

From Green Brands to Marketing Gains: Exploring Eco-Brand Resonance Capability in Indonesian Handicraft SMEs

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ABSTRACT

This study aims to analyze the role of eco-brand resonance capability in improving the marketing performance of small and medium enterprises (SMEs) in the Indonesian handicraft industry. As consumer awareness of sustainability increases, environmentally-based marketing strategies are becoming increasingly important for companies to maintain competitiveness. This study uses a quantitative approach involving 112 SME owners in the handicraft sector. Data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) to evaluate the relationship between eco-brand resonance capability and marketing performance. The results show that eco-brand resonance capability plays a significant role in improving marketing performance through consumer loyalty and positive perceptions of environmentally friendly brands. The implications of this study indicate that SMEs that invest in eco-brand resonance strategies can gain sustainable competitive advantages, increase customer loyalty, and strengthen brand position in the market. Therefore, a sustainability-based approach is not only a marketing strategy but also a long-term investment in sustainable business growth and contributes to the strategic management and sustainable marketing literature and offers a new model that combines dynamic capability and resource advantage theories.

Keywords: *eco-brand resonance capability, marketing performance, handicraft SMEs, sustainability, Indonesia, dynamic capability and resource advantage.*

1. INTRODUCTION

Issues related to sustainability are increasingly becoming a concern for many groups. People are starting to realize the importance of preserving the environment to create sustainability. This can also be seen from the increasing public awareness of the importance of supporting environmental conservation programs. Consumers are increasingly aware of the importance of environmental conservation and sustainability (Rhein & Schmid, 2020). Consumer awareness of the importance of preserving the environment can be seen in consumption behavior that tends to choose products and brands that are committed to the environment and environmentally friendly business practices (Ottenbacher, Harrington, & Kim, 2019). Companies need to adjust their marketing strategies in order to capture evolving consumer preferences (Marc & Rasul, 2022). Companies must adapt to consumer behavior that is starting to care about sustainability and environmental conservation issues.

An effective eco-branding approach aims to improve corporate strategy through optimizing marketing performance. By building consumer trust and loyalty and expanding market share, companies can achieve better results, both financially and non-financially (Davidenko, Sherimova, & Kunyazova, 2024; Tatoglu et al., 2019). Despite offering various benefits, implementing eco-branding can be challenging for many SMEs (Houman, Åberg, & Bujac, 2023). These obstacles generally arise due to limited resources and a lack of understanding of how to implement sustainable business practices (Rego et al., 2022). Therefore, this study is expected to provide useful insights for companies, academics, and policy makers in formulating more effective and sustainability-oriented marketing strategies.

One of the industrial sectors in Indonesia that is oriented towards exports is handicraft products. However, in the last five years, exports of this product have experienced a significant decline (Amoah & Jibril, 2021). In 2015, the export value reached US\$ 185 million, but decreased to US\$ 156 million the following year. A sharp decline occurred in 2017, when the export value only reached US\$ 73.8 million, down 53% compared to the previous year. In the last two years, exports of handicraft products to the international market have ranged from US\$ 52-54 million, while from January to July 2020, the recorded export value only reached US\$ 21.5 million. In the first quarter of 2023, the export performance of this product did not change much compared to the previous year. Although it recorded a positive trend in January

with an export volume of 39,436.97 kilograms and a value reaching US\$ 835,358.90, demand declined again in February. As a result, the export volume fell to 31,267.15 kilograms with an export value of US\$ 563,577.38 (Masocha, 2021).

The explanation above shows that there are fundamental problems faced by handicraft SMEs in Indonesia. Research related to the main problems faced by handicraft SMEs in Indonesia are capital problems, lack of quality raw materials, and marketing infrastructure. It was recorded that 1,461 businesses experienced difficulties in capital. MSME businesses are not just about making or producing goods, but they must also have a marketing strategy so that demand is high and production runs smoothly (Raya et al., 2021). The marketing strategy for handicraft products must be adjusted to business conditions, especially the very dynamic export market. The marketing performance of handicraft products must adjust to changes in current consumer behavior who are starting to realize the importance of environmentally friendly products and raw materials for handicraft products that support sustainability. MSME businesses must adjust their marketing strategies so that they are able to adapt to the global marketing situation that continues to change towards issues of sustainability and environmental preservation.

