

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

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Abstract Opening up opportunities for business people to contribute and promote the economy can be seen by the size of the market activity. In addition to the structure of the regional economy, the growth of economy regional will be weak if it is not supported by the strength of the structure of small and medium enterprises. The small and medium enterprises existence is a huge support to the economic structure as an anticipation to avoid Hollow Middle. The competitive advantage of traditional products of local region are not only influenced by the marketing advantages, but it is influenced by the human resources (HR) and operational in shaping the development of local specialty products marketing model based on innovation driven to enter the market center. Based on the findings, it can be concluded that; *First*, internal factors against the Market Driven Innovation Centre yield negative effect. *Secondly*, there is a positive effect on the Innovation Driven Market Centre. *Third*, external factors on Driven Innovation and market centers have a positive effect. *Fourth*, the internal factors of the Innovation Driven and market center were not significant. *Fifth*, external factors on Innovation Driven are significant for market center.

Keywords: *traditional product marketing, innovation driven, market centre*

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1. Introduction

Opening up opportunities for business people to contribute and promote the economy can be seen by the size of the market activity that are in the area, in addition to the regional economic structure becomes weak if not supported by the strength of the structure of small and medium businesses. Pedestal middle and lower layers in the structure of the regional economy that does not happen Hollow Middle (void in the middle) is a medium-sized and large enterprise that are not supported by small and medium enterprises because of the shocks of economic conditions both nationally and internationally.

The increasing establishment of shopping centers in particular modern markets is not expected to leave the advantages of small industrial products and handicrafts in Indonesia, at least not this kind of products still have a place to come and compete in the global market. Improved product quality is necessary to increase the volume of sales of each product is typical of the area [5].

Palembang city seeks to improve the anticipation of rapidly growing trade flows caused by the position of South Sumatra located at the axis of development of newly industrialized countries such as Taiwan, South Korea, Singapore, Malaysia and Thailand. South Sumatra capital Palembang is ready to capture these opportunities

and can provide shopping centers representative. Therefore Palembang which have distinctive products, namely: pempek, crackers kemplang, songket and carved cabinets [15] is expected to make such products exist as a superior product amid rampant products originating from outside the region and even foreign countries.

Progress of Palembang as the Metropolitan City of Palembang should make ready to become one of the objectives of trade for economic actors, both domestic and international. Business capabilities should be improved, especially for business people who come from the city of Palembang, where the majority of whom many are engaged in small industry and handicrafts, besides improving the quality of products and market expansion is very important to note.

Palembang society started its business activities more typical of products using traditional way, it is very different from which a person can become entrepreneurs abroad such as in Germany, Japan, Korea generally someone to be an entrepreneur is prepared in advance by schools in business or entrepreneurship [6]. When the small and medium industry entrepreneurs have been prepared in such a way it can avoid many losses both in terms of time, money, creativity development and market themselves.

During a typical product of Palembang has a market that is not centered, to get songket example, we may encounter region Domestic bungle or region Ramayana, pempek can be found along the main streets in the city of

Palembang, crackers kemplang can be found also along the main streets and in the Seberang Ulu City Palembang, while the carved cabinets can be found in the area around the Grand Mosque of Palembang. Therefore, the location of the market for the products typical Palembang sometimes are in a narrow place, especially for songket and carved cabinets give the impression that the product is not exclusive enough to be regarded as a superior product.

Market Centre (centralized market) need to be established for a typical product of Palembang so pempek, crackers kemplang, songket and cabinets carving can be found in the market, besides that if a typical product is placed centrally in the market to facilitate the public in or outside the region know and consume the product [8]. This will make the typical product Palembang still will not be abandoned despite the entry of various similar products from outside the area

The development of innovation-based marketing model that is driven marketing model that was developed through innovation driven by PT. Sosro rays which can make it easier and profitable for the seller. If the homogeneity of distinctive products in a market can be created, it is easier for people to visit, also still can maintain the quality of the product because from here there will be competition among traders who indirectly quality of distinctive products that can be maintained both for domestic consumers as well as foreign countries, besides the ease to get the typical products can further increase the sales volume for the product seller typical Palembang.

