ANALYZING THE DOMINANT FACTORS OF PRODUCT DIFFERENTIATION STRATEGY THAT INCREASE EXPORT POTENTIAL IN SMALL-MEDIUM FOOTWEAR INDUSTRIES

(A Case Study of Small-Medium Sandals Producers in Bali)

By

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CHAPTER I

INTRODUCTION

1.1. Background of Study

1.1.1. The development of SMEs in Indonesia

Trade and investment have long been considered powerful instruments to promote development. They open new markets and permit the expansion of productive capacity and higher levels of income and employment (UNCTAD, 2005). As globalization has become an international challenge, firms begin to expand and introduce their products in a broader market. According to World Investment Report (2002):

> *"Greater competitiveness allows developing countries to diversify away from dependence on a few primary-commodity exports… It also permits the realization of greater economies of scale and scope by offering larger and more diverse markets"*

The export competitiveness of a country depends on its domestic enterprises, including Small and Medium Enterprises (Hereafter "*SMEs*"). In developing countries, SMEs are responsible for most employment and income generation opportunities and can be identified as a main driver for poverty alleviation. Indonesia for example, is a type of country that is highly dependent on its small and medium scale of business. Many people started from a relatively small business to make a living. Also, because of an abundant number of these small and medium enterprises, it eventually affects the economies of Indonesia as well as large enterprises do.

In the development of economic in Indonesia, SMEs have been playing an important role. Based on an article in SME Center (2008), it stated:

> *"Saat ini jumlah UKM di Indonesia mencapai 99.99% dari dari total tenaga kerja produktif, serta memberi kontribusi terhadap GDP sebesar 59%."*

As stated in the above quotation, at the present time the SMEs in Indonesia have contributed to GDP up to 59%. Moreover, it stated:

> *"Dipuncak krisis pada 1998 – 2000, kontribusi SME terhadap Produk Domestic Bruto (PDB) mencapai 60 % lebih. Data dikementrian Koperasi dan UKM menyebut konntribusi SME terhadap PDB pada 2003 masih dikisaran 56,44% dan diprediksi akan naik pada 2004 menjadi 57,11%. Sementara itu kontribusinya terhadap nilai eksporpun diperkirakan naik dari 21 % menjadi 25%. Dengan kata lain, SME masih diandalkan sebagai motor penggerak perekonomian."*

During year 1998 – 2000 where Indonesia suffered a terrible crisis, SMEs still could contribute toward nation's GDP for up to 60% exceeding their contribution in year 2003 for almost 57%. Also, the export rate was expected to increase until 25%. Thus, SMEs are reliable as economic-mover in Indonesia. Yet, the good story has not come into a satisfying result that in the reality the improvement of SMEs in Indonesia are relatively slow compared to large-scale industries. Also, the government does not seem to put all the efforts since it only allocates 6 - 7% of its national budget to SMEs and the rest are allocated to large-scale industries.

Gunaryo, *Dirjen Menteri Perdagangan Dalam Negeri* stated SMEs also can withstand global crisis such as European financial crisis that has been affecting even more countries day by day (PKL, 2011). He also said:

> *"UKM sebagai salah satu penggerak perekenomian nasional memiliki peran penting di Indonesia, selain dikenal sebagai sektor yang tahan terhadap krisis."*

In his statement, he pointed out SMEs has become one of the most powerful national economic prime movers that have been playing a critical role in Indonesia and will surely bear with the existing crisis. In Indonesia SMEs have historically been the main players in domestic economic activities, as they provide a large number of employment and hence generating primary or secondary source of income for many rural poor households. They generally account for more than 90% of all firms across sectors and they generate the biggest employment, providing livelihood for over 90% of the country's workforce, mostly women and the young (Tambunan, 2008). Below table shows the development of number of micro, small, medium, and large industries in Indonesia during year 2000 – 2008.

Size category	2000	2001	2003	2004	2005	2006	2007	2008
MIEs & Ses	39,705.20	39,883.10	43,372.90	44,684.40	47,006.90	48,822.90	49,720.30	51,217.90
Mes	78.8	80.97	87.4	93.04	95.9	106.7	120.3	39.7
Les	5.7	5.9	6.5	6.7	6.8	7.2	4.5	4.4
Total	**39,789.70**	**39,969.97**	**43,466.80**	**44,784.14**	**47,109.60**	**48,936.80**	**49,845.10**	**51,262.00**

Note: MIEs = microenterprises; SEs = small enterprises; MEs = medium enterprises; LEs = large enterprises
Source: Ministry of Cooperative and SMEs (www.depkop.go.id) and BPS (www.bps.go.id)

Table 1.1.1.: Total Enterprises by Size in All Sectors, Indonesia (000 units)
Source: Tambunan (2008)

The structure of enterprises by size category indicates that the majority of enterprises in all sectors are from the SME category, mainly MIEs. Whereas, the distribution of total SMEs by sector shows that the majority of these enterprises in Indonesian are involved in. The second largest sector is trade, hotel and restaurants, while the third is manufacturing. In the latter sector, the enterprises are engaged mainly in simple, traditional activities such as manufacturing of wood products, including furniture, textiles, garments, footwear, and food and beverages (Tambunan, 2008).

1.1.2. The Development of Footwear Industries in Indonesia

Footwear industry in Indonesia has ever become one of the superior industries back in 1980's begun by the investment of Korean and Taiwan companies. Based on the article by *Kementerian Koordinator Bidang Perekonomian* (2011), they confirmed that: "*Industri ini mencapai puncak kejayaan di tahun 1996 ketika nilai ekspor mencapai US$ 2.2 miliar dan menyerap 850.000 tenaga kerja. Namun di tahun 1997, industri alas kaki nasional turut terkena dampak krisis, begitu pula industri pendukung alas kaki. Berangsur-angsur industri ini mulai bangkit di tahun 2000 dan mencapai nilai ekspor yang lebih tinggi dari periode sebelum krisis di tahun 2010 dengan perkiraan sebesar US$ 2.5 miliar*". The industry reached its peak in 1996 when the export volume was up to US$ 2.2 Billion and employed about 850.000 people. However, in 1997, domestic's footwear industry was affected by the crisis and so did the related industries. Gradually, the industry revitalized in 2000 and reached a higher export volume than before-crisis.