The purpose of this study is to build an empirical research model on the role of eco-brand resonance capability that influences the marketing performance of handicraft SMEs in Indonesia. This study is also to conduct empirical testing of the research model built and the proposed hypothesis. In addition, this study is important because it can help handicraft SMEs to continue to improve their marketing performance even for export products in order to be able to open up job opportunities for the community. Another thing is that little research on handicraft SMEs is based on the development of new concepts from the synthesis of previous theories or concepts.

2. Literature Review

2.1. Eco-Brand Resonance Capability

Eco-brand resonance capability is the company's capability to build emotional relationships with consumers based on the principles of environmental sustainability (Chen & Chang, 2013). Effective brand resonance allows consumers to feel emotional closeness to brands based on sustainability. There are three main dimensions in eco-brand resonance: (1) Eco-Trust, where consumers believe that products are environmentally friendly, (2) Eco-Identification, where consumers feel emotional involvement, and (3) Eco-Satisfaction, which shows satisfaction with the ecological benefits offered by the product (Ottman, 2017). Research by Ottman (2017) found that consumer engagement with brands committed to sustainability increased by 20% compared to conventional brands. This shows great potential for SMEs to improve marketing performance by building eco-brand resonance.

2.2. Market Sensing Capabilities

Market sensing capability is the company's ability to detect and respond to market dynamics proactively (Day, 1994). In the context of handicrafts, this capability enables SMEs to understand the trend of increasingly environmentally conscious consumers and choose environmentally friendly products. Chen et al. (2016) found that companies with strong market sensing capability are able to predict consumer needs and adjust their strategies to win the market. In the handicraft sector, this capability is very important considering that SMEs need to adapt to changing global trends in terms of product preferences, environmentally friendly practices, and sustainability values sought by consumers.

2.3. Market Performance

Competitive advantage comes from the utilization of unique resources and innovative capabilities owned by the company (Barney, 1991). By utilizing eco-brand resonance, SMEs can create an environmentally based competitive advantage that has an impact on increasing market share and consumer loyalty (Hart, 1995). Market Performance also increases because this strategy strengthens product differentiation and promotes positive brand perceptions in the eyes of consumers. According to Porter (1985), sustainability-based differentiation provides companies with the opportunity to avoid direct competition with price-oriented competitors, and allows them to develop long-term relationships with consumers.

This study proposes two hypotheses, the first is that market sensing capability has a significant effect on eco-brand resonance capability and the second is that eco-brand resonance capability has a significant effect on market performance.

3. RESEARCH METHODS

This research is a quantitative study with a survey method conducted in Indonesia, involving 112 handicraft entrepreneurs. Respondents were selected through stratified random sampling techniques to ensure data diversity.

Each variable is measured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) with the following indicators, in the eco-brand resonance capability variable there are indicators in the form of eco-trust, eco-identification and eco-satisfaction (Chen & Chang, 2013). The market sensing capability variable has indicators in the form of the ability to detect market trends, the ability to respond to consumer needs. And the market performance variable has indicators of sales volume, market share and customer loyalty.

Data were analyzed using SEM with the AMOS version 22 tool. SEM was used to test the strength of the relationship between variables and the validity of the research model.

4. RESULTS AND DISCUSSION

The response profile of 112 handicraft entrepreneurs in Indonesia is as follows;

Table 1. Respondent Profile

Demographics Category	Classification	Total	Percentage
Gender	Female	75	67%
	Male	37	33%
Age	17–25	23	21%
	26–35	25	22%
	36–45	32	29%
	Above 45	25	22%
Domicile	Surabaya	15	13%
	Sidoarjo	8	7%
	Mojokerto	10	9%
	Malang	12	11%
	Pasuruan	12	11%
	Jombang	10	9%
	Madiun	10	9%
	Ponorogo	8	7%
	Probolinggo	8	7%
	Banyuwangi	17	15%
Monthly Income	IDR 5–9.9 million	36	32%

