness can be viewed through individuals or teams in a firm. Behavioral innovativeness also can be viewed in adoption or non-adoption of innovation and the time of adoption [11]. As firms are group of individuals who work together to achieve certain goals, collective innovativeness may be more justifiable to be used in this research. Behavioral innovativeness refers to the collective behavior towards facing and nurturing innovation culture and new ideas [3]. Lack of behavioral innovativeness in organizations may be shown as poor culture of innovation which are not favorable for the growth of innovation in firms. Innovation also can only be nurtured in a strong organizational learning that fosters learning process from the customer and internally and able to integrate various knowledge to develop innovation [12] [13].

2.5 Strategic Innovativeness

Strategic innovativeness refers to the capability of identifying opportunities and organizing internal strengths to take the opportunities through innovations and creativity. Strategic innovativeness can be seen as the organization's capability to act and organization through behavioral and process innovativeness to capture the opportunities through product or market innovativeness [14] [3].

It can be seen that these innovations variables are linked together as an organizational innovativeness construct that may serve as the pre-requisite capabilities for firms in order to be able to create an iconic product innovation that can improve their marketing performance.

2.6 Iconic Product Innovation - Marketing Performance

Iconic Product Innovation refers to the capability of firms to create an innovation through differentiation and creativity by leveraging its iconic product advantage [15] [16]. Iconic product advantages sometimes associated by products that are strongly associated with local culture and region and typically seen as tourist souvenirs or local souvenirs. Leveraging iconic product advantage can potentially improve marketing performance [15]. However, iconic product advantage may not be

sustainable for firms if the products itself are not innovative enough and developed continuously. Iconic product may be combined with innovation to maximize potential advantages that iconic product possesses previously. Furthermore, Iconic product Innovation arguably can be developed or organized by firms only if they have a strong organizational innovation and ability to see future changes in market. Thus, Iconic product innovation can be view as part of differentiation strategy which requires proactiveness and innovation to support. Strong innovation and proactiveness in anticipating future market are necessary in order to outcompete competitors because proactive and innovative firms are able to adapt towards market changes and leveraging the first-mover advantages [17].

The relationship that this study tries to justify is through organizational innovativeness, firms may posses a strong competitive Innovation that can promote iconic product Innovation. Iconic product Innovation may improve firms marketing performance through strong branding, positioning, differentiation strategy and popularity in the market [18]. Through innovation, firms also may improve their customer lifetime value which eventually affects sales and marketing performance [19] [20].

Based on that, our hypotheses suggested by the literature are as follows:

H1: Product Innovativeness has a positive impact on iconic Iconic Product Innovation

H2: Market Innovativeness has a positive impact on iconic Iconic Product Innovation

H3: Process Innovativeness has a positive impact on iconic Iconic Product Innovation

H4: Behavior Innovativeness has a positive impact on iconic Iconic Product Innovation

H5: Strategic Innovativeness has a positive impact on iconic Iconic Product Innovation

H6: Product Innovativeness, Market Innovativeness, Process Innovativeness, Behavior Innovativeness, Strategi Innovativeness, trough Iconic Product Innovation has a positive impact on Marketing Performance

H7: Product Innovativeness has a positive impact on Marketing Performance

H8: Market Innovativeness has a positive impact on Marketing Performance

H9: Process Innovativeness has a positive impact on Marketing Performance

H10: Behavior Innovativeness has a positive impact on Marketing Performance

H11: Strategic Innovativeness has a positive impact on Marketing Performance

Based on our literature review and hypotheses developed in the study, we proposed an empirical research model as presented in Fig. 1:

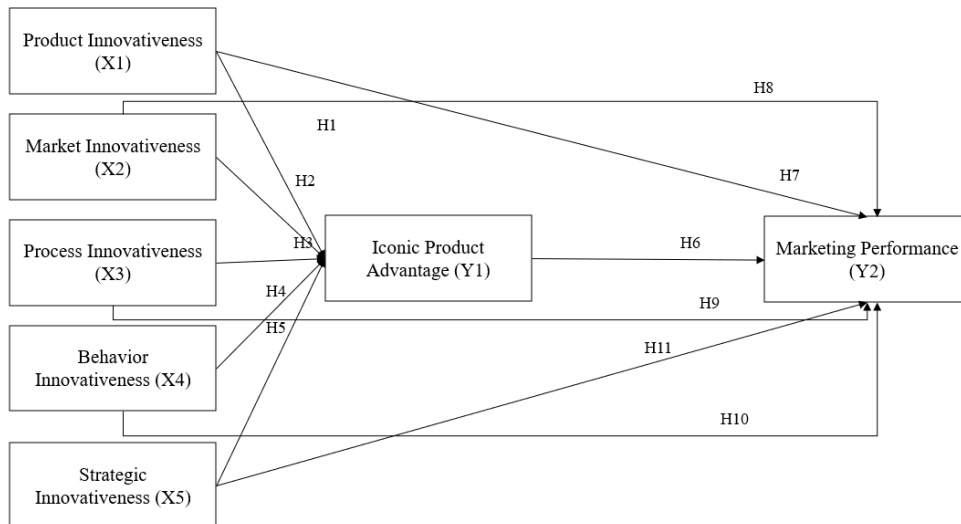


Fig. 1. Conceptual Framework

3 Research Methodology

A questionnaire was distributed to 250 (=n) Sengkang’s Silk SMEs in the Wajo Regency, South Sulawesi, Indonesia. All the firms were registered as SME’s that produces Sengkang’s Silk in Wajo Regency. We received 219 answers, a response rate of 87.6% from total sample. The research design used in this research is empirical research and the questionnaire were analyzed with Path Analysis using SPSS. Path analysis itself is a form of multiple regression to describe dependencies among set of independent and dependent variables.

4 Results and Analysis

4.1 Path Analysis

This research conducted two regression analysis to analyse two path structural equations. Regression 1 were conducted to analyse the effect of X1, X2, X3, X4, X5 towards Y1. result of path analysis for the Product Innovativeness, Market Innovativeness, Process Innovativeness, Behavior Innovativeness and Strategic Innovativeness are can be seen in Table 1:

Table 1. Regression Model 1.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.995	1.879		-2.658	.008
	Product Innovativeness	.164	.064	.145	2.545	.012
	Market Innovativeness	.164	.057	.148	2.907	.004
	Process Innovativeness	.371	.061	.338	6.094	.000
	Behavior Innovativeness	.400	.101	.222	3.974	.000
	Strategic Innovativeness	.237	.088	.154	2.682	.008

a. Dependent Variable: Iconic Product Innovation

The result of coefficient determinant for regression 1 can be seen in Table 2:

Table 2. Coefficient Determinant Regression 1.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813 ^a	.662	.654	.89849

a. Predictors: (Constant), Strategic Innovativeness, Market Innovativeness, Process Innovativeness, Behavior Innovativeness, Product Innovativeness

Based on the result table above, we use the following formula to calculate the path coefficient:

$$e1 = \sqrt{1 - R^2} = \sqrt{1 - 0.662} = 0.5813$$

The second regression was conducted to determine the effect of X1, X2, X3, X4, X5 and Y1 towards Y2. X1, X2, X3, X4, X5 and Y1 represent Product Innovativeness, Market Innovativeness, Process Innovativeness, Behavior Innovativeness, Strategic Innovativeness, and Iconic Product Innovation, respectively.