Indonesia is one of the most countries who exports footwear products in Asia and 10th in the world. In a report created by SNI (2010), it is stated that: "*Faktor yang menjadi pendukung daya saing produk alas kaki nasional di antaranya adalah harga yang kompetitif, desain unik, tahan lama dan memiliki bahan yang eksotik dan bervariasi*". The nation's footwear products have been well-known as a product that possesses a very good positioning all over the world due to its competitive price, unique designs, strong durability, exotic and vary fabrics. Moreover, based on the research done by Aprisindo (2010), the export of footwear products in Indonesia has shown a progressive increase. The following figure shows the increase of exports in domestic footwear products:

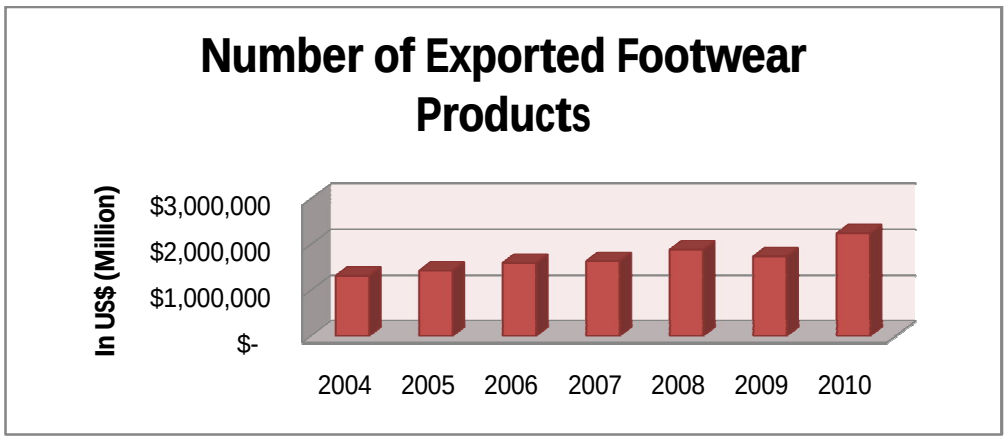

Figure 1.1.2.: Export of domestic footwear products year 2004 – 2010
Source: Aprisindo (2010)

Based on the above figure, the export of domestic footwear products showed a progressive improvement and has reached almost US $ 2.3 Billion in 2010. We can conclude that footwear industry can potentially develop in Indonesia.

1.1.3. The Potential of Footwear Industries in Bali

Bali, as one of domestic's footwear producers also shows a good result of development. Among all kinds of footwear products, sandals are the most wanted products in Bali as its unique and colorful designs have positioned Balinese sandals as adorable products that are accepted in the global market place. Balinese shoes and sandals have reached US$ 3.8 million during period January to October 2011 (Michael, 2011). Below figure shows percentage of exported sandals across nation:

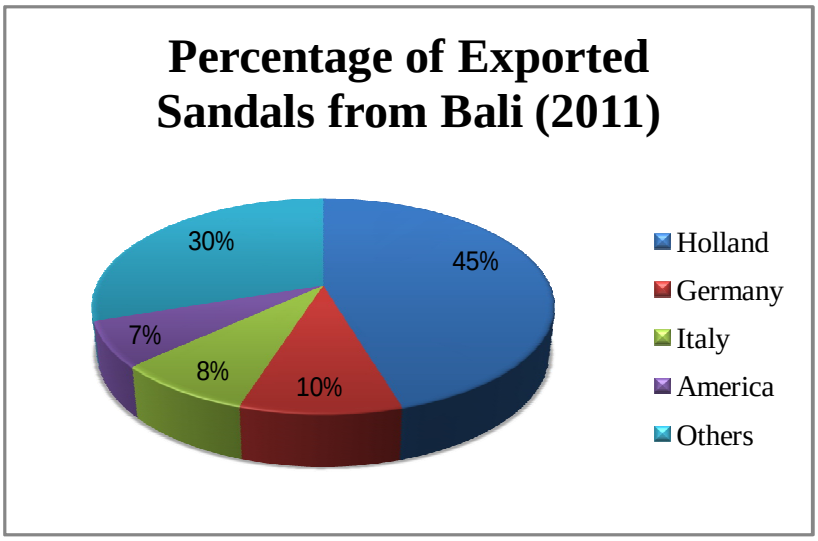

Figure 1.1.3.: Percentage of Exported Sandals across nations in 2011
Source: Dept. of Trade and Industry in Bali, as cited in Yahoo News, 2011

There are many variants of sandal products such as *sandal jepit Bali, sandal jepit tile, sandal bunga jepun, sandal mika,* and *sandal batik* (Yahoo News, 2011). "*Simple yet elegant*" would be the best words to describe Balinese sandal image as the model of local sandals make consumers look elegant with simple and traditional designs on it. Similar opinion was also found in the article of Sumardika, as cited in Bisnis Bali (2012) that he explained: "… *untuk bisa bersaing dirinya memiliki kiat yakni selalu menciptakan produk-produk sandal dengan model terbaru dengan harga terjangkau dan tetap menjaga kualitas*" the added value of local sandals mostly is to stay *up-to-date* with the latest trend and to keep maintaining quality.

