Local Wisdom as Strategic Entrepreneurial Marketing: An Exploratory Factor Analysis and Regression Study

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Abstract

This study potrays the impact of integrating local wisdom into marketing strategies on the marketing performance of Small Medium Enterprises (SMEs) in a country with rich and diverse cultural heritage called Indonesia. Using Exploratory Factor Analysis (EFA), the research identifies key dimensions of local wisdom-based marketing strategies. Subsequently, regression analysis is employed to evaluate the influence of these dimensions on marketing performance. To gather the data, this study used a set of questionnaires that was given simultaneously to 330 SMEs Indonesia. The first set was given in order to know the factors of LW-SEM and the second set was given in order to know the influence of the constructed factors to SMEs' marketing performance. This study concludes that strategic entrepreneurial marketing can effectively integrate local wisdom values within SMEs forming the concept of LWSEM. This approach is built on eight key factors that are vital in addressing cultural storytelling, community engagement, and sustainable practices. The findings indicate that a better implementation of LWSEM significantly enhances marketing performance, showcasing how SMEs can preserve Indonesia's cultural heritage while simultaneously improving their marketing performance.

Keywords: Local Wisdom, Strategic Marketing, Entrepreneurial Marketing, Marketing Performance, Small Medium Enterprises

1. Introduction

In today's dynamic business environment, Small Medium Enterprises (SMEs) must seek opportunities in new markets to drive growth and ensure long-term sustainability [1] [2]. They need to be able to expand into new market as how it opens avenues for increasing revenue, allowing diversified customer base, and reducing reliance on a single market [3] [4] [5]. For SMEs, entering new market is one big dream that needs a well preparation. Ref [6] depicts that successful market entry heavily relies on effective marketing performance. It is usually characterized by thorough market research, increased brand awareness, and meaningful customer interactions that foster trust [7]. For SMEs, this achievemnt will enable them to differentiate

themselves from competitors which often dominated by larger, established players [8]. Distinctive unique selling values (USVs) like cultural authenticity, customization, and genuine values are also what consumers seek [9] [10]. Therefore, a more personalized and authentic approach is essential not only for establishing a strong market presence but also for fostering trust and loyalty among customers.

In the realm of strategic marketing, creating meaningful connections by honoring and integrating the unique aspects of a local culture is called local wisdom strategic entrepreneurial marketing (LW-SEM). This concept is aligned with SMEs unique characters that are strong engagement with local community, authentic local skill production, cultural storytelling, and commited to sustainable practices [11] [12]. This concept is constructed by two field of study -- social science (as from Local Wisdom-based) and management study (as from strategic entrepreneurial marketing) [13]. First, in the perspective of social science, the local wisdom is depicted as the accumulated knowledge, beliefs, and practices that are developed and passed down through generations within a specific community [14] [15] [16]. Meanwhile, value creation from a social science perspective encompasses processes through which value is generated by involving resources, capabilities, and relationships that result benefit for individuals, organizations, and communities [17] [18]. Thus, the by construing these two concepts, local wisdom value is integrated as an individual or community capability that is supported by inherited knowledge [19] [20], beliefs [21] [22], and practice that beside preserving local traditions, this capability also can generate income and benefit [23] [24]. The process of how this concept is constructed can be seen in figure 1 below:
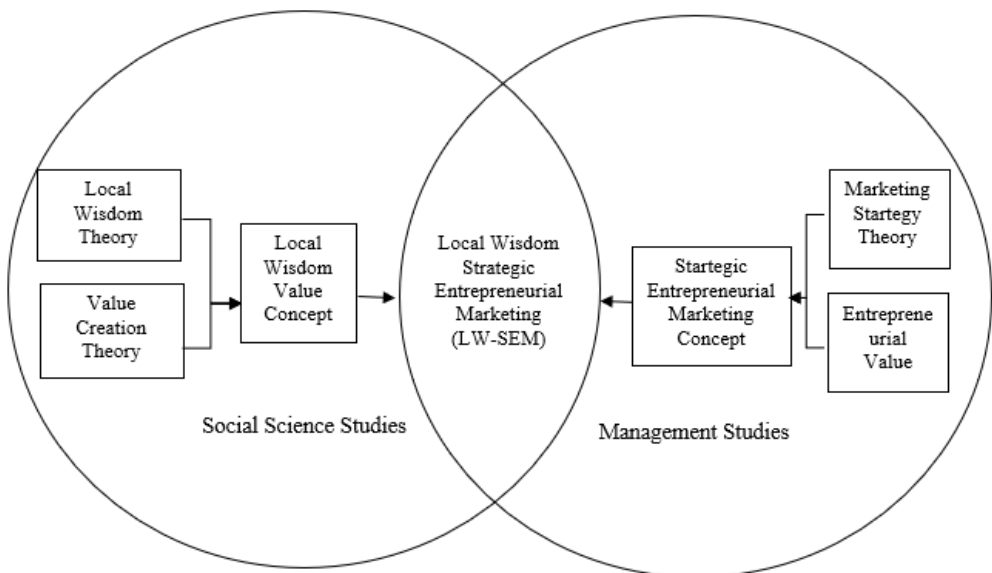

Figure 1. The construct of Local Wisdom Entrepreneurial Marketing (LW-SEM) Concept

