

Promoting Local Products through One Village One Product and Customer Satisfaction

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Abstract—In global competition nowadays, the world economy heavily depends upon high technology and capital intensive industries that are mainly owned by well-established economic and developed countries, such as United States of America, United Kingdom, Japan, and South Korea. Indonesia as a developing country is building its economic activities towards industrial country as well, although a slightly different approach was implemented. For example, similar to the concept of one village one product (OVOP) implemented in Japan, Indonesia also adopted this concept by promoting local traditional products to improve incomes of village people and to enhance local economic activities. Analysis on how OVOP program increase local people's income and influence customer satisfaction were the objective of this paper. Behavioral intention to purchase and re-purchase, customer satisfaction and promotion are key factors for local products to play significant roles in improving local income and economy of the region. The concepts of OVOP and key factors that influence economic activities of local people and the region will be described and explained in the paper. Results of research, in a case study based on 300 respondents, customers of a local restaurant at Tangerang City, Banten Province of Indonesia, indicated that local product, service quality and behavioral intention individually have significant influence to customer satisfaction; whereas simultaneous tests to the variables indicated positive and significant influence to the behavioral intention through customer satisfaction as the intervening variable.

Keywords—Behavioral intention, customer satisfaction, local products, one village one product.

I. INTRODUCTION

GLOBALIZATION especially in economy has made less trade barriers between regions so that local products are more available in markets than those were before. The concept of OVOP that encouraged village people to utilize local resources to produce high added values of their local products, may also affect the increase of local products availability in markets. Therefore, many products and services are evaluated by taking into account local region of origin as a potential competitive differentiation in the market of each region. This situation makes 'local product', considered as one of important areas of research in consumer behaviors and attract attention of many researchers in marketing.

Monthly report on social economic data on "growth rate and distribution of GDP" based on area of business year 2009-

2013 [1] showed that in 2013 sector of trade, hotel and restaurant was the third position i.e. 14.33%, the second position was agriculture 14.43%, and the first rank was processing industrial sector 23.69% (Table I). Local products that related to the three sectors provided high contribution to GDP.

The objectives of this paper were two-fold. *First*, it described the concepts of OVOP and contribution of local products to enhance economic activities and people's income in the region. *Second*, it showed the influence of local products, service quality, and behavioral intention to customer satisfaction.

II. CONCEPTUAL BACKGROUND

A. OVOP Concepts

OVOP or *Isson Ippin Undō* (Japanese) is a regional development program that was started in Oita Prefecture - Japan by Morihiko Hiramatsu in 1979. Morihiko Hiramatsu was the Governor in Oita Prefecture selected for six time periods due to the success of OVOP program in the province.

In this concept, community should produce selected goods with high added values [2], [3]. One village produces one main product as an effort to increase income and living standard of people in the village. Products that have been successfully developed with the OVOP approach in Oita Prefecture were Shitake mushroom, kabasu (*citrus sphaerocarpa*), green house mikan, beef, and barley (*shochu*).

Three basic principles of OVOP are:

1. Local but global: OVOP directs people to think globally and act locally. At the initial stage, people develop special/unique goods in which quality, package, benefit cannot be substituted by other products (differentiated products). Eventually the products are expected to have fanatic consumers' in-country and international markets. For example, shitake mushroom of Oita prefecture Japan has been exported for 30% of total market.
2. Self-reliance, creativity and innovation: OVOP is intended that every village selected has one product facilitated by government to be further developed. Government provides facilities for development of a product with competitive program selected using a very tight system. Program that reflects self-reliance, creativity, and innovation of the people would be the priority to get the facility. On the other hand, OVOP facility avoids any aids that cause distortion to the spirit of self-reliance, creativity and innovation that hampers the success of OVOP in long terms. Government should focus on creation of conducive situation for business such

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as regulation, R&D, capacity building and product promotion.

3. Human Resources Development: HRD should always be maintained to cope with changes in technology, products,

fashion, and design. Shared experiences in business development such as how to improve products, or how to do market penetration should be encouraged to members of cooperations.

TABLE I
GROWTH RATE AND DISTRIBUTION OF GDP BASED ON BUSINESS SECTOR YEAR 2009-2013 (IN PERCENT)

Business Sector	Growth Rate ¹⁾					Distribution ²⁾				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
1. Agriculture, veterinary, forestry, & fishery	3.96	3.01	3.37	4.20	3.54	15.29	14.71	14.71	14.50	14.43
2. Mining & extraction	4.47	3.86	1.60	1.56	1.34	10.56	11.16	11.82	11.80	11.24
3. Processing industry	2.21	4.74	6.14	5.74	5.56	26.36	24.80	24.35	23.97	23.69
4. Electricity gas & clean water	14.29	5.33	4.71	6.25	5.58	0.83	0.76	0.75	0.76	0.77
5. Construction	7.07	6.95	6.07	7.39	6.57	9.90	10.25	10.16	10.26	9.99
6. Trade, hotel, restaurants	1.28	8.69	9.24	8.15	5.93	13.28	13.69	13.80	13.96	14.33
7. Transportation & communication	15.85	23.42	10.70	9.98	10.19	6.31	6.57	6.62	6.67	7.01
8. Finance, real-estate & corp services	5.21	5.67	6.84	7.15	7.56	7.23	7.24	7.21	7.27	7.52
9. Services	6.42	6.04	6.80	5.25	5.46	10.24	10.24	10.58	10.81	11.02
GDP	4.63	6.22	6.49	6.26	5.78	100.00	100.00	100.00	100.00	100.00
GDP without oil & gas	5.00	6.60	6.98	6.85	6.25	91.71	92.17	91.60	92.21	92.65