	IDR 10–14.9 million	43	38%
	IDR 15 million and above	33	29%

Table 2. Measurement Model (Outer Model)

AVE (Average Variance Extracted)		Results
Market Sensing Capability	0.743	Valid
Eco brand Resonance Capability	0.732	Valid
Marketing Performance	0.770	Valid

Table 3. Fornell Larcker Criterion

	Market Sensing Capability	Eco-brand Resonance Capability	Marketing Performance
Market Sensing Capability	0.862		
Eco brand Resonance Capability	0.337	0.856	
Marketing Performance	0.414	0.330	0.878

Table 4. HTMT (Heterotrait-Monotrait Ratio)

HTMT (Heterotrait-Monotrait Ratio)		Results
M-Sen_Cap -> Eco Brand resonance Capability	0.375	Valid
Eco Brand resonance Capability -> Marketing Performance	0.493	Valid

Table 5. Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Results
Market Sensing Capability	0.931	0.933	0.945	Reliable
Eco brand Resonance Capability	0.819	0.839	0.891	Reliable
Marketing Performance	0.730	0.737	0.847	Reliable

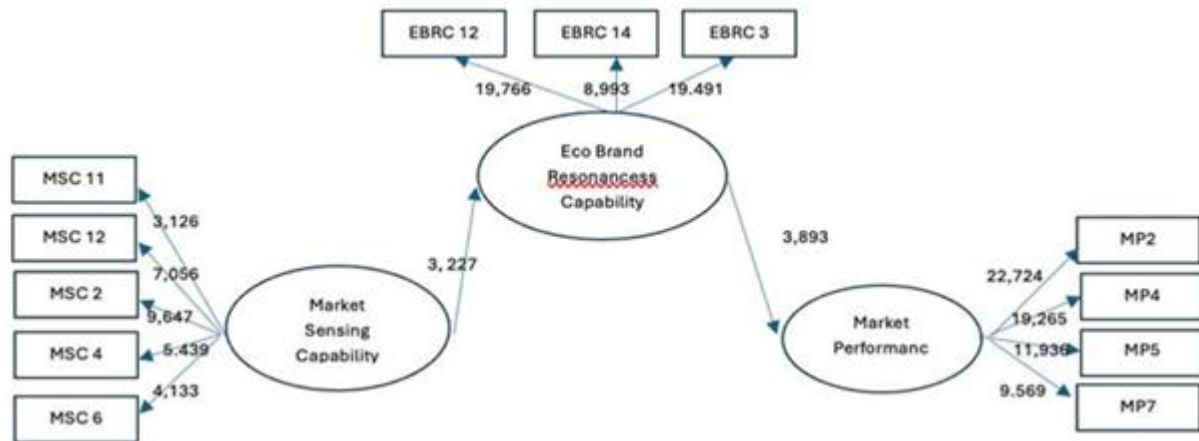


Figure 1. Research Model

Table 6. Path coefficients & indirect effects

Cases	Sum of Squares	df	Mean Square	F	p
Market Sensing Cap à EcoBrand resonance capability	0.236	0.238	0.077	3.227	0.002
Eco Brand resonance Capability à Marketing	0.274	0.276	0.080	3.883	0.001

4.1. The Influence of Market Sensing Capability on Market Performance

Market Sensing Capability (MSC) is the ability of an organization to systematically observe, interpret, and respond to relevant market changes and trends (Day, 1994). In the context of SMEs, especially in the handicraft and eco-friendly product sectors, MSC becomes crucial because the market is experiencing rapid changes in consumer preferences, technology, and environmental regulations. Companies that have high market sensing capability can be more agile in understanding the "emerging needs" of consumers and make strategic adjustments faster than competitors (Day & Schoemaker, 2000). This capability allows companies to identify market opportunities and threats earlier, resulting in marketing strategies that are more responsive, relevant, and have an impact on Market Performance (MP)—which includes increased sales, consumer loyalty, expanded market share, and strong brand perception (Vorhies & Morgan, 2005). In the SME sector, especially in sustainable handicraft products, companies that are able to "absorb" changes in consumer preferences—for example, increased demand for eco-friendly products—can innovate products and brand communications in a targeted manner. This has a direct impact on improving marketing performance through increased product differentiation, positive brand image, and reduced risk of misguided strategies (Menguc & Auh, 2006). A study by Mavondo et al. (2005) in the context of SMEs in the manufacturing industry showed that market sensing capability is positively and significantly correlated with product innovation and customer satisfaction, two important components in measuring market performance. Similarly, Najafi-Tavani et al. (2016) emphasized that market sensing capability is a major determinant in building sustainable competitive advantage in volatile markets.