Also, according to Detik.com (2010), in its article states that: *"… Pengusaha dari AS itu kemudian menguji kualitas ketiga pasang sandal itu dengan cara merendamnya di dalam air selama 10 hari dan setiap periode waktu tertentu digosok dengan menggunakan sikat. Ternyata lukisan tangan yang ada pada produk sandal buatan Ketut itu tidak luntur walaupun sudah digosok dan direndam di dalam air selama 10 hari"*. It explains that some sandals from

certain producers have been tested by American entrepreneurs that local products do have high durability and resistance to water.

Based on the preliminary research done by interviewing three local sandal producers, the researcher found out that there are three major characteristics of local products that make them potentially exported, which are *design, style,* and *reparability*. It leads us to a conclusion that Balinese sandals products have a relatively high potential characteristic(s) to attract customers from abroad. The researcher sees that differentiation strategy seems to work in Balinese sandal products and it does make the products become having their own characteristics compared to other products.

1.1.4. The Essence of Competitive strategy

Competitive strategy is one of the most essential elements that SMEs should manage in order to survive in the competition. Firms, through competitive strategy, seek to define and establish an approach to competing in their industry that is both profitable and sustainable. There is no universal competitive strategy, and only strategies tailored to the particular industry and to the skills and assets of a particular firm succeed (Porter M. E., 1990).

There are two basic types of competitive advantage: *lower-cost* and *differentiation*. Lower cost is the ability of a firm to design, produce, and market a comparable product more efficiently than its competitors. Meanwhile differentiation is the ability to provide unique and superior value to the buyers in terms of quality, special features, or after-sale services (Porter, 1990). This is what is needed by SMEs in order to be focusing on what they specialize in. By having one or both competitive advantages, it will help firms to sustain a good business.

In this research, the researcher will be focusing on differentiation strategy since the strategy seems more compatible to sandal industry in Bali that

exposes its products more on distinguished designs. The researcher mostly relies on both Porter's theory of differentiation and Kotler's types of differentiation, and also several researches that have been done previously.

1.1.5. Why The Research is Important

The researcher thought that it is interesting to understand how sandal producers in Bali decided to choose their own differentiation strategy as their products' characteristics since footwear has been a very potential industry in Indonesia generally and Bali specifically. Besides, global competition forces firms to keep on innovating in order to compete in international level otherwise competitors will gradually replace them. By understanding the dominant factors of differentiation strategy used by local producers, it will eventually help local producers to develop the most influential indicators of differentiation strategy towards their products. Based on the preliminary research done previously, the researcher will emphasize on major characteristics of product differentiation that applies in Balinese local producers, which are: *durability*, *reparability*, *style*, and *design*.

Based on the explanation above, the researcher would like to give the title of this research as: **Dominant Factors of Product Differentiation Strategy that Increase Export Potential in Small-Medium Footwear Industries (A case study of Sandal industries in Bali)**. Through this research, the researcher would like to understand the dominant factors of differentiation strategy used by local producers to enhance their product differentiation. This is considerably an important research as it will help understanding how to maintain the sustainability of SMEs in Indonesia especially the ones in the same product lines. Also, the researcher expects the output of the result will help local producers to determine which the differentiation strategy fits SMEs in footwear industries to compete in global market place.

1.2. Problems identified

Globalization era has made a tighter global business competition. SMEs that could not maintain its strength and weakness will not be able to continuously compete in the game anymore. Moreover, global competition causes greater threat that more potential *new-comers* could join the game and there is a chance that new substitutes products will emerge. Also, instead of declaring originality of the products, other competitors tend to imitate products in order to compete. This statement is also supported by the article by Sumardika, as cited in Detik.com (2010): "*Kami sengaja tidak menjual barang kami di Bali karena kalau sudah masuk Bali barang kerajinan apapun mudah sekali dijiplak atau ditiru*". He explained that local producers believe any handicraft sold in Bali can be easily immitated. Likewise, the tendency of consumers' habit to buy finest yet cheapest products will eventually lead companies to create a distinguished competitive strategy. Balinese sandals products have the characteristics to survive in the global market. The problem is whether the producers can manage it well or not. The producers need to understand which indicator of differentiation strategy is the most effective to maintain the export potential of the products.

1.3. Statement of Problems

Global competition will force every firm to survive with its own strategy. It is obvious that firms will have to understand more what threats are around them in order to maintain business sustainability. It is simply to fulfill what market demands and expects from firms' products or services. As in return, firms will be able to stay in the game or even lead the multinational competition. In this research, Small-Medium footwear industry is expected to survive the competition by optimizing the existing differentiation strategy. Thus, the

following problems statements are used to guide this research work and are formulated in question:

1) What are the dominant factors of product differentiation strategy of local sandal in Bali to the export potential of sandals in Bali?

1.4. Research Objectives

As previously mentioned, the purpose of the research is to understand the dominant factors of differentiation strategy that increase export potential to enable SMEs in Bali especially sandal industries optimizing the existing strategy that it will eventually help them sustaining the business. More specifically, the main objectives of the research are:

1) Examine product differentiation strategy of local producers to the export potential of local sandals in Bali.

1.5. Significance of Study

There are several objectives that the researcher wants to achieve upon completion of this research expected not only valuable for the researcher but also for the academy and other interested parties. This research is expected to be as below:

a) To SMEs in Bali, especially sandal industries;

The research is expected to help Small-Medium sandal industries in Bali examining the dominant factors of product differentiation strategy that is most effective for the firm. Also, is expected to point out the most influential indicator that affects the increase of export potential.

b) To the researcher and other students; and,

The research is expected to help students gain more insight knowledge on differentiation strategy of SMEs in sandal industries in Bali.

c) To the University.

The research is expected to help next batch students who are willing to understand more about SMEs' differentiation strategy in local sandal industries in Bali. Moreover, it is also to increase numbers of references in President University's library.

