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## Exploration Dimensions of Local Wisdom and their Impact to Sustain Marketing Performance

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Jasin Mochammad<sup>1</sup>, Adek<sup>2</sup>

**Abstract:**

*Local wisdom had been adopted by business practices in an area or region aside from modern marketing theory which is used by marketers to enhance market share and increase profitability. Local wisdom is becoming increasingly common in business practices in global markets including the Indonesian market.*

*The aim of this paper is to examine the important elements of local wisdom and its relation to marketing performance mediated by product, price, promotion and place. Quantitative analysis employed with data collected from two hundred and fifty Indonesian businessmen engaged in the textile and garments industries have been used in this study.*

*Multidimensional scaling is used to explore the data for mapping or search for an object in the configuration of a number of low dimensional space based on the size of the proximity between objects studied. The Structural Equation Modelling has been used to analyze the indicator variables, latent variables and measurement error variables, to identify the dimensions and to measure the effect or the degree of relationship between factors that have been identified through related dimensions.*

*The influence of one variable with other variables proved to be positive and significant, that is the local wisdom variables have a positive effect on the product and on the price. The study shows that local wisdom has no significant influence on the marketing performance, while other variables have significant influence to one another.*

**Keywords:** *Local wisdom, marketing performance, product, price, place.*

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<sup>1</sup>Islamic State University, Syarif Hidayatullah, Jakarta, Indonesia, email: [moch.jasin1@gmail.com](mailto:moch.jasin1@gmail.com)

<sup>2</sup>University of Pancasila, Jakarta, Indonesia.

## 1. Introduction

The influence of local wisdom as an unexpected decision to anticipate variables to capture and disclose positive signs and reduce or eliminate the negative signs that exist in the entrepreneur and / or the name of the company owner or businessman, is necessary to consider the planning and decision making for good marketing performance directly or indirectly. In the business world, unhealthy competition is always annoying and inhibits the smoothness of business to competitors. Therefore, local wisdom is trusted by some business people and it is used as anticipation to avoid unwanted consequences. Also, to illustrate the positive or negative results and increase the potential and trust beyond the healthy logic owned by business owners and consumers. The performance of marketing is supported by the business location, good product quality and competitive price (Torgler, 2007; Wiseman and Watt, 2004).

Achievement of a good marketing performance of a product to be supported by local wisdom implementation strategy requires that the product is durable and business is sustainable. It is further emphasized by Nerkar and Roberts (2004) that the marketing of a product must have the required market share of a competitor's product, and be supported by the product's own strength and technology. Grønholdt and Martensen, (2006), claim that the performance of marketing can be better, when linked with local wisdom, because the belief will be able to encourage emotional stability, enthusiasm and increase confidence in success by achieving good marketing performance. Alias *et al.* (2014), showed a significant positive influence between local wisdom with market potential impact on marketing performance. The aim of this paper is standing on the examination of important elements of local wisdom and its relation to marketing performance mediated by product, price and place. For achieving the aim the authors have identified the following tasks:

- To study the corresponding literature;
- To assess the factors influencing the marketing performance;
- To assess the effect of local wisdom to price, product, place and marketing performance;
- To measure the effect or the degree of relationship between these factors.

Multidimensional scaling and Structural Equation Modelling have been used in this study to analyze the indicator variables, latent variables and measurement error variables.