Figure 1 shows that beside from social science study, the process of construing 'local wisdom-based strategic entrepreneurial marketing' is also constructed from management studies. In management perspective, marketing startegy is depicted as a long-term plan designed to achieve a company's goals by understanding the needs of customers [25] [26], creating a distinct [27] and sustainable competitive advantage [28]. Ref [29] stated that in creating an effective and efficient marketing startegy, it is important to consider the unique characteristics and type of business. Eventough SMEs and corporate business share the same objective of marketing startegy, their marketing approach will be different significantly due to factors like resource availability, target audience specificity, goal orientation, adaptability, and personalization capabilities [30] [31] [32]. By understanding this point, the marketing strategy for SMEs needs to be specified. Ref [29] stated that entrepreneurial value emphasizes innovation, relationship-building, adaptability, a holistic view of value creation, and market orientation. When these elements are integrated to marketing startegic concept, it constructs 'strategic entrepreneurial marketing' [19] [26]. Ref [23] and [24] depict as an integrated approach that enhances the performance of small and medium enterprises (SMEs) through leveraging unique resources and capabilities. Thus, by combining these two concepts, a more holistic view can be presented especially in the context of today's dynamic business environment.

Although there's increasing interest in local wisdom as a component of strategic entrepreneurial marketing, there's still a significant gap in understanding the specific dimensions or factors that make it effective. Current literature often overlooks which elements are most impactful for SMEs. Furthermore, many studies focus on Western or global perspectives [31] [32] [33] [34] which may not accurately reflect the unique dynamics of local wisdom in emerging markets [35] [36] [37] [38]. Reference [39] [40] [41] [42] [43] [44] believe that the local wisdom strategic entrepreneurial marketing is shaped by cultural storytelling, community engagement, and sustainable practices within the framework of small and medium-sized enterprises (SMEs). If these gaps aren't addressed, SMEs risk missing key opportunities to stand out in a competitive landscape. Without a clear grasp of how local wisdom can enhance performance, businesses may develop ineffective marketing strategies that don't leverage cultural insights, leading to lower consumer engagement and reduced market success [45] [46]. Additionally, failing to incorporate local wisdom could hinder their sustainability efforts and weaken community connections [47] [48]. Prior research has explored various aspects of marketing strategies and cultural influences, it often overlooks the unique dynamics of SMEs, which operate in resource-constrained environments and rely heavily on community engagement and cultural relevance to thrive [49] [50]. Additionally, this study emphasizes the practical applications of local wisdom in marketing strategies, providing case studies that illustrate successful implementations within SMEs [51] [52] [53]. Previous studies may have highlighted the theoretical importance of cultural elements in marketing but often lack concrete examples of how businesses effectively leverage these elements to enhance performance [54] [55]. There's an urgent need for targeted research to provide practical insights that help SMEs thrive and maintain a competitive edge in entering new market [56 – 60]. Thus, the primary objectives of this research are to uncover the factors that construct the LW-SEM and to analyse their impact on the marketing performance. By answering these questions, the research seeks to provide a deeper understanding of how local wisdom can be effectively integrated into marketing strategies to enhance the performance of SMEs. It is

anticipated that this research contributes to the development of robust theoretical frameworks that incorporate local wisdom into marketing strategies for SMEs.

2. Methodology

This study is an explorative quantitative by employing a mixed-methods approach where Exploratory Factor Analysis (EFA) was used to uncover the factors that construct the LW-SEM, and regression analysis was used to analyse their impact on the marketing performance. Ref [56] states that combining exploratory and quantitative techniques provide a more comprehensive understanding of complex phenomena and draw more robust conclusions that can inform practical applications. The model of EFA and Linear Regression is visualized below:
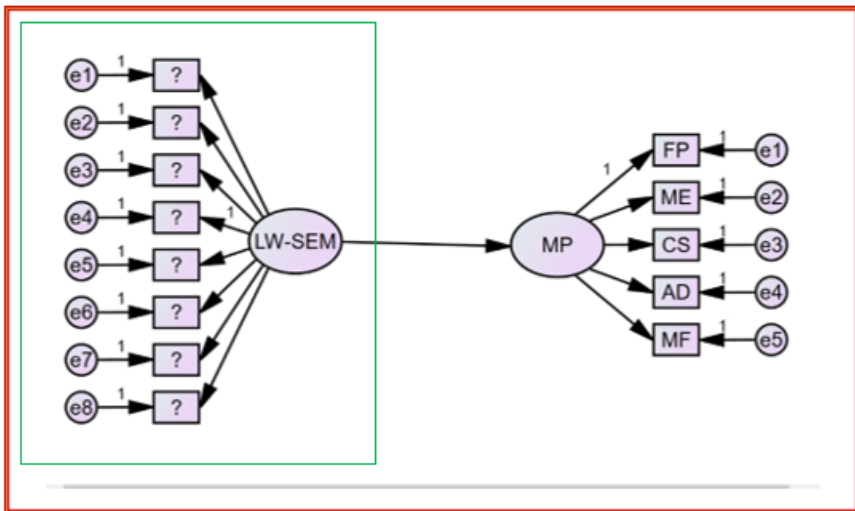

Figure 2. Explanatory Factor Analysis and Linear Regression Model

Notes:

                 = Exploratory Factor Analysis Model

                 = Linear Regression Model

Figure 2 shows that the first stage of this study was EFA. The EFA process involves several stages, they are 1) assessing the suitability of the data for factor analysis by checking measures like the Kaiser-Meyer-Olkin (KMO) statistic and Bartlett's test of sphericity; 2) extracting factors using methods like Principal Component Analysis (PCA) and determine the number of factors to retain based on criteria like eigenvalues and scree plots; 3) Rotating the factors by using Varimax to achieve a simpler structure, making it easier to interpret the underlying relationships; 4) Analyzing the factor loadings to identify which variables group together, thus

forming latent constructs. The result of EFA was used as the independent variable for the next stage.

