Linking green marketing strategy with geo-cultural product attractiveness on SME's marketing performance in South Sulawesi, Indonesia

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Abstract. The purpose of this study to analyze the inconsistent effect of Green Marketing Strategy on Marketing Performance. This study offers the concept of Geo-cultural Product Attractiveness to bridge the research gap between Green Marketing Strategy in improving Marketing Performance. The data is taken from the SME population in the South Sulawesi Province as much as 115. The analysis is carried out inferentially using Structural Equation Modelling to test the research model consisting of 3 (three) proposed hypotheses. The results of the study show that green marketing strategy has a negative and insignificant effect on marketing performance directly, Geo-Cultural Product Attractiveness has a direct effect on marketing performance, and Green Marketing Strategy has an indirect effect on Marketing Performance through Geo-cultural Product Attractiveness positively. Geo-cultural Product Attractiveness is a full mediating variable in the relation of product Green Marketing with marketing performance.

1. Introduction

Increased public awareness of the importance of environmental protection has made many producers and companies begin to switch to using materials that do not harm the environment or the term environmentally friendly materials. With this understanding, the organization is incorporating environmental concerns as one of its marketing strategies. The concept of marketing products that use materials that do not harm the environment is known today as green marketing.

Marketing based on environmental sustainability (environmental marketing) is a new development in the marketing field and potential and strategic opportunity that has a multiplier effect on both business people and the public as users, in this situation, there is what is called green consumerism. Companies use the term green marketing as an effort to get the opportunity to achieve company goals.

Green Marketing is a new focus in business ventures, that is, a strategic marketing approach that began to emerge and was brought to the attention of many by the end of the 20th century. This condition requires marketers to be more careful when making environmental decisions [1]. Green marketing is not only about selling goods that are environmentally friendly to customers but also about the method of manufacturing and delivering these products. Marketing focused on environmental sustainability is a recent trend in the world of marketing, which is a future which competitive tool with a dual benefit for both business owners and the public as consumers [2,3].

Saxena and Khandelwal [3] reported that The green economy is a profitable sector consisting of green products, organic agriculture, renewable energy, clean technology, and natural resources, which suggest that the marketer must seize this opportunity to gain a competitive advantage. As a result, many industries are adopting a green business strategy to ensure sustainable growth through the green characteristics of their businesses.

Based on the ISO 2012 survey, the total number of Indonesian companies certified for the ISO 14001 Environmental Management System from 1999 to 2012 was 7,233 companies. Compared to other Asian countries, there are 17,519 companies certified for ISO 14001 EMS in Thailand, 11,706 in Malaysia, 9,740 in Singapore, and 5,084 in the Philippines. Japan continues to be the top three countries in terms of the total growth in the number of certificates issued in 302,480 firms [4].

Green marketing is now a great opportunity to implement the latest marketing strategies. Green marketing makes production costs more efficient because it is a product recycling program. Besides, people's behavior to preserve the environment becomes an important basis for green marketing so that marketers can more easily carry out their strategies. The benefits of the existence of green marketing are the production of products that use environmentally friendly raw materials [5]. Green marketing is not just about offering products which are environmentally friendly to the consumer, but also about the process of production and distribution of these products.

Small Medium Enterprises (SMEs) is one of the many businesses found in Indonesia. Many new entrepreneurs start their businesses based on the type of SME business. Aside from small and medium-sized enterprises, it does not require establishment permits, which are sometimes complicated, limited resources available, such as capital, labor, technology, and others, making SME's one way for individuals who want to become entrepreneurs. Growth in SME's continues to increase from year to year, contributing to the reduction of unemployment and poverty in Indonesia.

In addition to classic problems such as human resource quality, weak organization, and management, lack of financial control, failure to develop strategic planning, poor inventory control and inability to make business transition funding, technology and weak network marketing, SME's most prominent problems are marketing issues [6]. Marketing is an important issue for SMEs [7]. The shift from protection to liberalization may result in many SME's experiencing a decline in market share due to increased competition, such as the number of products with more competitive prices and quality, the presence of substitutes, and the presence of new entrants.

Producers can take advantage of the behavior of consumers who tend to want to participate in the process of environmental preservation by changing the marketing strategy that is commonly used to have an environmentally friendly element called Green Marketing. Perceptions about marketing that only aim at a profit can no longer be used as a reference for now, but the company is an agency that can reduce social problems [8]. Savale Sharma [9] observations explain that consumers participate in environmental degradation by consuming goods that are detrimental to the environment or that are used in a way that is not environmentally friendly.