1.6. Theoretical Framework

To find out the answer of problems that occur in the research, the researcher used several theories that will support the analysis. The theory used by the researcher is by adopting Porter Diamond's determinants of competitive advantage, Phillip Kotler's types of differentiation, and several previous researches done from various sources. Moreover, the researcher will focus on certain dimensions of Product Differentiation, as not all of the dimensions fit to the preliminary research done by the researcher. Out of nine dimensions of Product Differentiation, the researcher will only use four of them. The dimensions used in this research are: *durability*, *reparability*, *style*, and *design*. Figure below explains the theoretical framework used for this research:

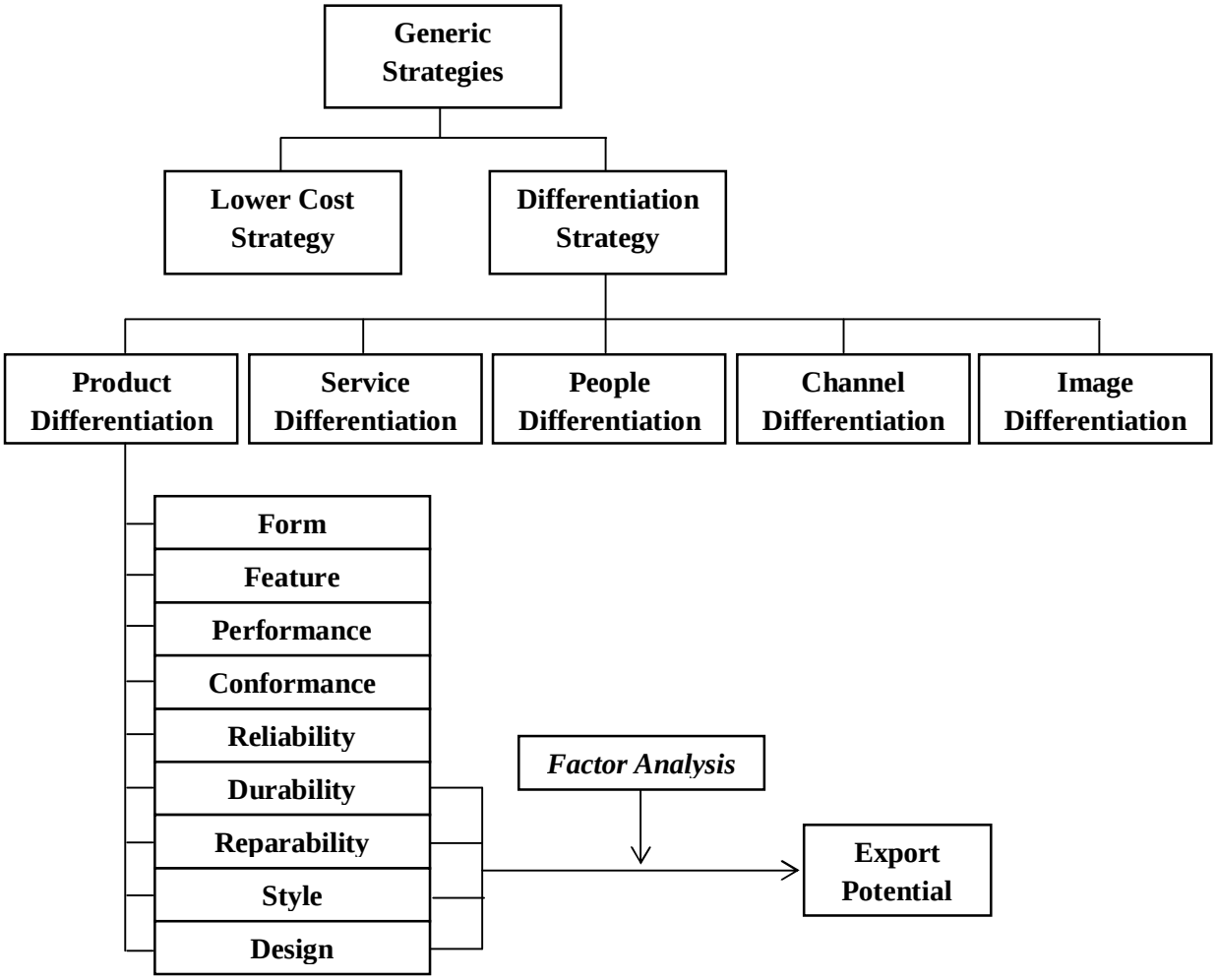

Figure 1.6.: Theoretical Framework
Adopted from Porter's Generic Strategies and Kotler's types of Differentiation
Source: Porter (1990); Kotler (2003), Constructed by the Researcher

1.7. Scope and limitations of the study

There are several limitations that the researcher could not do further research and it will also limit the scope of the research:

1) The focus of the research will be on the dominant factors of product differentiation strategy used by local producers that increase export potential;
2) The researcher will only focus on four dimensions of product differentiation which are *durability, reparability, style,* and *design;*
3) The research is done in Bali toward SMEs that focus on sandal industries; and,
4) The respondents will be the sandal producers in Bali who export sandals across nation.

1.8. Definition of Terms

- ✓ **Small-Medium Enterprises (SMEs):** Business segment term used differently in different countries, sometimes differently in different industries in the same country. In Indonesia based on the law legalized on July 4th, 2008 a Law No. 20 of 2008 on Micro, Small and Medium Enterprises was established.
- ✓ **New-comers:** Competitors who runs in the same product lines with the firm.
- ✓ **Competitive strategy:** The strategy used by firms to define and establish an approach to competing in their industry that is both profitable and sustainable.
- ✓ **Differentiation:** The ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale services. Differentiation allows a firm to command a premium price, which leads to superior profitability provided costs are comparable to those of competitors.

- ✓ **Product Differentiation:** The product differentiation is the process by which a product is distinguished from others (competitors' products, or the firms own products), by making it more attractive to a particular target market.
- ✓ **Export:** Goods delivered across the nation in the normal operations of a company in a specified period.