Developing marketing model based innovation driven by analyzing the situation, determine market segmentation, target market and positioning of products as well as designing a marketing strategy, strategic relations and the development of marketing [13] to make it easier to enter the centralized market (market center) which seeks to center the typical regional products on the one hand as well to maintain the existence of economic actors are moving sector of small industries and handicrafts. Do not let the typical products produced by local people lost

drowned defeated by similar products from outside the region, as happened in the Asian products for example tempeh can be produced solely by the European community, such as tempeh far we can get from Cirebon now there tempeh new output coming from Canada. Things like this certainly does not have to occur on a typical product of Palembang.

The purpose of this study is; (1) to analyze the situation of business units distinctive products internally to assess the strengths, weaknesses, hopes and threats, (2) Determining the market segmentation, target market, and the position of typical regional products, (3) Designing a marketing strategy , strategic relationships and the development of marketing programs typical regional products , human resources and operations, (4) Analyze the factors that affect the seller typical regional products entering the centralized market (market center), (5) development of marketing models typical regional products based innovation driven to enter the centralized market.

2. Literature Review

Towards market driven marketing model has been studied and carried out by PT Sinar Sosro to analyze the situation, determine market segmentation, determining the target market and positioning of products [13]. Through analysis of the situation in mind that the products offered by PT Sinar Sosro demand by people, especially in the segment by the company, in addition to the company in the last five years is able to achieve the sales target well. But in these studies has not been designing marketing strategies, relationship strategies and the development of marketing programs specifically to draft a marketing model for entering the centralized market (market center).

Market driven strategy is an implementation of a strategy to obtain information about market strength as the base product excellence and the implementation of strategies to gain competitive strength in marketing [13].

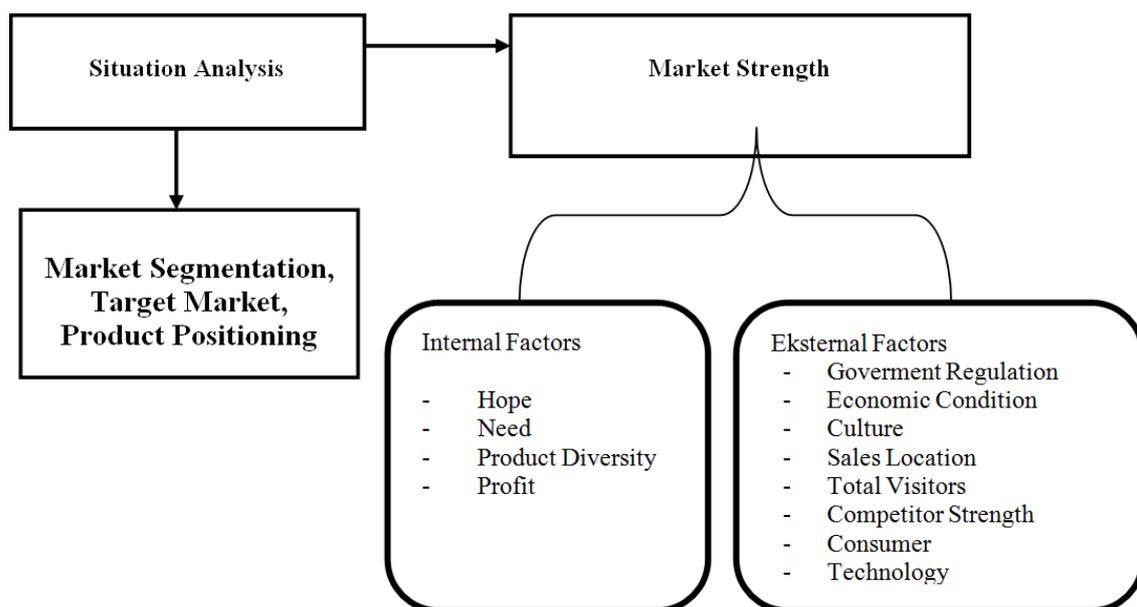


Figure 1. Typical Regional Product Marketing Model (Market driven towards: PT Sinar Sosro Case)

Development of local specialty products marketing model based market driven by adding the design of

marketing strategies, relationship strategies and the development of marketing programs in research. So it can

be tested for validity and effectiveness of the marketing model.