1) Based on constant price 2000

2) Based on current price 2013

B. OVOP in Indonesia

The approach to implement OVOP in Indonesia was based on OVOP implemented in Japan and Thailand. OVOP in Indonesia was based on a regional development concept - development of a region: a village, district or regency then selection of one main product produced by creativity of people in the village. Local resources, local wisdom and high added values were also included in the approach of OVOP. The selected products for OVOP were not tangible products only but also intangible products; for example, cultural and artistic products specific to a region that have high values in global markets. This situation leads to the concept of one district/township one core competency meaning that a core competency should be owned by a region to build competitiveness of a region in a global market. A core competency of a region may be determined from uniqueness, specialty of a region, richness in natural resources, and opportunity to penetrate international markets.

OVOP in Indonesia has been part of national development. OVOP implementation [4], [5] was based on the presidential instruction No. 5/2008 about Focus of Economic Program Year 2008-2009 in line with the presidential instruction No. 6/2007 about Policies on acceleration of real sector development and micro small and medium business (UMKM). The instructions were directed to drive effectiveness of OVOP development through coordination of ministries, and regional/local governments for the success of OVOP movement. The Minister of Industry translated the presidential instructions into Ministerial Decree No. 78/M-IND/PER/9/2007 about Enhancement of effectiveness in development of Small and Medium Industry (IKM) through OVOP approach. Furthermore, Ministry of Cooperation and Small and Medium Business has used OVOP as the main performance indicator (IKU) to measure the success of the Ministry Year 2010-2014. In 2010-2014 the Ministry of Cooperation and Small and

Medium Business has targeted 100 OVOPs in district/township across Indonesia as the milestone [4], [5].

Overall, the objectives of Indonesia OVOP were (i) to develop local products as main commodities that are potential for local and international markets, (ii) to develop and enhance quality and added value of products, so that they have capability to compete with products of other countries (import), and (iii) to increase income of local people.

For OVOP program, products should fulfill the following criteria:

1. Nominated by a region, products have been produced from generation to generation
2. Specific to a region, and local based resources
3. Appearance & quality fulfill market requirements;
4. There should be a great opportunity for products be accepted by domestic and international markets
5. High economic values
6. Drive local/regional economy.

C. Challenges, Progress and Problems of OVOP

OVOP concepts have been successfully implemented in Japan, Thailand and some other countries. For Indonesia, the challenges were:

- Would this OVOP Program be a success story, and improve welfare of local people as it happened in Japan, Thailand and other countries?
- How to involve all components of local people to the Program?
- Would it provide added values to local products that already existed from generation to generation?
- How commitment and involvement of all components of local people to the program?

In general, the OVOP program implementation has achieved a great success. This can be indicated that more than 50 products of OVOP in Indonesia under direction and supervision of the Ministry of Cooperation and Small and

Medium Business have gone through international markets [5].

Management and marketing of those OVOP products were conducted in-cooperation with institutions from Taiwan, Korea Trade-Investment Promotion Agency (Kotra), Lotte Mart and Q10 mini markets. Asparagus (*Asparagus officinalis*) of Bali, onion and garlic of Central Sulawesi, and *Aloe vera* (lidah buaya) of West Kalimantan were considered the most successful OVOP products. These products were distributed to markets directly and online (*e-commerce*). This success should provide evidences that the OVOP program enhanced economic activities of the people in the villages who joined the program [6]. In addition, Firdaus reported that OVOP program of Jambu biji merah (*Psidium guajava*) in Rawadenok, Depok – West Java, and OVOP of banana in Muncang, Lebak - Banten increased income of the people in the villages [7]. However, several problems were encountered in implementing the program, among other things were:

- ✓ Weaknesses in coordination of stakeholders (government, community, business)
- ✓ Local people may be unaware of local products potential in their regions
- ✓ Financial supports from central and local governments may be inadequate
- ✓ No information and studies/research on local products, behavioral intention to buy local products, and other factors that influence purchasing local products in markets.

III. A CASE STUDY ON LOCAL PRODUCTS, BEHAVIORAL INTENTION AND CUSTOMER SATISFACTION

As an illustration, the following paragraphs explained relationships between local products, behavioral intention and customer satisfaction with a case study of Hj Kokom restaurant in Tangerang City, Banten Province, Indonesia. The restaurant sells fast foods with specialty of fried chicken, special in terms of ingredient and the way to cook that are specific to the local village – Cipondoh, Tangerang city.