CHAPTER II

LITERATURE REVIEW

2.1. Differentiation

The concept was first proposed by Michael E. Porter (1990), it is initially known as Porter's generic strategies that are broken down into two aspects which are low cost and differentiation. He explained that firm differentiates itself from its competitors "when it provides something unique that is valuable to buyers beyond simply offering a low price". In addition, differentiation is the process of adding a set of meaningful and valued differences to distinguish the company's offering from competitors' offerings (Kotler, 2003). Kotler and Porter's definition of term was also supported by Fratto, Jones, and Casill (2006) that a firm needs to create a perceived value of its products and compare it to its competitors in order to understand its strengths and weaknesses. Also, Charles W.L. Hill and Gareth R. Jones, as cited in Fliiby.com (2010) define:

> *"Differentiation is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firm's products and services"*

Differentiation is concerned with a firm's positioning within a market (or market segment) in relation to the product, service, and image characteristics that influence customer choice (Dickson and Ginter, 1987). According to (Kotler, 2003), generic strategy that can be sustainably maintained in a segmented market is differentiation. He explains that the only other generic competitive strategy alternative (low cost) is not sustainable in a segmented market. In addition, a strategy successful at differentiating must generate customer value, provide perceived value, and be difficult to copy.

According to Poerbantoro (2006), differentiation strategy is highly correlated to competitive advantage of a firm; the more differentiation strategy is implemented in a firm, the better a competitive advantage of a firm is, and vice versa. The essence of differentiation strategy is a firm could emphasize a unique aspect of a product compared to its competitors that will automatically create added-value and therefore, valued by customers. Instead of selling a product whose comparisons with substitutes will be made only on price, the company can also differentiate its product with substitutes on non-price factors. This will bring the company competitive advantage, and, to benefit from this advantage, the company can make advertisement targeted on the uniqueness of its product, it is called unique selling proposition (Moine and Lloyd, 2002).

Likewise, a successful differentiation involves fulfilling customers' demand without forgetting the capacity of the firm to supply differentiation. Ultimately, a firm needs channel and links from either within the firm, other firms, product mix, and service support. Ideally, differentiation of a firm needs to be created in several aspects or dimensions (Porter, 1980). Furthermore, Kotler (2003) says a firm can differentiate its offering along five dimensions: product, services, personnel, channel, and image.

2.1.1. Product differentiation

The product differentiation is the process by which a product is distinguished from others (competitors' products, or the firms own products), by making it more attractive to a particular target market (Anderson, Simon, Palma, & Thisse, 1992). Product differentiation is a must in order to satisfy customers' demand from various segments. According to Barney and Hesterley (2006), product differentiation is ultimately an expression of the creativity of individuals and groups within the firms. It can be achieved through both existing and created opportunities in a certain industry, or the capability of a firm to utilize its

originality to create an innovative product and to take advantage of those opportunities.

While it has been pointed out by Jusup (2002) that product differentiation highly contributed to sustainable competitive advantage, Yudhiarina (2009) emphasized that product differentiation does significantly influence purchase decision of a customer. The differentiation is due to buyers perceiving a difference, therefore, the differences do not have to be very big, and differentiation can just be made by a different packaging, advertising campaign, sales promotion or distribution chain.

According to Kasumbogo Untung, as cited in Yudhiarina (2009), normally, innovative product differentiation is positively responded by potential customers as it is proved that it possess a better quality and can fulfil the dynamic customers' demand. Also, Holcombe (2009) notes that product differentiation yields persistently better products and considered to be the engine of economic progress. Moreover, in a study by Coloma (1999), the researcher found evidence that the existence of product differentiation allows firms to exercise market power. It reflects that product differentiation possess a potential power to stimulate market to purchase products. Furthermore, there are two main types of product differentiation (George, Joll, & Lynk, 1992):

- ***Horizontal***: based on characteristics, but the quality is not the same. It is when different products are sold at the same price but when consumers don't evaluate them at the same level of quality. In addition, when products are different according to features that can't be ordered in an objective way, a horizontal differentiation emerges in the market. Horizontal differentiation can be linked to

differentiation in colors (different color version for the same good), in styles (e.g. modern/antique), in tastes (Piana, 2003).

- ***Vertical***: based on characteristics and the quality is clear. It is the opposite of horizontal differentiation. In the case of vertical differentiation, consumers evaluate products which are sold at the same price, as being the same level of quality. Moreover, vertical differentiation occurs in a market where the several goods that are present can be ordered according to their objective quality from the highest to the lowest. It is possible to say in this case that one good is "better" than another (Piana, 2003).

A firm has to differentiate its product in order to deal with severe competition among firms that produce similar products. According to Kotler and Armstrong (2008), product differentiation can be broken down into several parameters:

1) ***Form***

   A product can be differentiated from the shape, size, and physical structure. Also, form enhances a product to show its originality since it is the initial tangible thing can be seen by customers.

2) ***Feature***

   A product can be offered with various features and characteristics that can complete its functional aspects. The first aspect of a feature differentiation is the structure of the product and can be customized into a newer version by adding up several updated features. A firm has to decide whether it will offer the customers a special feature with a relatively higher price or to offer a standardized product with a relatively lower price. According to Kotler and Armstrong (2008, p. 210), Features are a competitive

tool for differentiating the firm's products from competitors' products. Being the first producer to introduce a valued new feature is one of the most effective ways to compete.

3) Performance quality

Performance quality is the ability of a product to perform its functions. Also, it refers to a degree of level how the characteristic of a particular product operates. Most products can be categorized into four level of quality: low, average, high, very high. The problem is, higher performance quality could not guarantee higher profit as the more improvement on performance quality, the fewer customers who are willing to pay for the products. Manufacturing firms have to design performance quality level that fits market segment as well as comparing to other competitors' performance quality. Also, they need to consider how to manage performance quality through three strategies in a certain period of time. Firstly, keep on improving performance quality of the product. Secondly is to keep up the good work. Thirdly, to lower the performance quality in order to minimize cost.