The situation analysis, situation analysis conducted to determine the internal - external environmental conditions affecting the typical products of local businesses, so it can be determined strengths - weaknesses - opportunities - threats for the business unit. Marketing management requires information from the situation analysis to direct the preparation of the design of a new strategy or change an existing strategy [1].

Mechanism acquisition of information in an enterprise located in the Management Information System (MIS), more specifically on the marketing information system (SIP). The devices SIM itself consists of: (a). Diary of internal (Internal Record System) consisting of: file or report related to the marketing, sales information systems, database management (b). Marketing Intelligence System (Marketing Intelligent System), procedures and sources used by managers to obtain daily information about the development of the marketing environment. (c). Market Research (Marketing Research System), which consists of a systematic process of design, collection, analysis, and reporting of data and findings that are relevant to the market situation.

Evaluation of competitors' strategies, strengths, weaknesses, shortcomings, and the plans of competitors also need to be done in this situation analysis. Competitors in question here is not only the existing competitors, but also a competitor that might come up later [4]. Analyzing the situation typical product business units need to classify customers with the same characteristics and understand the changes that the strategy used to be better targeted.

Market segmentation, segmentation (grouping) market needs to be done to look at the diversity of the needs and desires of consumers in the market. The aim of this segmentation is to study the differences in the needs and desires as well as identify which segments corresponding to typical regional products offered. Accurate information is needed related to the buyer at the time of the business unit to segment the market. Where in a population or consumer communities there are groups that have the characteristics described in the profile or the term consumer segment [12]. Kotler [9] Based on information obtained from marketing research every business can obtain a variety of information needed to identify customers based on characteristics. Namely information concerning matters: demographic, geographic, psychographic, behavioral, external factors and internal influencing consumer decision-making. Once the group is formed, the next step is to identify each consumer characteristics to be used as the profile of each segment. Profile is then a differentiating factor from each segment [17].

Determining the Target Market, Through a clear mapping of the consumer, a business unit of typical regional products will be easier to choose where the consumer segment that will be the target market (target market). The business unit will be more targeted and focused in developing, selecting, and implementing marketing strategies in general, and the marketing mix (4P) in particular. The ability to meet the needs and desires of consumers will be able to generate customer satisfaction .. After the segmentation process, a business unit selecting one or more of the consumer group to serve its target

market (target market). Strategic policy concerning the vision, mission, goals and business unit policies, resources owned business unit of typical products, competitive conditions, and so forth.

Product positioning, Positioning is an activity undertaken by business units in designing the offer and image in order to get a place in the minds of consumers. Perform positioning, necessary differentiation (differentiation) of the product offering to consumers that are not easily replicated for other companies. McDaniel [10] stated that market orientation can be approached from two perspectives, namely as shared values and culture. As a culture, market orientation contains guidelines that direct the behavior of individuals within the organization. Narver [11] states culture and capabilities have a symbiotic relationship.

Designing Marketing Strategy, through the analysis of situation typical regional product business units to identify opportunities, to segment the market, competitor evaluation, and assess the strengths and weaknesses of the business unit. The next step in designing a marketing strategy, a business unit of typical regional products an election market and positioning its products in the minds of consumers, establishing relational marketing, and developing and introducing new innovative products. An understanding of market conditions and competition should be carried out continuously. To be able to quickly anticipate these changes, the typical product business unit must quickly identify changes. Knowing what is happening and will happen in the future.