Because of the potential and advantages of green products and green marketing [10] revealed that green marketing had faced several challenges [11]. Misleading ads, false claims, vague labeling, and inadequate results have increased market frustration, leading to a dwindling number of green products being introduced [12]. On the other hand, there is some evidence that different types of companies are switching to green philosophy, as traditional manufacturing companies become more profitable after being transformed into green manufacturing systems [13]. The retail outlet also promotes a green image [14]. Agriculture industries also respond to food production without damaging the environment and the health of consumers [15]. The hotel and tourism industries have also been active in the transformation of their industry into green hotels and eco-tourism [16–18]. While corporate managers are beginning to include such issues on their agenda, the sustainability of their marketing strategies has not been well documented in empirical studies [19]. As a result, the consequences of implementing environmental marketing strategies remain largely unknown among managers and policymakers of contemporary companies [20]. The different findings of the various studies on the impact of green

marketing on marketing performance provide a research gap on the failure of green marketing to achieve marketing performance. For that gap, further research is still needed.

Therefore to bridge this research gap, the purpose of this study is to create a conceptual model that will become a strategic link between green marketing and the marketing performance of SME's. We offer the concept of Geo-cultural Product Attractiveness to develop our conceptual model as a strategic bridge for green marketing to improve marketing performance. Responses to other business areas are not reviewed, as the scope of the paper is limited to the marketing discipline.
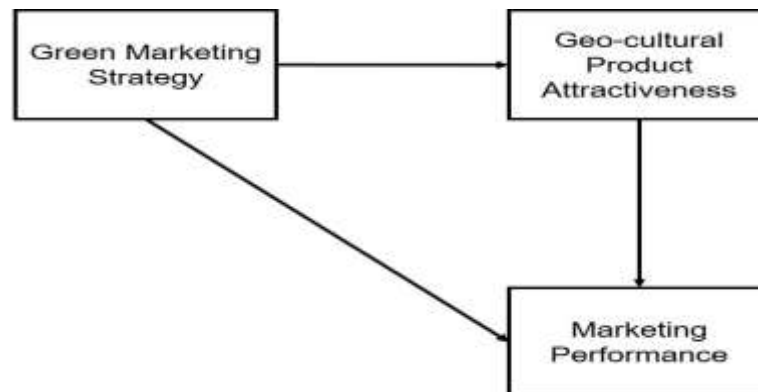

Figure 1. Empirical Research Model

2. Literature Review

2.1. Geo-cultural product attractiveness.

One of the principal researches in product strategy is the product analysis and the features to attract buyers. The conventional marketing strategy view supports the value of product design as a major factor in the success of goods that still exist in the marketing literature today [21,22]. For the product's appearance, the right design for a product is critical and also encourages potential consumers to consider and review the brand. Visual product design is an important deciding factor for consumers [23].

Appreciating the needs of customers and consumers involved in the design process should be an important part of the product design process. The study by Shri and Srivastava [24] states the core products are the basis of marketing success, Whereas the product design process is seen as an effort to bring more attractive goods to the market to increase consumer interest [25]. Handicraft and local culture-based souvenir products are supposed to have benefited over products imported from foreign countries. Firstly, the product arouses a personal tie because it symbolizes the cultural root's uniqueness. Second, to be a marker from the craft origin were created for travelers' souvenir. Lastly, Regional cultural handicrafts can also be a medium of inter-regional unity and build pride in a country. The company is trying to add something in the development of product design that can create many attributes that expose certain cultures and geographies that have a prospective appeal for consumers to pay attention and buy souvenir products [26].

Within a country such as Indonesia with cultural and geographic diversity, products might be produced with cultural attributes that originated from the collaboration of culture and geographic elements where the origin from. Through assimilating local ethnics and values, a company can be classified and take several features of local culture [27], and blend these features in the products, a product with certain attractiveness of regional culture which in this study conceptualized as geo-cultural product attractiveness [28,29]

2.2. Green Marketing

According to the American Marketing Association, the concept of green marketing is to sell goods in an environmentally friendly way, including altering goods, changing the manufacturing process, changing packaging, and even changing how they are promoted [30]. Green marketing mix approaches include green product growth, green logistics, green promotion, green pricing, and green consumption. General strategies are not limited to the marketing discipline but may be used by marketing as well as other functional areas of the organization to address the sustainability issue, which denotes a set of marketing tools and elements, enables the company to serve the target market and achieve organizational objectives without harming the natural environment [31]. According to Tiwari, Tripathi [32], there are four factors influence Green Marketing which is: Green Product, Green Pricing, Green Promotion, and Green Placing.

Green marketing is closely linked to sustainable development. The unique idea of a sustainable development strategy is to combine economic and environmental development in decision-making with the development of policies that maintain the standards of agricultural progress an environmental conservation [33].