4) Conformance quality

It is defined as freedom from defects and consistency in delivering a targeted level of performance. It is a condition where a product fulfills specified quality as promised. All firms should strive for high levels of conformance quality. Low conformance quality results a failure in obtaining customers' loyalty as a firm could not fulfill the promise.

5) Durability

Durability is a measurement of how long a product can operate. Generally, most customers are willing to pay higher price for durable products. Extra price is expected not too much, and product should not be affected by obsolete technologies. For fast-developing products such as mobile phones, cameras, computer, and so on, high durability is no longer a priority. Otherwise, for classic products such as watches, durability becomes one of the most important priorities.

6) Reliability

It is a measurement of how long a product will not be broken in a certain period of time. Customers wanted to avoid high price because of the damage that can possibly occur to a product. One of the measurements a firm can rely on in order to measure reliability is the amount of damaged products in one process of production.

7) Reparability

Reparability is a measure of difficulty to repair a broken product. An ideal reparability is when the customers can repair it by themselves with a relatively low cost or even without any cost needed. It is even better when a firm provide after-sale services through telephone, so customers can ask for help to fix it by themselves. The availability of such service often becomes an important part of customers' purchase decision.

8) Style

A style reflects customers' appearance and responds toward a certain product. Styles can be eye-catching or yawn producing. Also, it possesses a superiority of creating a differentiation that is

difficult to imitate. However, some products that emphasize on design too much usually do not consider about the comfort. The statement is also supported by Kotler and Armstrong (2008, p. 210) that a sensational style may grab attention and produce pleasing aesthetics, but it does not necessarily make the product perform better. Additionally, packaging becomes one of the most crucial factors in style differentiation especially for food, cosmetics, and small utilities.

9) Design

Design is the totality of the feature that influences the appearance and function of a product to meet customers' needs. From a firm's point of view, a well-designed product will be easy to wear, use, and repair. Designers have to consider all indicators by following the guide of forming and also function. The consideration can also be from market perception and value towards usefulness and costs. Good design contributes to a product's usefulness as well as it looks. Good design begins with a deep understanding of customer needs. More than simply creating product or service attributes, it involves shaping the customer's product-use experience. Just like a good design can improve customer value, cut costs, and create strong competitive advantage, poor design can result in lost sales and embarrassment.

2.2. Previous researches done on Differentiation Strategy

The researcher found that there are several researches have been done on differentiation strategy from both local and foreign researchers. The previously done researches vary from examining one of the differentiation strategies to all

components involved. Most of the researches examine the influence of differentiation strategy toward sustainable competitive advantage, but with different additional variables. Also, the area of the researches is relatively different, but none has ever done a research on differentiation strategy in sandal industry in Bali. Below is presented the summary of researches that have been previously done.

Table 2.2.: Previous Researches on Differentiation Strategy
Source: Literature studies

No	Name of the Researcher(s)	Title	Observed variable(s)	Analytical tool(s)	Result
1	Heri Poerbantoro (2006)	Analisa Pengaruh antara Penggunaan Teknologi Informasi, Orientasi Pasar, dan Implementasi Strategi Diferensiasi Terhadap Kualitas Layanan dalam mencapai Keunggulan Bersaing	• The use of information technology • Market orientation • Differentiation strategy	• Confirmatory factor analysis • Regression model	All variables positively influence the competitive advantage of the firm.
2	Djoko Susilo Jusup (2002)	Strategi Diferensiasi Untuk Meningkatkan Kemampuan Bersaing Berkelanjutan	• Product differentiation • Service differentiation • Price Differentiation	• Correlation • Regression model	• There is no correlation among each variable • All variables show positive influence
4	Mohammad Arief, Mintarti Rahayu, and ArmanuThoyib	Analisis Strategi Diferensiasi yang Berpengaruh Terhadap Keunggulan	• Price • Service • Promotion • Size • Location	• Multiple regression model	Price comes out as the most influential factor toward competitive

		Bersaing pada Industri Hotel Melati.			advantage
5	German Coloma (1999)	Product differentiation and market power in the Californian Gasoline Market	• Product differentiation	• Regression	Gasoline market in California exhibit considerable degree of product differentiation
6	Alireza Falzlzadeh, Fatemeh Bagherzadah, and Pegah Mohamadi (2011)	How after-sale service quality dimensions affect customers satisfaction	• Delivery service quality • Installation service quality	• Weighted mean	After-sale services affect satisfaction, which in turn affects behavioral attentions
7	Farzin Forooz and Shahla Rostamideh baneh (2006)	After-sale service necessity and effectiveness	• After-sale service • Customer service	• Exploratory research • Qualitative research	After-sale service can be a very good marketing tool for a firm
8	Jacqueline Baykal and Marjorie Delagarde (2011)	Differentiation Strategy in the fashion industry	• Product • Service • People • Channel • Image	• Qualitative research	By optimizing all differentiation strategy, a firm can be successfully creating a better position of the firm.

2.3. Exporting

Exporting refers to the transportation of any domestic good or service to a destination outside a country or region (Ball, McCulloch, Fantz, Geringer, & Minor, 2006). Additionally, Kotler and Armstrong (2008) define exporting as entering a foreign marketing by selling goods produced in the company's home country, often with little modification. Moreover, export is a trading activity of a company to take out goods from territory in order to be sold at custom territory of other countries. In an export activity, currency agreed by both parties as a legitimate means of payment for exported goods are required.

There are several documents required by the buyer, such as payment terms both in cash and in Letter of Credits (Hereafter "*L/C*"), other terms concerning freight cost, insurance premiums, the deadline of submitting items, the possibility of displacing goods to another ship, how shipping and packaging of goods are done, as well as procedures for disbursement of L/C.