Strategies relationship, A good relationship needs to be established between the local specialty products business unit with the end consumer, distribution channels, retailers), suppliers, competitors have the same work with business units, as well as internal team of local specialty products business unit. Good relationships can encourage business units to improve its ability to satisfy the consumer and can quickly identify changes in the environment through cooperation related parties. For example, the company can know the desires of consumers through retailers because most retailers interact with consumers without having to make a formal consumer research.

Program Development Marketing, Dawes [2] Strategy segmentation, determination of target markets, and positioning or Segmentation, Targeting, and Positioning (STP) is a cornerstone in the preparation, implementation, and control of the company's marketing strategy, the strategy of marketing mix or marketing mix (4P for the product): a. Product, related to the differentiation in terms of shape, features, design, and others. b. Price, relating to how to determine the price of products or services. c. Placement, related to the company's distribution channels, namely distributors, warehousing and transport d. Promotion, associated with promotional tools that will be used to inform the product to consumers.

Human Resources Development and Operations, development of human resources and operations taking into account internal factors such as vision, mission, objectives, strategies for achieving objectives, the nature and type of activity, the type of technology used, and external factors such as government policies, socio-cultural and scientific developments and technology [14].

Government support to promote small and medium enterprise sector units is very great contribution in innovation and dynamic growth to the development of marketing programs. The Government has launched the innovation - based economy by 2025, with a seven-step improvement innovation ecosystem, turn four vehicle

acceleration of the economic growth that the basic needs of the industry, creative industry, the carrying capacity of the area -based industries and strategic industries. This is the basis for the development of innovation -based marketing model driven in an attempt to enter the centralized market (market center), as follows:

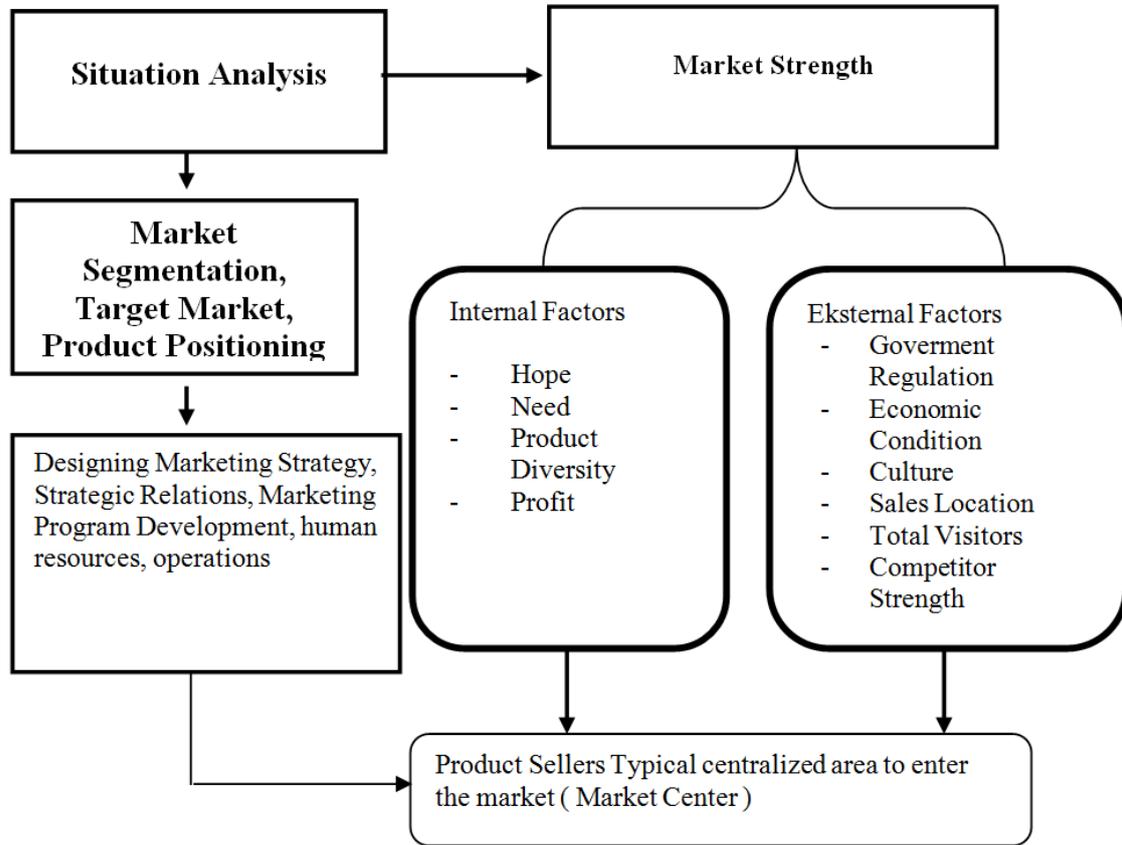


Figure 2. Product Marketing Model Development Typical Areas Based on Innovation Driven To Entering the Centralized Market (Market Center)

3. Research Methodology

The location of this research in Palembang, and implemented starting in September 2014 until August 2015. The operational definition, namely; (1). Market Centre (central market) need to be established for a typical product of Palembang so pempek, crackers kemplang , songket and carved cabinets can be found in the market,

besides that if a typical product is placed centrally in the market to facilitate the public inside or outside area recognize and consume the product. (2). The development of innovation -based marketing model driven by analyzing the situation, determine market segmentation, target market and positioning of products and designing marketing strategies, relationship strategies and marketing program development.

Table 1. Typical Areas shape Product Differentiation

Form of Differentiation	Name of Differentiation	Notes	Example
Product	Product Form	Size, Color, Physical Form	Logo, kemasan, label
	Feature	Additional benefit from main product	Ciri khas yang melekat
	Performance quality	The degree to which the main characteristics of the product operates. There are 4 levels of performance, namely low, average, high, and superior.	Typical products which have a broad market
	Conformance quality	The degree to which the entire unit with the same specifications and the same manufactured products able to meet the promised specifications	Songket with the onset thread
	Durability	Operating life expectancy of products under normal conditions or stress	Carved cabinets are durable for years of usage
	Reliability	The ability of the product to be a failure or error in a certain period	Typical products can Entering the national and international markets
	Repairability	Ease of repair products that are damaged or malfunction	Improvements to the typical regional products
	Style	The look and feel of a product	Innovation of typical regional products.
	Design	Features that affect how the function and appearance of the product	Songket modified with embroideries and jumputan

Population and sample, this study is the seller and the buyer of products typical Palembang in Palembang, South Sumatra number is not known for certain (infinite). Sampling technique using the technique of purposive sampling is sampling intentionally because according to the research objectives, in this research that sellers and buyers of products typical Palembang scattered in the Ladder Tank, Seberang Ulu, Region Mosque, Pasar 16 Ilir, Market Cinde, Airport Store crackers kemplang and

pempek along Jalan Sudirman, Jalan Basuki grace, Radial Road, Jalan Colonel Iskandar and Jalan Kapten A Rival.

4. Results and Discussions

Based on the analysis of Structural Equation Modeling (SEM) established, equation model is as follows:

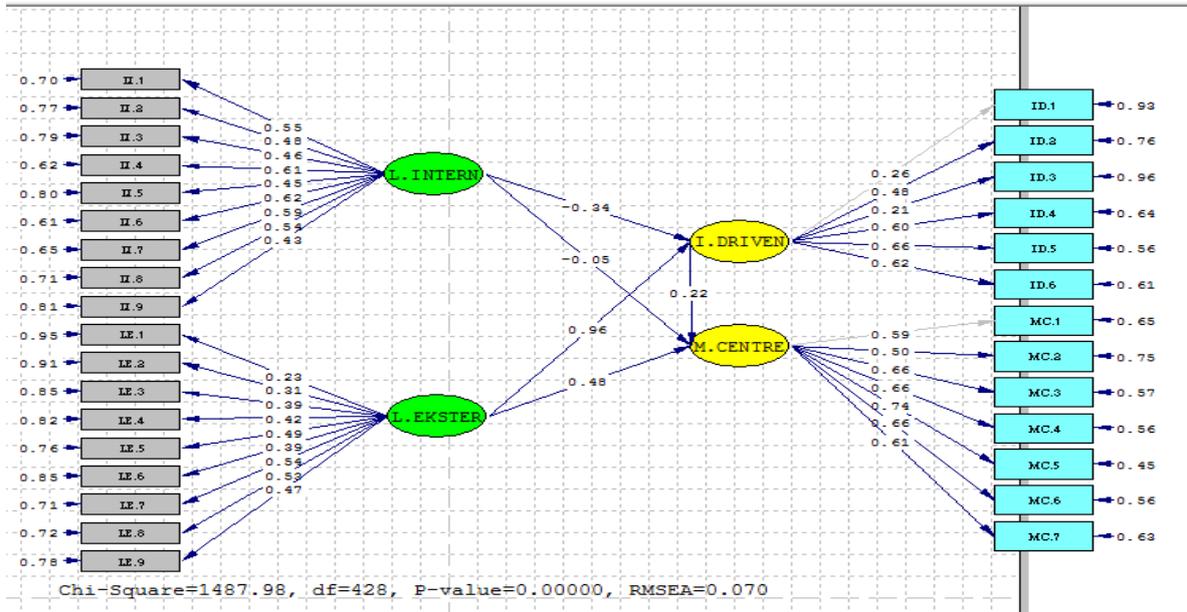


Figure 3. Structural Equation Modeling (SEM)

Internal factors adversely affect the Driven Innovation, the path coefficient -0.24. Internal factors also impact negatively on the Market Centre, the path coefficient -0.05. While Innovation Driven positive effect on Market Centre,

with a 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 a path coefficient of 0.48.