Second stage of this study is linear regression. The linear regression involves several stages, they are 1) indentifiying of dependent and independent variables; 2) ensuring the data meets regression assumptions such as linearity, normality, and homoscedasticity; 3) fitting the regression model using statistical software (SPPS), which estimates the coefficients that describe the relationship between the independent variables and the dependent variable; 4) evaluating the model's performance using metrics like R-squared and p-values to assess the significance of the predictors; 5) interpreting the results to draw conclusions about the impact of the independent variables on the dependent variable, checking for any potential issues like multicollinearity or outliers. To add, this study hypothesizes that there is a positive and significant impact that is given by LW-SEM to the MP in the context of SMEs.

To gather the data, this study used a set of questionnaires that was given simultaneously to 330 Small Medium Entreprises (SMEs) in Indonesia. The first set was given in order to know the factors of LW-SEM and the second set was given in order to know the influence of the constructed factors to SMEs' marketing performance. Thus, the validity and reliability of the questionnaires were done twice. The profile of the SMEs is described in the following table:

Table 1. Small Medium Enterprise's Profile

Category		Percentage
Gender of the owner	Female	60%
	Male	40%
Age	< 25 years old	20%
	26 – 42 years old	50%
	> 42 years old	30%
Field of Business	F&B	40%
	Fashion	35%
	Craft	10%
	Technology	5%
	Service	5%
Marketing Program	Digital marketing	70%
	Traditional marketing	30%

Source: (Author, 2024)

Table 1 shows that SME owners are dominated by 60% women, with an age range of 26 – 42 years who belong to the millennial generation group. Meanwhile, the industry that is heavily involved is the F&B industry at 40% with the use of marketing programs, namely digital marketing, at 70% of the total sample. This demographic highlights the increasing role of women entrepreneurs in the SME sector, particularly among millennials, who are leveraging digital marketing strategies to reach their target audiences effectively. The strong representation of the F&B industry suggests a vibrant market opportunity, indicating that these entrepreneurs are adapting to contemporary consumer preferences and utilizing technology to enhance their business performance.

3. Results

1.	Exploratory Factor Analysis Result

The table below summarizes the results of two tests commonly used to assess the suitability of data for factor analysis: the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The KMO test evaluates how well the variables in a dataset are suited for factor analysis by measuring the proportion of variance among the variables that might be common variance [50]. The KMO measurement is visualised on the table below:

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.688
Bartlett's Test of Sphericity	Approx. Chi-Square	3093.448
	df	300
	Sig.	.000

Table 2 shows that the KMO value of LW-SEM is 0.688, which is considered moderate, indicating that the data is appropriate for factor analysis. Additionally, Bartlett's Test of Sphericity assesses whether the correlation matrix is significantly different from an identity matrix, meaning the variables are related enough for factor analysis to be meaningful. The test yields an approximate chi-square value of 3093.448 with 300 degrees of freedom and a significance level of 0.000. This highly significant result confirms that the correlation matrix is not an identity matrix, supporting the suitability of the data for factor analysis. To know that each of the factor is connected, the communalities test is run. The visualisation of communalities test is showed below:

Table 3. Communalities[a]

	Initial	Extraction
Cultural Value	.255	.220
Traditional Practice	.225	.125
Local Beliefs	.392	.358
SME's emotional support	.369	.400
SME's financial support	.427	.528
SMEs business understanding	.264	.227
Entrepreneurial Passion	.395	.350
Passion to business	.481	.491
Technology involvement	.518	.999
Technology understanding	.475	.412
Community Engagement	.390	.482
Local Partnership	.499	.999
Local Feedback	.395	.882
Customer relationship	.523	.522
Business Vission	.208	.038
Business Mission	.276	.250
Brand Story Telling	.449	.400
Cultural Identity	.561	.996
Cultural Adoption	.205	.112
Product Green	.510	.487
Product Sustainable	.535	1.000
Product Eco-friendly	.281	.218
Entrepreneur Program	.346	.339
Mentoring Business Program	.374	.597
Acceptance Program	.388	.531

Extraction Method: Maximum Likelihood.

a. One or more communality estimates greater than 1 were encountered during iterations. The resulting solution should be interpreted with caution.

Table 3 shows that in the communalities test there are several variables with high Extraction values, such as "Technology involvement" (0.999) and "Local Partnership" (0.999), indicate that almost all of the variation of the variable is explained by the extracted factors. In contrast, variables such as "Business Vision" (0.038) indicate that very little of the variation of the variable is explained by the resulting factors. To know the significant of each factor, total variance test is conducted below:

Table 4. Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.718	18.871	18.871	2.173	8.692	8.692	2.237	8.949	8.949
2	2.319	9.278	28.149	2.408	9.634	18.326	1.972	7.890	16.839
3	1.816	7.264	35.413	1.143	4.573	22.899	1.463	5.850	22.689
4	1.596	6.384	41.797	1.376	5.503	28.401	1.386	5.545	28.234
5	1.413	5.650	47.448	1.110	4.441	32.843	1.382	5.528	33.762
6	1.298	5.192	52.639	1.716	6.863	39.706	1.254	5.017	38.780
7	1.238	4.951	57.591	1.220	4.879	44.585	1.210	4.841	43.621
8	1.103	4.411	62.002	.811	3.244	47.829	1.052	4.207	47.829
9	.979	3.917	65.919						
10	.937	3.747	69.666						
11	.892	3.568	73.235						
12	.730	2.922	76.156						
13	.725	2.898	79.054						
14	.676	2.703	81.757						
15	.624	2.496	84.253						
16	.598	2.392	86.645						
17	.560	2.241	88.886						
18	.512	2.049	90.935						
19	.441	1.765	92.700						
20	.382	1.530	94.230						
21	.371	1.483	95.712						
22	.311	1.243	96.955						
23	.282	1.128	98.083						
24	.265	1.059	99.141						
25	.215	.859	100.000						
Extraction Method: Maximum Likelihood.									

Tabel 4 shows three columns, they are: 1) the Initial Eigenvalues column shows the eigenvalues before any factor rotation, indicating the amount of variance each factor accounts for. For example, the first factor explains 18.871% of the variance, while the second factor accounts for 9.278%, and so on. The cumulative percentage represents the total variance explained up to a certain factor. The first three factors combined explain 35.413% of the total variance in the dataset. 2)The next Extraction Sums of Squared Loadings, provides eigenvalues after the extraction of factors, but before the rotation. This column helps identify how much variance remains explained by the factors that are retained. For instance, after extraction, the first factor explains 8.692% of the variance, and the second factor explains 8.326%. The cumulative variance explained by the extracted factors increases as we move down the table, reaching 33.762% for the first five factors. 3) The Rotation Sums of Squared Loadings column, eigenvalues are presented after the factors have been rotated. The purpose of this rotation is to distribute the variance more evenly across the factors, enhancing the interpretability of each factor. After the rotation, the first factor accounts for 8.949% of the variance, the second factor accounts for 8.326%, and this pattern continues for subsequent factors. The cumulative percentage of variance explained after the rotation for the first five factors totals 33.762%, similar to the extracted values but with a more balanced distribution of variance across the

factors. In conclusion, this test indicates that factors with eigenvalues greater than 1 are considered significant. In this case, among 25 factors that is constructed, only 8 factors that meet the criterion they are factor number 1 until 8 and they can proceed to the next test.
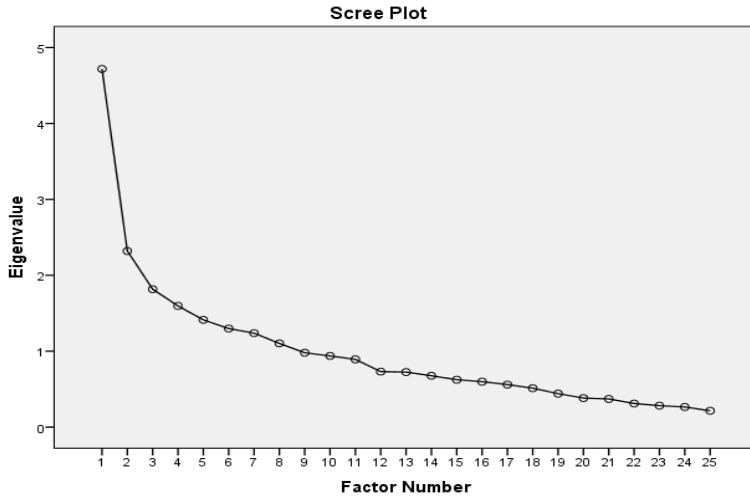

Figure 2. Scree Plot of Explanatory Factor Analysis Local Wisdom Marketing Strategy

Figure 2 provides a visual representation of the eigenvalues associated with each factor, which reflects the amount of variance that each factor accounts for. In this scree plot, the "elbow" appears around factor 8, which suggests that keeping up to 8 factors makes sense because they still explain a significant portion of the variance. After this point, the remaining factors have smaller eigenvalues and don't add much value, so they can likely be dropped to simplify the analysis. Based on the elbow, it's best to retain 8 factors as they capture the most important information without overcomplicating the model.

Table 5. Factor Matrix[a]

| | Factor | | | | | | | |
	1	2	3	4	5	6	7	8
Product Sustainable	1.000							
Product Green	.535							
Local Partnership		.816	.569					
Technology involvement		.717	-.664					
Passion to business		.450				.398		
Technology understanding	.310	.406	-.310					
Cultural Identity	.377			.864				
Brand Story Telling		.344		.413				
Product Eco-friendly	.300			.319				
Local Feedback					.891			
Customer relationship		.428			.450			
SME's emotional support						.546		
SME's financial support						.469	-.331	
Local Beliefs						.450		
Entrepreneurial Passion		.321				.359		
Cultural Value						.308	-.302	
Cultural Adoption								

Traditional Practice			
Mentoring Business Program	.306	.647	
Acceptance Program	.424	.529	
Community Engagement			.510
Entrepreneur Program			.301
Business Mission			
SMEs business understanding			
Business Vission			

Extraction Method: Maximum Likelihood.
a. Attempted to extract 8 factors. More than 25 iterations required. (Convergence=.005). Extraction was terminated.