Sellers of goods and services referred to as the "exporter" based in the country of export, while buyers from abroad are referred to as the "importer". In international trade, export refers to the selling of goods and services produced in the country of origin to other markets. Export of commercial amount of goods normally requires involvement of the custom authorities in both countries from exporting and importing countries. The emerging minor trade over the internet such as Amazon and e-Bay has largely bypassed the involvement of custom authorities in many countries because of the low individual value. Nevertheless, this minor export laws are still subject to the restrictions imposed by exporting countries (Shvoong, 2011).

CHAPTER III

METHODOLOGY

3.1. Research Methodology

In this chapter, the researcher will emphasize on the methodology implemented in the research. The researcher implemented both qualitative and quantitative research, and used factor analysis to process the data. Qualitative research is research that involves and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon (Auerbach & Silverstein, 2003). The core of qualitative analysis in these related processes of describing phenomena, classifying it, and seeing how our concepts interconnect (Dey, 1993).

According to Cohen (1980), as cited in (Sukamolson), quantitative research is defined as social research that employs empirical methods and empirical statements. He states that an empirical statement is defined as a descriptive statement about what "is" the case in the "real world" rather than what "ought" to be the case. Moreover, quantitative research was used as it provides fundamental connection between empirical observation and mathematical expression of quantitative relationship (Ritchie & Lewis, 2003). In addition, quantitative research offers the possibility to repeat the survey in the future and to compare the results. Also, the researcher implemented quantitative research because of the research question made by the researcher included in one of six main types of research questions that quantitative research is particularly suited to find an answer to (Sukamolson).

Qualitative research done by the researcher was on the in-person interview for the preliminary research. The researcher decided to conduct interview in order to understand the overview of sandal-producing matters in Bali. While, quantitative research done by the researcher was on the questionnaire spread toward local sandal producers. It was done to seek the dominant factors of product differentiation strategy. Also, quantitative research was done due to numbers of respondents needed toward the research were quite many.

3.2. Research Framework

In this section, the researcher will explain the procedure of how he did the research. Begun by finding the best literature studies that suited the statement of problem, the researcher finally adapted Dimension of Differentiation Strategies by (Kotler, 2003). Continued by conducting validity and reliability testing, the researcher spread out pre-test questionnaires to 20 respondents, as the minimum sample required in Validity and Reliability Testing is 20 respondents (Supranto, 1984). After pre-test questionnaires passed both tests, final questionnaires was achieved and spread to all respondents. After all the data have been collected, the researcher began to transform the ordinal data into numerical data. Factor analysis and data analysis were the last steps to do in order to generate conclusion of the research. The figure below was constructed in order to ease readers understanding the research procedure

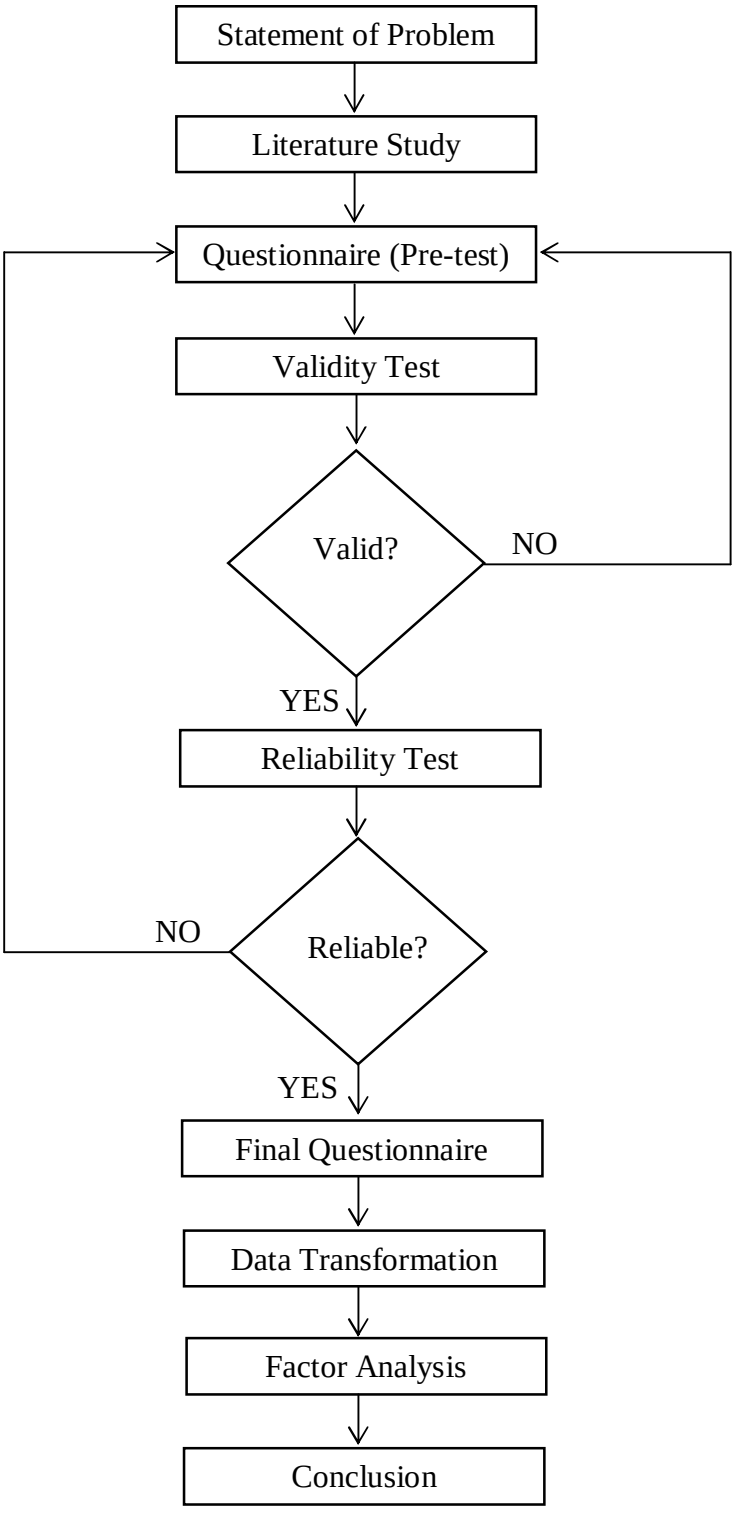

Figure 3.2.: Research Framework
Source: *www.publichealth.ox.ac.uk*, constructed by the Researcher