## 2. Research results and discussion

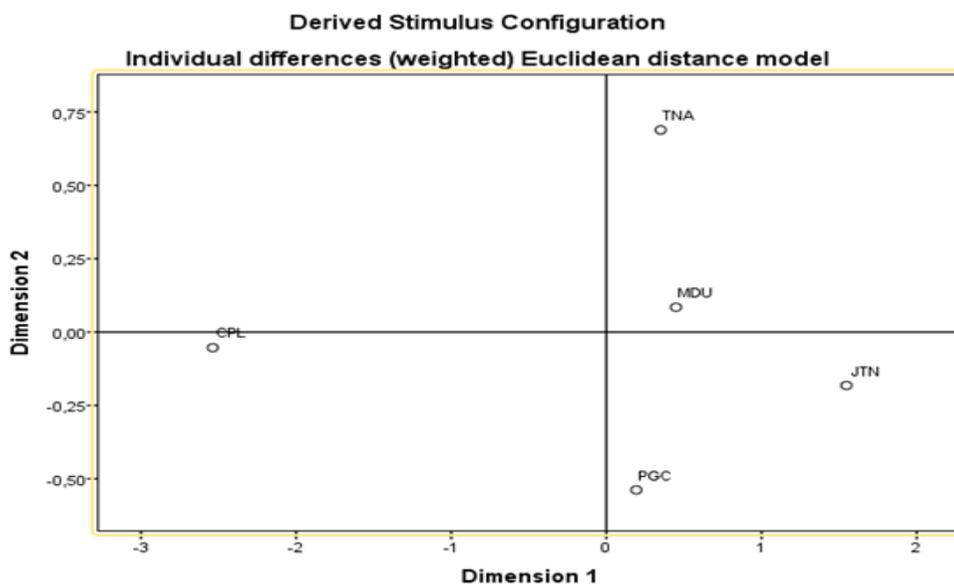
### 2.1 Analysis of Multidimensional Scaling (MDS)

The study is based on a quantitative approach, the multidimensional scaling (MDS) metric, which uses interval data associated with a business location variable, the local wisdom variable. In the MDS procedure metrics do not matter if the input data is the

actual distance or not, it just make up the shape of dots geometry object pursued as close as possible to the input range or a given metric (Hair Jr. *et al.*, 2014).

From the calculation of SPSS version 21.0, a known value of R Squared (RSQ) of 0.9905 illustrates the closeness between the data with the perceptual map. Stress MDS with value of 0,049 (at  $\alpha=10\%$ ), indicates that the smaller the error between the distance and the value of the similarity of the space the better the performance. The MDS dimension map for this method is shown in Figure 1.

**Figure 1. MDS Dimension Map**



*Source: Process Result of SPSS ver. 21.0.*

The magnitude of the impact among the variables is shown in Table 1.

**Table 1. The Magnitude Impact Among Variables**

Influence between variables	large Influence	Statistics Values t	Influence
Local wisdom □ Products	0.50	4.06	Significant
Local wisdom □ Price	0.23	2,32	Significant
Local wisdom □ Place	0.22	2.06	Significant
Local wisdom □ marketing performance	-0.21	-1.61	Not significant
Product □ Marketing Performance	0.25	2.02	Significant
Price □ Marketing Performance	0.31	2.92	Significant
Points □ Marketing Performance	0.88	5.19	Significant

*Source: The researcher, 2017.*

The influence between the variables either on a direct, indirect or intervening manner is shown in Table 2.

**Table 2.** *The influence between variable by variable intervening.*

Plot	Variable intervening	Direct Impact	Indirect Influence	Effect of Total
Local wisdom □□Marketing Performance	Product	- 0.21	$0.50 \times 0.25 = 0.125$	-0.085
Local wisdom □□Marketing Performance	Price	- 0.21	$0.23 \times 0.31 = 0,071$	-0.139
Local wisdom □□Marketing Performance	The place	- 0.21	$0.22 \times 0.88 = 0.193$	-0.015

*Source: the researcher, 2017.*

The Multidimensional Scaling analysis (MDS) form of picture perception and preference of respondents visually as the geometric relationship between a couple of things in a multidimensional space based on the location of the business respondent and the variable of local wisdom. This needs to be discussed further, particularly around dimension 1 (positive scale) and dimension 2 (negative scale), the business location Jatinegara (1.5468: -0.1820) and the Wholesale Market Cililitan (0.1928: -0.5380), whereas the negative area in dimension 1 and dimension 2 is on site Cipulir enterprises (-2.5377: -0.0533). It shows that the respondents in that area are mostly businessmen who have not been convinced about the affect of local wisdom in business performance.