Table 5 shows that factor matrix analysis. This analysis shows the eight factors are significant and have the same correlation to each other. This step is important to see which indicator has the highest point and the lowest point. The indicator with the highest point indicates that it gives the most contribution to the factor. The indicator with the lowest point indicates that it gives the less contribution to the factor. From this analysis, the factor can be formed and grouped together.

Table 6. Rotated Factor Matrix[a]

	Factor							
	1	2	3	4	5	6	7	8
SME's financial support	.707							
Passion to business	.615							
Entrepreneurial Passion	.528							
SME's emotional support	.459							-.323
SMEs business understanding	.447							
Cultural Value	.403							
Cultural Identity		.963						
Brand Story Telling		.526						
Product Green	.307	.439					.376	
Product Eco-friendly		.392						
Technology involvement			.954					
Technology understanding			.522					
Mentoring Business Program				.717				
Acceptance Program				.698				
Local Beliefs	.374			.381				
Local Partnership					.963			
Local Feedback						.914		
Customer relationship					.380	.490		
Business Vission								
Product Sutainable		.303					.910	
Cultural Adoption								
Community Engagement								.612
Entrepreneur Program								.449
Business Mission								-.329
Traditional Practice								

Extraction Method: Maximum Likelihood.
 Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.

Table 6 shows the rotated factor matrix that aims to reduce overlap between factors. Variables that initially have loadings on several factors are more focused on one factor after rotation. This helps to distinguish each factor more clearly. From this table, it can be seen that factor 1 consists of SME's financial support, Passion to business, Entrepreneurial Passion, SME's emotional support, SMEs business understanding, Cultural Value, Product Green, Local Beliefs, factor 2 consists of Cultural Identity, Brand Story Telling, Product Green, Product Eco-friendly, product sustainable, factor 3 consists of Technology involvement and Technology understanding, factor 4 consists of Mentoring Business Program, Acceptance Program, Local Beliefs, factor 5 consists of Local Partnership and customer relationship, factor 6 consists of local feedback and customer

relationship, factor 7 consists of product green and product sustainable, factor 8 consists of SME's emotional support, Community Engagement, Entrepreneur Program, Business Mission.

2.   Regression Results

Description of Local Wisdom Strategic Entrepreneurial Marketing to Marketing Performance

The objective of the descriptive analysis on "Local Wisdom in Strategic Entrepreneurial Marketing (LW-SEM) to Marketing Performance," using simple linear regression, is to explore how local wisdom influences marketing outcomes. By calculating descriptive statistics such as mean, median, range, standard deviation, and mode, this study figures and interprets data related to marketing performance metrics. The mean provides an average measure of performance, while the median helps identify the midpoint of our data set, indicating typical outcomes. The range shows the spread of performance metrics, and the standard deviation assesses variability, highlighting consistency or disparity in results. Lastly, the mode revealsthe most frequently occurring performance outcomes. These statistics enables a comprehensive understanding of the relationship between local wisdom and marketing performance, guiding strategic decisions for entrepreneurs. Table 7 below visualises the result.

Table 7. Statistics

		LW-SEM	MP
N	Valid	330	330
	Missing	0	0
Mean		34.0061	26.1061
Std. Error of Mean		.72078	.54091
Median		33.0000	26.0000
Mode		40.00	40.00
Std. Deviation		13.09354	9.82604
Variance		171.441	96.551
Skewness		.122	-.210
Std. Error of Skewness		.134	.134
Kurtosis		-.373	-1.003
Std. Error of Kurtosis		.268	.268
Range		54.00	36.00
Minimum		6.00	4.00
Maximum		60.00	40.00
Sum		11222.00	8615.00

Source: (Author, 2024)

Table 7 shows the average value for Local Wisdom in Strategic Entrepreneurial Marketing (LW-SEM) is 34.0061, while Marketing Performance (MP) averages 26.1061, suggesting a greater perceived impact of local wisdom on marketing strategies. The standard errors of the mean are 0.72078 for LW-SEM and 0.54091 for MP, indicating a reasonable level of precision for both means, with LW-SEM showing slightly more variability. The median values are 33.0000 for LW-SEM and 26.0000 for MP, indicating that more than half of the data points fall below these figures. Notably, both variables share a mode of 40.0000, which signifies that this value is the most frequently occurring in each dataset. Overall, these statistics suggest a positive relationship where local wisdom is linked to better marketing performance. The standard deviation value of LW-SEM of 13.09354 indicates that the data for LW-SEM has a fairly wide spread around its mean, indicating high variability. Meanwhile, the standard deviation of variable MP of 9.82644 indicates that the data for MP also has variation, but smaller than that of LW-SEM. This means

that the values of MP tend to be closer to each other than the values of LW-SEM, which can indicate higher consistency in the results of variable MP. In other words, the larger the standard deviation value, the greater the spread of the data around the mean.

Classic Assumption Test: Local Wisdom Strategic Entrepreneurial Marketing (LW-SEM) towards Marketing Performance (MP)

In analyzing the relationship between Local Wisdom Strategic Entrepreneurial Marketing (LW-SEM) and Marketing Performance (MP), it is essential to conduct three classic assumption tests: normality, linearity, and heteroscedasticity, each serving a specific purpose to ensure the validity of the regression analysis. First, normality test assesses whether the data is normally distributed or not. The normal data is when the asymp. Sig 2-tailed > 0.05. The following is a table of Kolmogorov-Smirnov test results.