The Green Marketing Mix concept refers to the elements that are designed to achieve the company's strategic and financial objectives, particularly in terms of reducing (or increasing) their negative impacts on the natural environment. This definition is consistent with the view that each aspect of the marketing mix is generated and implemented in a manner that reduces the adverse effects on the natural environment. This conceptualization of the green marketing mix is consistent with previous environmental and green marketing definitions [34].

2.3. Marketing Performance

Marketing performance forms part of corporate performance. Marketing performance is the result of the performance of the activities throughout the marketing process of the company. Marketing performance can also be seen as a term used to calculate the degree to which consumer success can be achieved with a product produced by the company. This concept in line with [35] shows that The term marketing efficiency is a method used to assess product quality on the market. Clark [36] moreover reveals that marketing performance is a business-performance significant part in general because a business performance can be perceived by its marketing performance.

Marketing performance is a variable able to calculate a company's marketing success. This is followed by the study that says marketing performance is a concept for measuring a product's market performance. The other study also states that marketing performance is an important component of business performance in general, as a company's performance can be seen from its marketing accomplishment [37]. The study describes the market performance as an attempt to quantify the level of output of revenue, number of customers, income, and sales growth, in research measuring marketing performance through four indicators, namely customer satisfaction, value delivery, marketing efficiency programs, and new product success [38].

Figure 1 shows the empirical research model incorporated into this study. From literature reviews, earlier research and statistics, this analysis contains as follows three hypotheses:
1. The higher Green Marketing Strategy, the more Geo-cultural Product Attractiveness.
2. The higher Green Marketing Strategy, the more Marketing Performance.
3. The higher Geo-cultural product attractiveness, the more Marketing Performance.

3. Research Method

The research was conducted in various regencies and cities in South Sulawesi Province, Republic of Indonesia. The variables to be tested in this study consisted of exogenous variables and endogenous variables. The Exogen variable is Green Marketing, which consists of four indicators, while the

Endogen variables are Geo-Cultural Product Attractiveness, and Marketing Performance, which each consists of three indicators.

The population of this research is all small and medium enterprises (SME's) registered in the South Sulawesi Cooperative and SME Office and each Regency/City of the study location. The sampling technique in this study uses purposive sampling. The sample in this study were entrepreneurs/ business owners. The number of samples used as respondents were 230 entrepreneurs with the same proportion each regency/city. The questionnaire was used to ask the respondents for their perceptions. Measurement of research variables based on the perceptions or responses of the respondents to all the indicator variables built into the model [39]. The Likert Scale was used to measure by a scale of one to five, where scale one indicates strongly disagree, and scale five indicates strongly agree. The definitions of all variables and its indicators in this study are shown in the next table 1:

Table 1. Operational Definitions of Variables and its Indicators.

Variables	Definition	Indicators
Green Marketing Strategy	The process by which products or services are promoted based on their environmental benefits. Such a product or service may in itself be environmentally friendly or manufactured in an environmentally friendly manner	1. Strategy to produce green products 2. Strategy to set green price 3. Strategy to choose the green distribution 4. Strategy to set green promotion
Geo-cultural Product Attractiveness	The level of product attributes as an attraction is a combination of the region and the culture of the area	1. Cultural Patterns Attractiveness 2. Cultural Style Attractiveness 3. Cultural Symbolic Attractiveness
Marketing Performance	The level of marketing performance	1. Sales Volume 2. Sales Value 3. Customer Growth.

To measure validity, we were using confirmatory factor analysis (CFA) to produce loading factor value for all indicators from the latent variables. The loading factor value, which greater than 0.50, is used as an indicator validity cut-off value [40]. The following Table 2 shows an estimate of the total value of the indicator at more than 0.50; then, it is confirmed that all of our indicators are valid.

Construct Reliability (CR) is using to measure latent variables reliability in this study and Variance Extracted (VE) as well. Normally, the cut-off value of CR is 0.70 [40]. At the same time, the cut-off value of VE is 0.50 [41]. All variables in this research have passed the cut-off value; then, all variables are reliable.

Table 2. Validity and Reliability

Variables	Indicators.	Standardized Loading Factors.	Standard Errors.	Reliability	
				CR	VE
Green Marketing Strategy	X11	0.993	0.77		
	X12	0.813	0.55	0.72	0.58
	X13	0.821	0.62		
	X14	0.992	0.75		
Geo-cultural product attractiveness	X21	0.917	0.75		
	X22	0.863	0.70	0.88	0.71
	X23	0.806	0.63		
Marketing Performance	X31	0.868	0.79		
	X32	0.899	0.78	0.87	0.75
	X33	0.897	0.80		

All sample data then analyzed with structural equation modeling (SEM) and AMOS version 23.