## 2.2 Descriptive Analysis

The descriptive statistics in the form of a percentage or proportion has found indicators of questions that need to be discussed further, as it has not been judged positively or still considered problematic in business. These indicators are as follows:

- Businessman has not been consulted in the paranormal or elders in business;
- Businessman has not used the symbol in the brand name for products marketed;
- Businessman has not used the discounted price for the sale of products specifically for promotional purposes or for any other reason;
- Businessman must implement the sales strategy for the consignment system to increase profitability;
- Analysis of the influence between variables is known only as an insignificant influence on the marketing performance.

The findings of this study will be reviewed in terms of the practical and theoretical approach. From the practical side in order to determine a solution based on the existing findings for business people, while on the theoretical side to discuss why research results have rejected the hypothesis.

Multidimensional scaling analysis shows that the respondents of the area of Tanah Abang and Mangga Dua Indonesia, are convinced that local knowledge is strongly correlated with business success. It is not separated from the ancestral art of life harmonizing with common practices in everyday life which cannot be separated from tradition and superstitious. While business location in the trade Center in Cililitan and Jatinegara is accepted as an influential variable of the local knowledge variable, but the location in Cipulir area, doesn't support the belief that local knowledge affects business continuity.

Kramer and Block, (2008) have used marketing strategy with alternative solutions to solve problems that cannot be solved by common sense, rational, irrational, and cultural values. In the cultural values, one containing local knowledge is the embodiment of all forms of knowledge, belief, understanding or insight as well as customs. Business ethics that guide human behavior in life in ecological communities taught and passed down from generation to generation as well as forming the pattern of human behavior towards fellow human beings, natural and supernatural powers.

Businessmen believe in superstitions associated with culture paying attention and trust to symbols or meanings that brings good luck (Liu and Yang, 2014; Sagone and De Caroli, 2015). However, based on the results of the descriptive analysis is has been proven that most respondents have not responded positively, and consult the paranormal or elders beliefs that understand local wisdom in force in the business environment. This is evident to businessmen who trade garments and textile who have not been convinced that psychics, shamans or elders will have a significant impact on the performance of marketing, development and business progress.

In marketing the identity of the product is required, one of which is a symbol or the trademark. It has not been responded to do business in part to create or define symbols that have meaning, good luck associated with the wisdom of trusted local business people. Alias *et al.* (2014) and Antipov and Pokryshevskaya (2015) have claimed that the symbols in the form of color and lucky numbers affect the sales volume. For example, the willingness to buy a car could be influenced by the car color that brings good luck according to local wisdom believed. Thus, there is need for further study since the majority of respondents with segmentation in the field of clothing are looking for:

- a) to achieve a sales turnover and profit;
- b) to follow brands;
- c) to ignore symbol or trademark which is not adapted to the values of local wisdom;
- d) to use a discounted price for the sale of certain products.

Price discounts or rebates are price reductions from the list price or price reductions offered by the seller to the buyer with the aim of giving the discounted price as a token of appreciation or recognition for certain activities consumers have offered to

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business. These discounts are usually manifested in the form of cash or goods and is intended to attract consumers.

Fortin *et al.* (2014), claimed that the price discount is granted to consumers for the goods offered. However, this is different from the results of the descriptive analysis of this study showing that the majority of respondents has not responded positively to price discounts given for the sale of certain products. This has been noticed both on the big day, the feast, on quoted market prices at the local community as well as price discounts in form of promotions, or for other reasons. Businesses have adopted consignment system sales strategy to increase its business profitability.

Profitability is part of the marketing performance showing that the difference in cost of the product and the opinion obtained by business by means of good customer service, product adaptation, sales price and consignment system, actually affect sales strategy (Antipov and Pokryshevskaya, 2015; Fortin *et al.*, 2014). Consignment system is useful for businesses to introduce products, expanding the trading network and penetrate the whole market with products sold. Based on the results of descriptive analysis is shown that most participants have not responded positively to implement sales strategy consignment system. To avoid reduced working capital businesses consider the risk burden to bear the loss in case of failure in the sale of goods on consignment and evade unwanted risks, among others, destruction of goods sold, reimbursements for expenses needed regarding the consignment of goods, in return for a guarantee consignment and consignment sale.