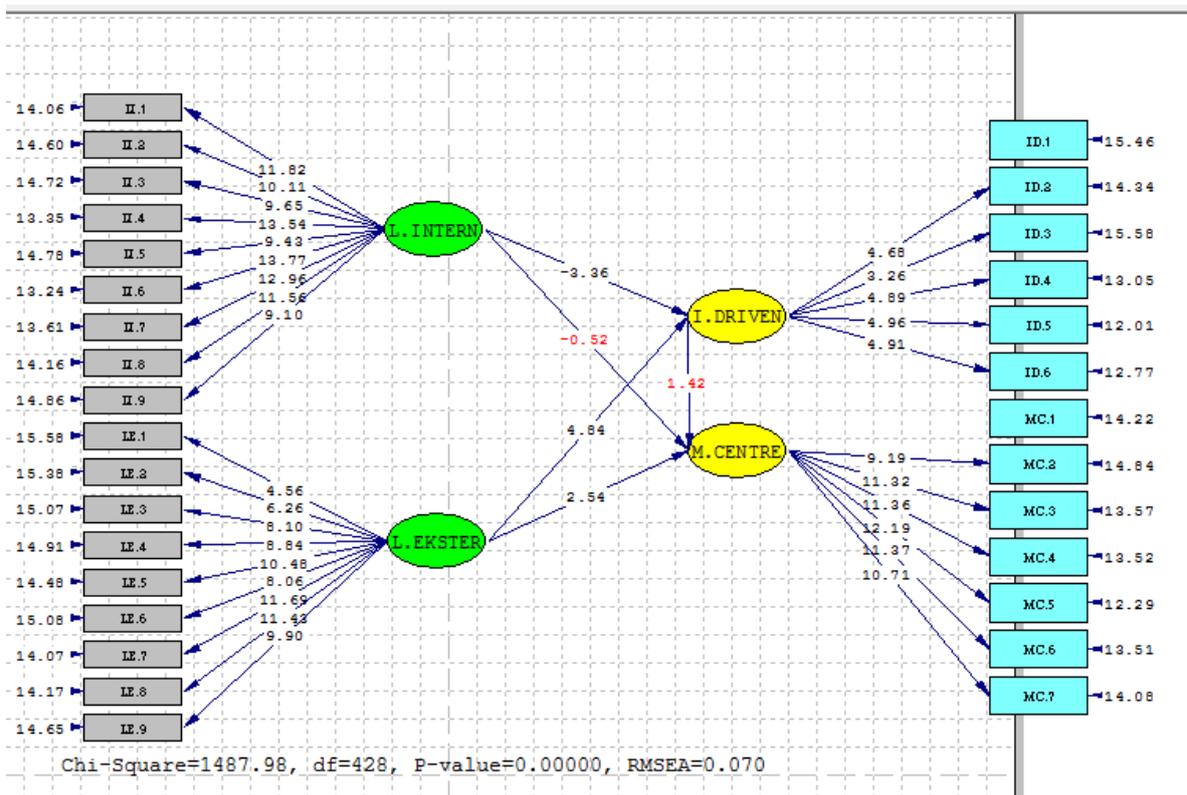


Figure 4.

Internal factor is significant to Driven Innovation, the path coefficient -3.26. Internal factor is not significant to Market Centre, the path coefficient -0.52. While Driven Innovation is not significant to Market Centre, with a path coefficient of 1.42.

External factor is significant influence Driven Innovation, the path coefficient 4.84. External factor is also significant to the Market Centre, with a path coefficient of 2.54. One of the biggest obstacles in 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 the business to dominate the market.

There have been many examples of local products that can compete up to the level of national and even international level. All local products with superior quality that usually starts from small businesses to reach local markets. Before preparing to compete at a higher level, optimize marketing strategies, the local market is the best way to gain business success.

Innovation is major component increased competitiveness. Innovations such as the quality and trendy. Results of field observations indicate that the application of real innovation improve competitiveness through: (a) the supply of quality raw materials to meet customer preferences, (b) quality improvement resulted in increased prices, (c) an increase in the quantity of production, (d) an increase in production efficiency and (e) an increase in the value added. Thus the application of innovation can produce a product that has a higher competitiveness, such as product quality improvements, improved product design, or increase production efficiency. One real satupengaruh application of innovation in the production system is to increase production efficiency, which means that a typical product can be produced with less cost, so that the product can be sold at a lower price. In addition to suppress the price, the application of innovation is also able to close the gap between the needs of consumers and the supply of products by the seller. 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. In applying innovation to consider the needs of customers. Adoption of innovations without regard to customer needs will only result in failure of the product when marketed [16].

5. Conclusion

First, internal factors against Market Driven Innovation Centre yield negative effect. Second, Innovation Driven has a positive influence on Market Centre. Third, external factors on Driven Innovation influence positively on market centers. Fourth, the internal factors of the Innovation Driven and market center were not significant. Fifth, Driven Innovation is not significant to Market Centre. Sixth, external factors on Innovation Driven have a significant effect on market center.

It can be suggested that; first, the government should be more serious in the sector trade show alignments typical products of Palembang. The role of government is needed,

especially in fostering to the bottom line. Second, there should be created a competitive advantage and comparative potential to be used as a trigger to increase competitiveness. Third, good efficiency improvement measures in the field of production and distribution of products. The use of production technologies and inputs/raw materials more efficiently need to be developed. Institutional factors (lift, banking and market) that support production efficiency would need special attention. Moreover in the country need to be followed by the elimination of high-cost economy by eliminating inefficiencies in the marketing field, eliminate illegal levies, and improvement of infrastructure facilities. Fourth, increase public awareness of the priority use of local products, especially the typical regional products. Another thing also need to do, giving the logo on the product, promotion using local and national media, sponsor local events and participate in exhibitions of local, national and international.

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