4.2. The Influence of Eco-Brand Resonance Capability on Market Performance

The results of the analysis show that eco-brand resonance capability has a significant influence on marketing performance in Indonesia, with some differences in the intensity of its influence. In Indonesia, the standard coefficient value for the eco-brand resonance capability variable on marketing performance reaches 0.65. This indicates that handicraft SMEs in Indonesia can strengthen the eco-brand resonance approach by emphasizing environmental and sustainability benefits, to attract consumers who are more aware of environmental impacts, especially in big cities. Research by Chen & Chang (2013) found that strong eco-branding increases consumer perceptions of value and trust in brands, which ultimately improves market performance. This study shows that ecological-based brand resonance can increase consumer satisfaction by 25% and repurchase intentions by 30% compared to regular brands. In addition, a study by Baumgartner & Ebner (2010) confirmed that companies that integrate sustainability into their brand strategies

show significant improvements in terms of brand reputation and consumer retention. Eco -Brand Resonance Capability (EBRC) refers to a company's ability to create emotional closeness between consumers and brands based on environmental sustainability values (Chen & Chang, 2013). EBRC is built from three main dimensions: Eco-Trust, Eco-Identification, and Eco-Satisfaction (Ottman, 2017). When companies successfully embed these three aspects into their brands, consumers not only see the product as functional, but also as an extension of their personal values towards the environment. In the context of marketing, this capability has a significant influence on Market Performance (MP) for several important reasons: 1) Increasing Consumer Loyalty Consumers who feel value alignment with the brand tend to show higher loyalty (Chen, 2010). EBRC creates long-term relationships based on emotions and ecological values, which are stronger than just rational satisfaction. 2) Market Differentiation By prioritizing sustainability aspects, companies create uniqueness that is difficult to imitate, thus gaining a competitive advantage (Porter, 1985). This differentiation helps improve brand positioning and makes it easier for companies to avoid price competition. 3) Increasing Positive Word of Mouth Customers who are satisfied emotionally and value-wise (not just functionally) are more likely to recommend the product to others. Chen & Chang's (2013) study showed that EBRC can increase repurchase intention and word of mouth promotion. 4) Increased Perception of Product Value EBRC strengthens consumers' perception that the product is of higher value because it contributes to environmental conservation (Leonidou et al., 2013). This allows companies to set premium prices and increase profit margins.

4.3. Managerial Implications

For SMEs, especially in the creative industry and handicraft sector, developing EBRC is an efficient and impactful strategy. With limited resources, they can prioritize sustainability and authenticity values to attract environmentally conscious consumers. This opens up opportunities to expand market share, especially in the millennial and Gen Z consumer segments.

5. CONCLUSION

Based on the analysis that has been done, it can be concluded that Eco-Brand Resonance Capability (EBRC) plays an important and significant role in improving Market Performance, especially in the context of SMEs engaged in the environmentally friendly industry. The company's ability to build ecological trust (eco-trust), create emotional consumer involvement (eco-identification), and provide ecological satisfaction (eco-satisfaction) has been proven to be able to strengthen consumer loyalty, product differentiation, and positive perceptions of the brand. The three dimensions in EBRC complement each other and contribute to the creation of added value that is not only emotional but also functional for consumers. As a result, companies that are able to build sustainability-based brand resonance tend to experience increased market performance through expanding the customer base, increasing repeat purchases, and strengthening brand positioning amidst increasingly competitive market competition. Thus, strategic investment in strengthening EBRC is an important step that must be taken by business actors, especially in an era of consumers who are increasingly aware of environmental issues. Success in building eco-brand resonance not only improves business performance in the short term, but also strengthens the foundation of the company's sustainability and long-term growth in the future.

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