The influence of local wisdom applied to the product, businesses believed that local wisdom can meet their expectations at the higher level. Businesses applying local wisdom with cultural values in local community, made the appeal of businesses to attract consumers who believe in the wisdom of local marketing products that have adopted the brand, shape, packaging and aesthetic that does not deviate from customary, traditions and superstitions believed.

The study states that local knowledge has an influence on the product in accordance with the expectations of businesses especially on superstition dimension to the dimensions of brand sensitivity (Kramer and Block, 2008). Based on the survey results revealed that the influence of local knowledge that is applied to sale price to customs traditions and superstitions, is higher than the degree of influence on the price.

Businesses applying local wisdom have adopted normative values recognized, approved and executed by the people, serve the power to attract consumers who believe in the local knowledge by using numbers that have meaning in contained indigenous value, traditions and superstitions listed on the selling price determination.

The influence of local wisdom in selecting a place, is also believed, therefore customs traditions and superstitions have a higher degree of influence on the spot. Businesses

applying local wisdom containing cultural values that believed by the local community, made the appeal of businesses to attract consumers who believe in the local wisdom to utilize auspicious meanings contained in indigenous values, tradition and superstition are used in the determination of commodity place.

Businesses use local wisdom that have meaning or symbol of luck on the product, price and place to improve marketing performance. The results of previous studies, concluded that local knowledge using lucky numbers had influenced the performance marketing, however, the present study does not support this result (Alias *et al.*, 2014).

Businesses who sell the products containing cultural values believed that the local community is influenced by this factor in its decision to buy the product. This is expected to improve marketing performance, especially the increase in sales volume, increasing the market share and eventually obtain profitability. Previous research consists of studies that support the hypothesis, however they were not supportive. The present study strengthens the research that supports the hypothesis that product has a very significant effect on the performance of marketing as shown by Shum *et al.* (2014) in the real estate sector.

Based on this survey results the effect of price to performance indicates that the higher the price the higher the expected impact on marketing performance. Businesses set the price by taking into account local wisdom believed by some communities, with the goal to improve marketing performance, especially the increase in sales volume, market share and profitability. The results of this study are in accordance with previous researches which claimed a significant difference between the price and the marketing performance (Simmons and Schindler, 2003; Brown *et al.*, 2002).

The effect of the marketing performance to space, businesses are choosing to do business, made the appeal to attract customers to choose a location that is easily accessible and easy to reach. The location provides a positive aura for businesses in hopes of improving marketing performance. The results of this study state that there is a significant influence between the place and the marketing performance and are in accordance with previous studies, especially on the dimensions of the superstitious believing in lucky numbers (Antipov and Pokryshevskaya, 2015; Fortin *et al.*, 2014; Shum *et al.*, 2014).

The direct effect of local knowledge on the performance of marketing is much smaller than the indirect effect through the product, price and place. The direct impact on the performance of local wisdom is smaller than the marketing of local knowledge on the performance's impact of marketing variables mediated by product, price and place before hand. The meaning of this statement is that the stronger influence of local wisdom compared with the direct influence on the performance of marketing is lower. However, when the influence of local knowledge mediated by product, price and place is getting stronger, the impact of marketing performance is getting stronger too. Thus the effect level of product, price and place must be adapted to in order to

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have a strong relationship with the local wisdom and well adapted to the marketing performance.

Some previous researchers stated that local knowledge indirectly affects marketing performance, moderated by other variables. The results of this research are in accordance with the results of Antipov and Pokryshevskaya (2015), Fortin *et al.* (2014) and Shum *et al.* (2014) which stated that the product brands that adopt the values of local wisdom, especially superstitious mediated product is believed to have a significant relationship with the marketing performance in the dimension of sales.

Price results of this research coincides with findings by Fortin *et al.* (2014), Ruf *et al.* (2001), Simmons and Schindler, (2003) fulfilling their insignificant effect between pricing using lucky numbers with the variable of marketing performance sales indicator.

The results of this research coincide with the findings of Antipov and Pokryshevskaya, (2015), Chau *et al.* (2001) stating that the existence of significant influence between the place and the performance marketing, is because it uses a numbering to the location with the lucky number believed by local wisdom.