The result of the second regression can be seen in Table 3:

Table 3. Regression Model 2.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.623	1.820		-2.540	.012
	Product Innovativeness	.171	.062	.151	2.746	.007
	Market Innovativeness	.127	.055	.114	2.309	.022
	Process Innovativeness	.189	.063	.172	3.013	.003
	Behavior Innovativeness	.367	.100	.204	3.690	.000
	Strategic Innovativeness	.231	.086	.150	2.699	.008
	Iconic Product Innovation	.229	.065	.229	3.504	.001

a. Dependent Variable: Marketing Performance

The result of coefficient determination for regression 2 can be seen in Table 4:

Table 4. Coefficient Determinant Regression 2.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833 ^a	.694	.685	.85617

a. Predictors: (constant), iconic product innovation, market innovativeness, product innovativeness, behavior innovativeness, strategic innovativeness, process innovativeness

From the coefficient determination in the regression 2, we can determine the path coefficient as follows:

$$e2 = \sqrt{1 - R^2} = \sqrt{1 - 0.694} = 0.5531$$

Based on the findings above, our research determined the direct and indirect influence as illustrated below (Table 5):

Table 5. Summary of Findings.

Variable	Path Coefficient	Direct Influence	Indirect Influence	Total
X1 → Y1		.145		
X2 → Y1		.148		
X3 → Y1		.338		
X4 → Y1		.222		
X5 → Y1		.154		
Y1 → Y2		.229		
X1 → Y2		.151	.145 x .229 = 0.033205	0.184205
X2 → Y2		.114	.148 x .229 = 0.033892	0.181892
X3 → Y2		.172	.338 x .229 = 0.077402	0.249402
X4 → Y2		.204	.222 x .229 = 0.050838	0.254838
X5 → Y2		.150	.154 x .229 = 0.035266	0.185266
E1	0.5813			
E2	0.5531			

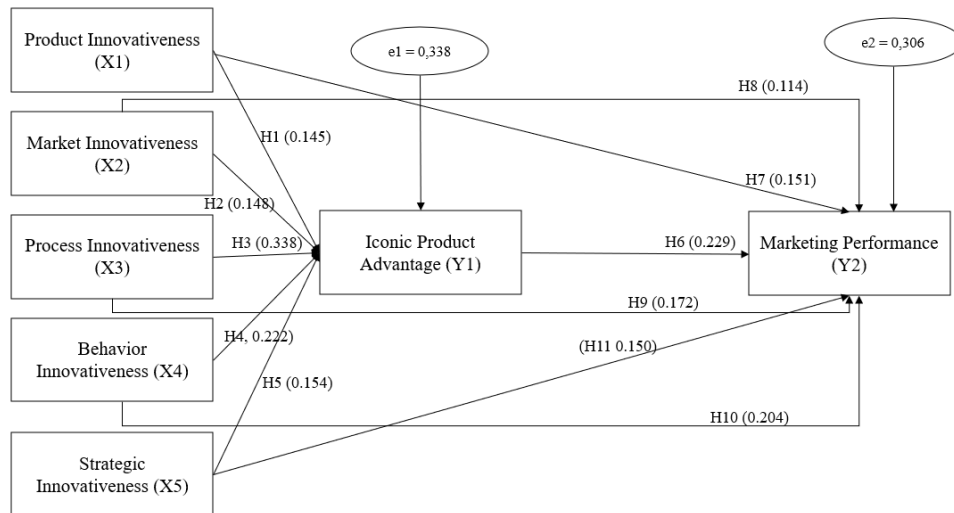


Fig. 2. Research Findings

4.2 Hypotheses test

Hypotheses test were conducted after the data analysis using significance of 0.05. The significance level 0.05 refers to the 95% of confidence level of the results of hypotheses is statistically significantly. There were eleven hypotheses tested in this research illustrated in Table 6.

Table 6. Hypotheses Test.