Table 8. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		330
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	7.01584178
Most Extreme Differences	Absolute	.084
	Positive	.084
	Negative	-.059
Kolmogorov-Smirnov Z		1.530
Asymp. Sig. (2-tailed)		.019
a. Test distribution is Normal.		
b. Calculated from data.		

Table 8 shows that the value of data is 0.019. This value is more than 0.05 which means that the data of this study is normal data. Next test is linearity test. It examines whether there is a linear relationship between the independent variable (LW-SEM) and the dependent variable (MP), as regression analysis aims to model such relationships; if the relationship is not linear, the results may be deceptive. If the Deviation from Linearity Sig value is > 0.05 then there is a significant linear relationship between the independent variable and the dependent variable.

Table 9. ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
MP * LWSEM	Between Groups	(Combined)	18886.938	49	385.448	8.380	.000
		Linearity	15571.238	1	15571.238	338.549	.000
		Deviation from Linearity	3315.700	48	69.077	1.502	.024
	Within Groups		12878.350	280	45.994		
	Total		31765.288	329			

Table 9 shows that the linearity of significant value is 0,024 which means that this value is more than 0.05. It shows that there is a significant linear relationship between the LW-SEM and MP. Furthermore, a heteroscedasticity is conducted to figure and evaluate whether the variance of the residuals remains constant across all levels of the independent variable. Variations in this spread can indicate model mis-specification and affect the reliability of hypothesis tests. Ensuring homoscedasticity allows for more accurate inferences about the relationship between LW-SEM and MP. In summary, conducting these assumption tests is vital for validating the regression analysis and drawing reliable conclusions about how local wisdom influences marketing outcomes. This study uses glesjer test where if the significance value is more than 0.05 then it means that there is no heteroscedasticity.

Table 10. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.929	9.916		.599	.557
	LWSEM	.002	.018	.009	.038	.960

a. Dependent Variable: ABS_Res2

Tabel 10 shows that the significance value is more than 0.05 which is 0.960. It means that there is no heteroscedasticity. Thus, the classic assumption of linear regression has been filled. The hypothesis testing can be proceeded.

Hypothesis Testing: Entrepreneurial Marketing Strategies towards Marketing Performance (MP)

To test the hypothesis, the coefficients table was constructed in order to know the value of significance that needs to be less than 0,05 and t value that needs to be more than t count. The following is the visualization table.

Table 11. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.239	1.078		7.643	.000
	LWSEM	.525	.030	.700	17.759	.000

a. Dependent Variable: MP

Table 11 shows a constant value of 8.239, meaning that if LW-SEM is still carried out, the MP will remain at 8.239. Meanwhile, the regression direction coefficient is known to be positive (0.525), which means that if LW-SEM increases by 1 unit / score, the MP will also increase by 0.525. As it is mentioned earlier that this study hypothesizes that there is a positive and significant impact that is given by LW-SEM to the MP in the context of SMEs. According to table 11, the significant value is 0,000 which is under 0.05 and the t count is 17.759 that is bigger than t table 1,965. It means that the hypothesis is accepted that LW-SEM is positively and significantly giving impact to MP in SMEs context. It concludes that the more LW-SEM is implemented, the better MP is achieved.

4. Discussion

The dimensions of local wisdom strategic entrepreneurial marketing

Local wisdom strategic entrepreneurial marketing is constructed by eight factors or dimension that facilitated the local wisdom value and the core principle of strategic entrepreneurial marketing. This concept plays important role in facilitating the distinctive value such as local wisdom that is treated as their competitive advantage. This study proposes that there are eight factors that constructed this concept. The first dimension, Entrepreneurial Support and Values, highlights how essential financial and emotional backing, coupled with a deep-seated passion for business, significantly influences SMEs' resilience and growth. The second dimension, Cultural and Sustainable Branding, reveals how SMEs can leverage cultural identity and storytelling to create strong, eco-conscious brands that resonate with consumers. Technological Engagement emphasizes the necessity of adopting and understanding technology as a means to enhance operational capabilities and innovate product offerings. The Local Support and Mentorship Program dimension underscores the impact of community-driven initiatives and