### **2.3 Discussion of the Managerial Implications**

Product is one of the variables that determine the activities of a business. Without a product, a company cannot carry out activities to achieve the expected results. Therefore, strategies related to various aspects of a product, such as the brand name, the shape, the packaging, the ethical, the aesthetic feeling, the quality and the innovative character of the product are needed. The product strategy applied by most businesses with a combination of local knowledge trusted attention to the local community to be able to meet and satisfy the needs or desires of consumers, both tangible and intangible. But businesses are not yet using symbols that are not in conformity with the values of local wisdom in the brand name for products marketed as part of the marketing strategy of the product.

Pricing strategies greatly affect consumers' perception to spend money to obtain a product. Therefore, businesses need to determine a pricing strategy for the product as the consumer is looking the price competition between businesses while the latter are looking for the continuation of business life. Business strategy adopted by, among others determining the competitors' special prices and price discounts, by using the numbers in the trust business that will provide luck in business, unless the business has not used the lucky number in pricing discounts for the sale of certain products. For the consideration of certain products businesses provide the gains on sales, being their first priority and the first choice, if they decide to share market regions or cities.

Place strategy in marketing the product is used by businesses to attract consumers' desires or win the competition with competitors. The necessary strategy in the

selection of a place is important. Some businesses pay attention to local knowledge trying to avoid problems related to location of the business, the position where the place of business is "skewer", or the number of sites to use. They never use numbers having a less fortunate meaning. Besides the selection of a strategy businesses should pay attention to the access that is easily accessible by consumers, a location number that is easy to remember, the location of a place of business that is strategically located in a place or location crowded, a lot of attention of people passing by as well as the convenience of consumers when going to the location of the business. In business practices most businesses need a strategy or tactics to support business's growth with regard to local wisdom that trusted by businesses and consumers as a combination in implementing product marketing strategy, pricing and selection of business premises, creating expectations that are in comfort in business, a sustainable business future without neglecting the local wisdom.

### **3. Conclusion and Recommendations**

#### **3.1 Conclusion**

- a. Business location, at the Glossary Center Cililitan and Jatingara Indonesia, some businessmen still believe that the dimensions contained in the variables of local wisdom are influenced by the continuity of business, but for the location of Cipulir area, some businessmen do not believe that local wisdom affects business continuity.
- b. Local wisdom is considered good, especially the business aspect to avoid restrictions that are based on a custom and believed, in the tradition taboo trusted by businessmen and attention to supernatural powers. That is not a good aspect among other businesses doing consultation to the paranormal or elders.
- c. Products are judged good, especially in the aspect of brand, easy to say that packaging design shows the characteristics and appeal in the form of the product by paying attention to local wisdom trusted by the businessman.
- d. Price is considered good, especially in terms of the price that determines the quality of the products in a competitive pricing environment.
- e. The place is considered good, trusted in the local wisdom, auspicious location number to determine the location of his business, and choose the layout position of a place of business is within easy reach and there is a good access available in the location of his business.
- f. Marketing performance is considered good, especially on the business aspects of increasing sales regardless of the number of competitors, by marketing their products in an aggressive manner, providing a more varied product segmentation to enhance market share in an attempt to improve the profitability of sales.
- g. The influence of one variable with other variables proved to be positive and significant, that is the local wisdom variables have a positive effect on the product, local wisdom has a positive effect on price, local wisdom positively

affects the place and the product positively affects marketing performance. Price has a positive effect on marketing performance, except the case where local wisdom has negative effect to marketing performance.

### **3.2 Recommendations**

The research is expected to be useful for businesses, customers as well as for marketing strategy. Some suggestions are presented below based on this research that have strengths and weaknesses, however they can be considered for further evaluation. Businesses to improve marketing performance need to pay attention on local wisdom conducting periodic evaluations on the following aspects:

- Maintain the quality and the attractiveness of the products by considering local knowledge.
- Use symbols in trademarks that are sensitive to the marketed product needs to consider the local knowledge and the value of local communities.
- To develop business forward, it must be done in a consistent way by choosing strategic place which is accessible and have wide access to consumers.
- Businesses need to consider the location seriously to avoid conflicts with the local knowledge of the local community.
- Competitive prices to attract massive clients.

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