Hypotheses	Description	Sig.	Conclusion
H1	Product Innovativeness to Iconic Product Innovation	.012	Accepted
H2	Market Innovativeness to Iconic Product Innovation	.004	Accepted
H3	Process Innovativeness to Iconic Product Innovation	.000	Accepted
H4	Behavior Innovativeness to Iconic Product Innovation	.000	Accepted
H5	Strategic Innovativeness to Iconic Product Innovation	.008	Accepted
H6	Iconic Product Innovation to Marketing Performance	.001	Accepted
H7	Product Innovativeness to Marketing Performance	.007	Accepted
H8	Market Innovativeness to Marketing Performance	.022	Accepted
H9	Process Innovativeness to Iconic Product Innovation	.003	Accepted
H10	Behavior Innovativeness to Marketing Performance	.000	Accepted
H11	Strategic Innovativeness to Marketing Performance	.008	Accepted

5 Discussions

The objective of the study was to improve our understanding on the effect of Organizational Innovativeness towards Iconic Product Innovation and Marketing Performance of Sengkang's Silk

SMEs. The effect of Organizational Innovativeness variables toward Iconic Product Innovation is 66.2%. The effect of Organizational Innovativeness variables and Iconic Product Innovation towards Marketing Performance is 69.4%. This finding illustrates that 66.2% and 69.4 of data fit the respective regression models.

Product Innovativeness has a positive and significant effects towards the Iconic Product Innovation. This is supported by the findings of h_1 with 0.012 or below the 0.05 significance level. Market Innovativeness has a positive and significant effects towards the Iconic Product Innovation. This finding is supported with the regression finding of 0.004 which means below the 0.05 significance level. This finding also consistent with other study that found proactive firms is suitable with differentiation strategy and new market development [17]. Furthermore, Process Innovativeness also has a positive and significant effects to the Iconic Product Innovation. This is shown with the finding 0.000 which means below the 0.05 significance level. Behavior Innovativeness has a positive and significant effects towards the Iconic Product Innovation. This is shown as the 0.000 significance which means it is under the 0.05 significance level. This finding is consistent with other finding that organizations should have effective learning process and be able to nurture innovative culture because these may improve firms' innovation capability [12]. Lastly, Strategic Innovativeness has a positive and significant effects towards the Iconic Product Innovation which resulted with 0.008 significance level or below the 0.05 significance level. These findings support our logical reasoning from the literature through set of hypotheses mentioned above

Furthermore, Iconic Product Innovation has a positive and significant effects towards the marketing performance of Sengkang's Silk SMEs. This result indicates that Sengkang's Silk SMEs may utilize and leverage Iconic Product Innovation strategy to improve their performance. In terms of direct and indirect influence, Product, Market, Process, Behavior, Strategic Innovativeness have positive effects directly and indirectly towards Marketing Performance. Sengkang's Silk SMEs may focus on building capacities in these aspects of innovativeness to strengthen their performance in the market.

6 Conclusion and Implication

This study suggests that managers or SMEs should enhance their innovativeness to leverage the Iconic Product Innovation strategy. Managers can focus on five dimensions of organizational innovativeness that has been supported in this research. SMEs can focus on improve their products through technical skills, innovation in productions and using new tools. In addition to that, SMEs should also keep analyzing any unserved needs in the market that is not easily find but can be leveraged to improve sales. To produce such innovations either through product-led or market-led innovations, SMEs may focus on developing the appropriate process and culture that can promote innovativeness in an organization. This may include, trainings, research, and development activities, customers feedback, and employee empowerment. Implementing such strategies should also be conducted strategically with a clear goal and planning. Based on the findings in this study, implementing these suggestions may help SMEs to leverage an iconic product status through innovation and development.

7 Further Research Direction

This study manifested some limitations that direct towards future study. Although using empirical data and primary data, this study focusing on specific sector only which is a targeted Silk's production sector. This explains that the findings in this study can only be generalized in the targeted sector only

because different industries and sectors may possess different characteristics and trends. The targeted sector chosen as the object in this study is the primary business sector in the region and possess a strong local branding with the region, hence the responds related towards iconic product innovation variable answers maybe biased due to prevalence of being iconic sectors within the region. Multiple location analysis within related sectors may be suggested to reduce potential biased in the responds.

Further research direction may include the market condition and environment that can affect the urgency to adopt innovation. Certain market condition may push entrepreneurs to innovate such as market competition, market turbulence and disruptive technology. These variables may discuss and combined with the findings in this research to help more understand related the factors that influence innovation capability of SMEs.

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