mentorship programs in fostering an environment conducive to business development. Additionally, Community and Customer Relationships highlight the importance of building strong partnerships with local stakeholders to enhance customer loyalty and engagement. Local Customer Engagement that focuses on how the customers' feedback and willing to engage into SME's and customer relationship, factor The Green Product Development dimension illustrates the commitment of SMEs to sustainable practices, emphasizing the dual focus on environmental responsibility and market competitiveness. Lastly, Sustainable Mission reflects the integral role of emotional support and community involvement in shaping the entrepreneurial mission and fostering a sense of belonging. Together, these dimensions provide a comprehensive framework for understanding the intricate interplay of factors that contribute to the success of SMEs in today's market.
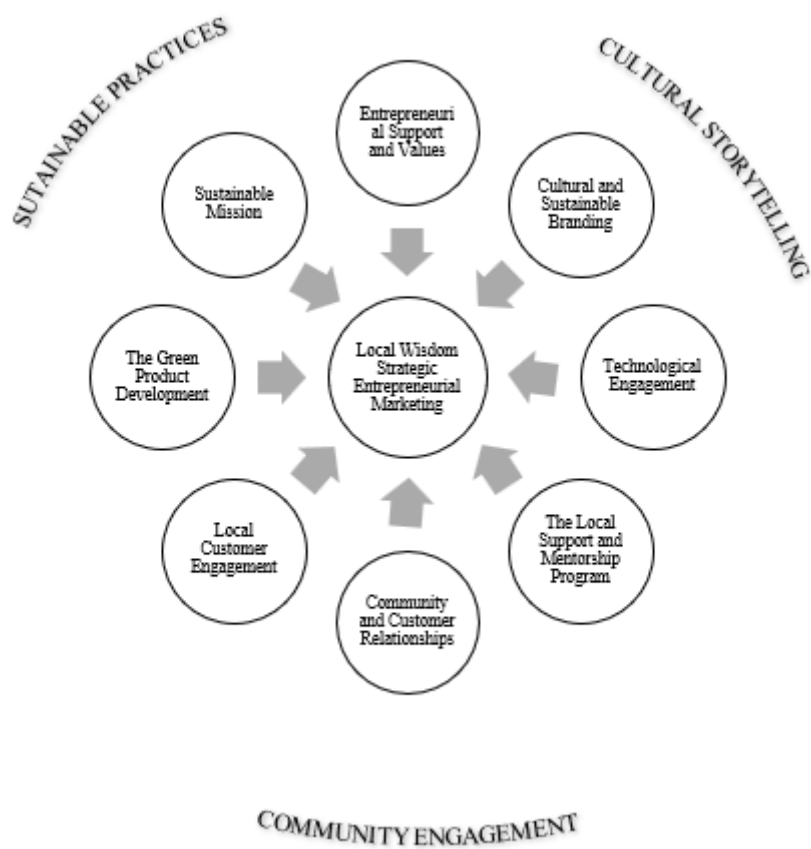
Figure 3. The Visualization of Local Wisdom Strategic Entrepreneurial Marketing

Figure 3 shows that the exploration of these eight dimensions reveals a profound interconnectedness among cultural storytelling, community engagement, and sustainable

practices within the framework of small and medium-sized enterprises (SMEs) that supports what have been proposed by reference [39 – 44]. Cultural and Sustainable Branding emphasizes how narratives rooted in cultural identity can enhance brand value and foster consumer loyalty, ultimately supporting sustainable business practices. Similarly, Community and Customer Relationships highlight the critical role of community engagement in building strong networks and partnerships, which not only bolster SME resilience but also promote local sustainability efforts. Furthermore, the commitment to Green Product Development illustrates how integrating eco-friendly practices into business operations is essential for SMEs aiming to thrive in a competitive market while adhering to environmental responsibilities. With this relation, this study supports that SMEs can create a holistic strategy that leverages cultural narratives, fosters community ties, and prioritizes sustainability, ultimately leading to a more impactful and sustainable business model.

This interconnectedness is particularly relevant in a country like Indonesia, where SMEs can harness their rich and diverse cultural heritage to amplify the impact of their branding and community engagement strategies. By integrating local wisdom into their marketing efforts, businesses can not only enhance the authenticity of their cultural narratives but also foster deeper connections with consumers. This approach aligns with the dimensions discussed earlier, as it emphasizes the importance of cultural storytelling in enhancing brand value and illustrates the potential of community engagement in building strong, sustainable business practices. This approach aligns with the dimensions discussed earlier, as it emphasizes the importance of cultural storytelling in enhancing brand value and illustrates the potential of community engagement in building strong, sustainable business practices. By weaving local narratives into their branding, SMEs can cultivate a sense of belonging among consumers, fostering loyalty and trust. Additionally, engaging with the community through collaborative initiatives not only strengthens these bonds but also empowers local stakeholders, creating a more resilient business ecosystem. This holistic strategy ultimately supports the notion that businesses can thrive while contributing positively to their cultural and social environments.

Indonesia's vast array of cultural traditions, from its numerous ethnic groups and regional customs to its traditional crafts and practices, offers a deep well of insights that can be integrated into marketing efforts. By tapping into this local wisdom, businesses can create marketing campaigns that are deeply rooted in cultural values, fostering stronger connections with consumers. For instance, incorporating traditional Indonesian art forms, folklore, or community rituals into brand narratives can evoke a sense of nostalgia and pride, enhancing brand loyalty and appeal. To illustrate the impact of integrating local wisdom into marketing strategies, several Indonesian businesses have successfully embraced cultural elements. For instance, traditional batik patterns have been incorporated into modern fashion collections, creating a unique fusion of heritage and contemporary style. Similarly, local culinary traditions have been highlighted in restaurants and food products, attracting both domestic and international customers. Despite the benefits, integrating local wisdom into marketing strategies is not without its challenges. Businesses must navigate the complexities of accurately representing diverse cultural elements while avoiding misinterpretation or cultural appropriation. It is crucial for brands to engage with local communities and experts to ensure that cultural elements are used respectfully and authentically.