4. Results

Goodness of Fit Indices from Structural model analysis below shows level of good model acceptance as since numerous indices such as χ^2= 62.506; Significance Probability = 0.67; GFI= 0.910; AGFI= 0.850; TLI = 0.967; CFI =0.976; RMSEA = 0.089, thus we can say that our model fits with the population we expect.
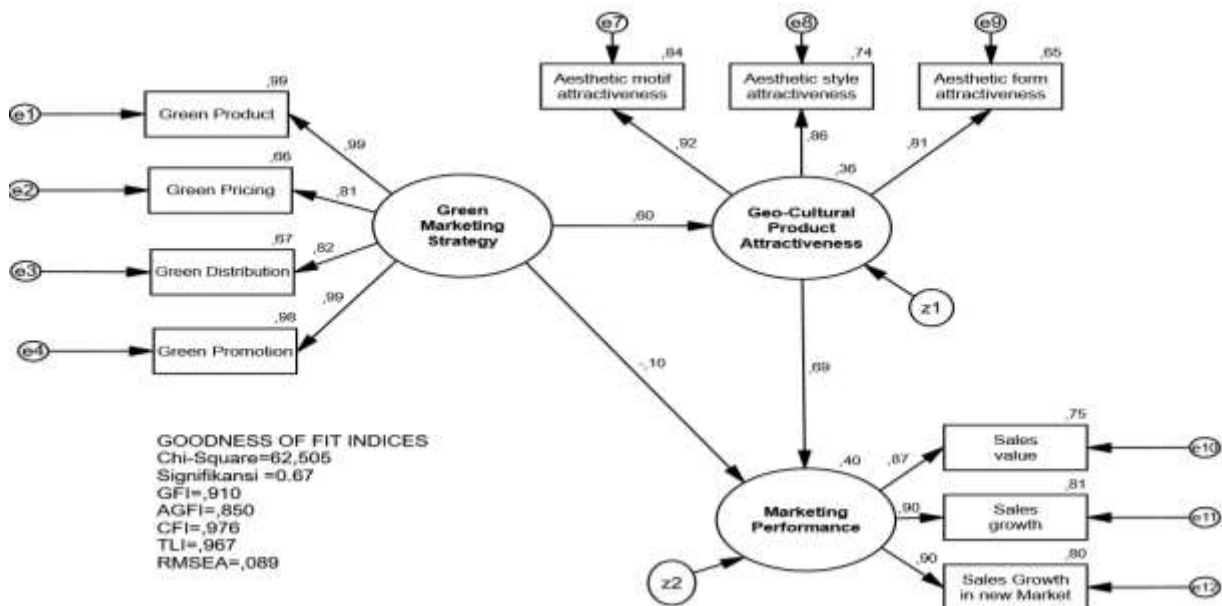

Figure 2. Model Testing

The structural coefficient from SEM results shows in the next Table 3 below.

Table 3. Hypothesis Testing Results

Hypothesis			Standardize Estimate	P
Green Marketing Strategy	→	Geo-Cultural Product Attractiveness	0.602	0,000
Green Marketing Strategy	→	Marketing Performance	-0.097	0,000
Geo-Cultural Product Attractiveness	→	Marketing Performance	0.687	0,355

Table 3 shows the probability of significance for hypothesis variable relation is lower than 0.05, except hypothesis 2, which is more than 0.05. We may infer that hypotheses 1 and 3 are accepted, while hypothesis 2 is rejected from our sample data.

5. Conclusions

Our model shows the relationship of Green Marketing Strategy, Geo-cultural Product Attractiveness, and Marketing Performance. Our analysis concludes that the Green Marketing Strategy contributes insignificantly and negatively to Marketing Performance. On the other hand, Green Marketing shows a significant and positive effect through Geo-Cultural Product Attractiveness. The results led us to conclude the relationship green marketing strategies with SME's marketing performance. To increase marketing performance, an SME's not enough only to set a green marketing strategy because it costly; they should have unique product attractiveness, which blends with a green marketing strategy. The performance of green marketing strategies has a positive influence through Geo-Cultural Product Attractiveness on marketing performance. Geo-cultural product attractiveness certainly performs as the mediator in the model of Green Marketing and marketing performance of the SME's in South Sulawesi Province.

Theoretically, the findings of this study help to solve research gap problems in the relationship between green marketing strategy and marketing performance. The concept of geo-cultural product attractiveness offered as a bridge with green marketing and marketing performance was tested and plays a crucial role in mediating the relationship between the two variables. Then further research needs to incorporate some variables, the study scope area, and the types of industries to gain broad research findings.

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