A. Definitions

In the case of Hj Kokom restaurant, four variables were used and defined as follows:

- The local product is the product where the product was made at the local region as its origin; in the case of Hj Kokom restaurant products, the local region of origin was Cipondoh village in the city of Tangerang, Banten Province, Indonesia.
- Quality of services is every action or activity that may be offered by one party to other parties, basically intangibles and has no effect to whatever ownerships [8]. Reaction or effect of customer satisfaction is implementation of the success of quality services to meet customer expectation.
- Customer satisfaction is a customer attitude towards products and services after customer obtained and used products, as a result of comparing between obtained and expected achievement or product [8].

- Behavioral intention is a customer want to behave in such a way to have, disburse, and use products or services as indication of customer satisfaction [9].

B. Relationships between Local Products, Service Quality, Behavioral Intention and Customer Satisfaction

Quality of services will drive consumers to build strong relationships with companies. In the long terms, this relationship makes it possible for companies to have a good understanding to consumer expectations and needs related to their consumer satisfaction. Therefore, companies may enhance customer satisfaction by maximizing experience of customer happiness and minimizing experience of customer less-happiness. Customer satisfaction is an important parameter in order for the business be maintained continuously. Research of Ajis showed that experience has a positive influence to service quality, customer satisfaction and behavioral intention [10]. To reach optimal customer satisfaction, companies should improve service quality so that customer wants and needs can be satisfied and more importantly customers will not move to competitors. A model of relationships among variables is illustrated in Fig. 1.

C. Population, Sample and Data Analysis

To analysis relationships among variables, it is hypothesized that there are relationships among variables partially and simultaneously. To test the hypothesis, customers whoever came and bought the foods at Hj. Kokom restaurant were considered as the population [11]. *Non Probability Sampling method of Purposive Sampling techniques* was used. Sample size was 300 customers. The data collected were analysed quantitatively. *Structural Equation Modelling (SEM)* of AMOS 22 software was applied for data processing and analysis. Results of analysis explained causal relationships of variables developed in the model.

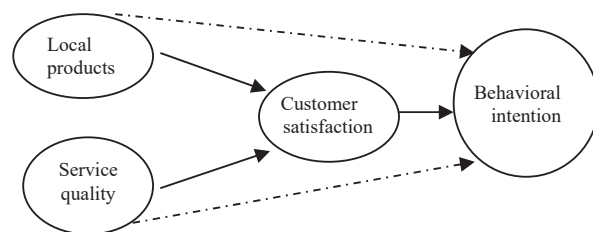


Fig. 1 A model of relationships among variables

D. Results

The partial analysis showed a positive and significant influence between the local product and customer satisfaction. Similarly, there was a positive and significant influence between service quality and customer satisfaction, as well as, a positive and significant influence between customer satisfaction and behavioral intention. Furthermore, the simultaneous analysis showed a positive and significant influence between the local product and service quality to behavioral intention through customer satisfaction as the intervening variable.

IV. CONCLUSIONS AND IMPLICATIONS

A. Conclusions

From analysis of the OVOP implementation in Indonesia and results of the case study, we drew conclusions as follows:

1. Three OVOP principles should be the basis of OVOP implementation in Indonesia regions. These three principles (local but global; self-reliance, creativity and innovation; and human resources development) would enhance local products into superior products.
2. Competitiveness should be built and developed. Local products (OVOP) will have a competitive power at national and international markets if they embody four key factors i.e., well established institutions (cooperation), good coordination between central and local governments, cooperation with universities for innovation of local products, and fulfillment of international market standards.
3. OVOP program should consider quality of products, quality of services, behavioral intention, and customer satisfaction. There was a positive and significant influence between local products to customer satisfaction; a positive and significant influence between service quality and customer satisfaction; a positive and significant influence between customer satisfaction and behavioral intention;

B. Implications to OVOP Program

Based on results of the case study, similar implications may apply to OVOP program as follows:

1. Objectives of most companies are to enhance customer satisfaction from time to time. Related to local products, the local people should maintain and improve their skills and expertise so that quality of the local products can be maintained and improved. Creativity and innovation are important to make more variety of local products to anticipate changes of customer tastes in the future.
2. In term of service quality, facilities such as parking lots, waiting rooms, delivery time, servant attitude (communication, tidiness, politeness) should be given attention to make customers comfortable and feeling in attention. It is also important for local products to have attractive packaging that satisfies international standards.
3. Aside quality of services and quality of local products, other factors (e.g., price, place, promotion) that influence customer satisfaction should be improved. Expectation of customers that may lead to customer satisfaction should be fulfilled because customer satisfaction directly influences behavioral intention.
4. Local government should provide information and know local products that are potential for OVOP program. This will strengthen OVOP movement in villages. Local government also should help promoting local products to domestic and international markets, so that demand for the products increases, and income of local people increases as well. In addition, public facilities, and

infrastructures should be maintained and improved to accelerate economic activities in the regions.

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