Tika Koeswandi, Vanessa Gaffar, Lili Adi Wibowo, Denny Andriana, Ery Adam Primaskara

The influence of local wisdom strategic entrepreneurial marketing to marketing performance: An Insight from Indonesia SMEs

For a country with rich and diverse cultural heritage, such as Indonesia, have a unique opportunity to leverage local wisdom in their marketing strategies to enhance authenticity and resonance with local consumers. Indonesia's vast array of cultural traditions, from its numerous ethnic groups and regional customs to its traditional crafts and practices, offers a deep well of insights that can be integrated into marketing efforts. By tapping into this local wisdom, businesses can create marketing campaigns that are deeply rooted in cultural values, fostering stronger connections with consumers. In Indonesia, incorporating traditional Indonesian art forms, folklore, or community rituals into brand narratives can evoke a sense of nostalgia and pride, enhancing brand loyalty and appeal. To illustrate the impact of integrating local wisdom into marketing strategies, several Indonesian businesses have successfully embraced cultural elements. For instance, traditional batik patterns have been incorporated into modern fashion collections, creating a unique fusion of heritage and contemporary style. Similarly, local culinary traditions have been highlighted in restaurants and food products, attracting both domestic and international customers. Despite the benefits, integrating local wisdom into marketing strategies is not without its challenges. Businesses navigates the complexities of accurately representing diverse cultural elements while avoiding misinterpretation or cultural appropriation. It is crucial for brands to engage with local communities and experts to ensure that cultural elements are used respectfully and authentically.

The influence of local wisdom on strategic entrepreneurial marketing in small, and medium enterprises (SMEs) is profound, as it allows businesses to leverage cultural and regional strengths to enhance their marketing performance. By integrating local traditions, values, and practices into their marketing strategies, SMEs can create authentic brand identities that resonate deeply with their target audiences. This connection fosters trust and loyalty among consumers, leading to increased customer engagement and repeat purchases. Furthermore, local wisdom often provides unique insights into community needs and preferences, enabling SMEs to tailor their offerings more effectively. Case studies have shown that enterprises that embrace local wisdom not only differentiate themselves in crowded markets but also experience improved sales and brand recognition. Ultimately, harnessing local wisdom as a strategic marketing tool empowers SMEs to thrive in competitive environments, highlighting the importance of cultural relevance in driving marketing success.

Building on the significance of local wisdom in enhancing marketing performance, it is essential to recognize the role of storytelling in connecting brands with consumers. In Indonesia, where oral traditions and folklore are deeply embedded in the cultural fabric, SMEs can effectively use storytelling as a marketing strategy to convey their brand narratives. By weaving local stories and legends into their campaigns, businesses can engage consumers on an emotional level, creating a more compelling and relatable brand experience. For example, a handmade craft business might share the historical significance of its products, linking them to local artisans and their ancestral techniques. This approach not only enriches the brand narrative but also fosters a sense of community and pride among consumers. Furthermore, effective storytelling can differentiate SMEs in a competitive landscape, allowing them to stand out by showcasing their

unique cultural heritage. However, it is crucial for businesses to ensure that these stories are authentic and representative of the local culture, as misrepresentation can lead to consumer distrust. By thoughtfully integrating storytelling with local wisdom, SMEs can not only enhance their marketing performance but also contribute to the preservation and appreciation of Indonesia's rich cultural heritage.

Comparison with previous research

This research differentiates itself from previous studies by focusing specifically on the intersection of local wisdom and strategic entrepreneurial marketing within the context of small, and medium enterprises (SMEs) in Indonesia. While prior research has explored various aspects of marketing strategies and cultural influences, it often overlooks the unique dynamics of SMEs, which operate in resource-constrained environments and rely heavily on community engagement and cultural relevance to thrive. Additionally, this study emphasizes the practical applications of local wisdom in marketing strategies, providing case studies that illustrate successful implementations within SMEs. Previous studies may have highlighted the theoretical importance of cultural elements in marketing but often lack concrete examples of how businesses effectively leverage these elements to enhance performance. By documenting these real-world applications, this research offers actionable insights that can guide SMEs in their marketing efforts.

Furthermore, this research addresses the challenges associated with integrating local wisdom, such as the risk of cultural appropriation and the need for authentic representation. By incorporating these critical considerations, the study contributes to a more nuanced understanding of the complexities involved in marketing within diverse cultural contexts. In summary, this research not only expands the existing literature by focusing on SMEs and local wisdom but also provides practical, culturally sensitive strategies that can help entrepreneurs navigate the unique challenges of their marketing environments. This comprehensive approach positions the study as a valuable resource for both academics and practitioners seeking to enhance marketing performance through culturally informed strategies.

5. Conclusion

This study concludes that strategic entrepreneurial marketing can effectively integrate local wisdom values within small, and medium enterprises (SMEs), forming the concept of LWSEM. This approach is built on eight key factors that are vital in addressing cultural storytelling, community engagement, and sustainable practices. The findings indicate that a better implementation of LWSEM significantly enhances marketing performance, showcasing how SMEs can preserve Indonesia's cultural heritage while simultaneously improving their marketing efforts. To maximize the benefits of this integration, several recommendations are proposed. SMEs should invest in training programs focused on storytelling, cultural sensitivity, and community engagement. Collaborating with local artisans and cultural experts can ensure authenticity in representations of local heritage. Additionally, establishing feedback mechanisms will help businesses refine their strategies based on community preferences. Participation in cultural events can enhance visibility and deepen community ties, while a strong digital presence can connect with consumers seeking authentic experiences.

However, there are limitations to consider. There is a risk of cultural misinterpretation, which could lead to consumer distrust, necessitating careful research and expert consultation. Resource constraints may hinder many SMEs from fully implementing LWSEM strategies. Furthermore, the effectiveness of these strategies may vary across different regions, requiring tailored approaches. Scalability can also present challenges, particularly in maintaining authenticity when expanding to larger markets. Finally, a short-term focus on immediate sales could undermine the long-term benefits of cultural engagement, making it essential for businesses to balance immediate gains with sustainable community impact.

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