3.3. Research Time and Place

The research was conducted in Bali. The researcher spread the questionnaire by coming to the store of local sandal producers around Denpasar, Badung, and Gianyar and asked the owner or person in charge of the office to fill in the questionnaire. Moreover, the research was conducted from November 2011 to the end of January 2012.

3.4. Research Instruments

3.4.1. Data Collection

The researcher used three ways to collect the data, they are:

3.4.1.1. Preliminary In-person Interview

An in-person interview consists of an interviewer asking the respondents in a face to face situation. The interview may take place at the respondent's home or a research office (Sukamolson). The purpose of preliminary in-person interview done by the research was to understand the characteristics of local sandals. The researcher conducted unstructured interview as the question toward the respondents were *open-ended*, so they were free to respond as they like (Dey, 1993). The idea was to understand in surface about sandal products in Bali and to understand what exactly market prefers regarding the characteristics of the sandals. The researcher interviewed three sandal producers in Denpasar and found out that product *reparability*, *design* and *style* were the most favorable factors of why foreign tourists wanted to purchase the products.

3.4.1.2. Literature Review

To strengthen the research, the researcher used several related theories. The main theory used by the researcher was Types of differentiation strategy by Phillip Kotler. Also, literature review was used to help the researcher to construct the questionnaire. The idea was to make questionnaire based on the indicators from the theory and find out the dominant variables that increases export potential, which in this research was four out of nine indicators of product differentiation: *durability, reparability, style*, and *design*.

3.4.1.3. Questionnaire

The researcher used structured-type questionnaire to gather the data as the respondents had to choose from the options specified by the researcher, or usually known as *closed-end* question. It is a question for which participants choose from a limited number of alternatives (Jackson, 2009). As previously mentioned, the researcher constructed the questionnaire based on four out of nine indicators of product differentiation. The total number of questions before doing validity and reliability test was 25 questions. The researcher spread the questionnaire by coming to the store of local producers. The questionnaire was made in Bahasa Indonesia. Moreover, rating scale used in this research was Likert rating scale. Likert rating scale is a special type of the more general class of summated rating scales constructed from *multiple ordered-category rating items* (Lavrakas, 2008). Furthermore, Likert scale is a measurement scale with five response categories which ranging from “strongly disagree” to “strongly agree”, in this rating scale, the respondents need to

measure or indicate a level of agreement or disagreement for each statements related to the object. The value of Likert Scale was shown as below:

Value of Likert Scale	Meaning
1	Strongly Disagree
2	Disagree
3	Neither Agree Nor Disagree
4	Agree
5	Strongly Agree

Table 3.4.1.3.: Likert Scale
Source: Lavrakas (2008)

After all the data has been collected, the next step was to transform ordinal data into interval data in order to represent and determine one object has more value or characteristic comparing to other objects. To transform the data, the researcher used Successive Interval Method. Tool used by the researcher was Successive Interval Method (MSI) that was downloaded in (Juliandi). The tool assisted the researcher to instantly transform ordinal data into interval data.

3.4.2. Data Analysis

There are two tools used to analyze the research:

- ✓ SPSS (Statistical Package for Social Science) version 16.0
- ✓ Microsoft Excel 2007

The researcher combined both SPSS version 16.0 and Microsoft Excel 2007 to perform validity and reliability test, and also to process statistical data for the questionnaire.

3.5. Sampling Design

3.5.1. Size of the population

The population used in this research was local sandal producers in Bali. The researcher tried to find list of local sandal producers in Bali in several government institutions (e.g. Department of Trade and Industry). Unfortunately, he could not find any data related to the research that concluded the size of the population was unknown. To decide numbers of sample used in the research, the researcher relied on theory developed by Roscoe Burwell Herrington (1975). He states that there are four rules to decide the number of sample:

1) The sample size more than 30 and less than 500 are appropriate for a lot of research;
2) If sample are divided into several categories (men/women, senior/junior, etc.) the sample size minimum 30 for each category;
3) In Multivariate research (include multiple regression analysis), the sample size will be better if 10 times or more much bigger than the variables on the research; and,
4) For simple experimental research with tight experiment control (match pairs, etc.) the successful research may use small sample size between 10 until 20.

As the research used factor analysis which was part of multivariate research, the researcher decided to follow rule number 3. The researcher multiplied numbers of variables used which were four by 10, so the minimum sample required was 40 respondents. However, factor analysis technique can only be implemented if sample used in a certain research is at least 50 respondents (Santoso, 2010). So, the researcher used 50 respondents for this research.

3.5.2. Sampling Technique

Sampling technique used in this research was Snowball sampling technique. It is categorized as non-probability sampling technique. Moreover, this technique is usually done if the researcher has inadequate information toward the population (Prasetyo & Jannah, 2010). Also, according to Lavrakas, (2008), the general objective of this technique is mainly to identify members of the rare population. It involves identifying one or more members of a rare population and asking them to name other members of the same population. The process continues until an adequate sample size has been obtained or until no new names are elicited from the process. In this research, the researcher used such technique to find other members of local sandal producers as the researcher was lack of information on the population. The technique was done until 50 respondents have been obtained on behalf of the research.

3.6. Statistical Treatment

3.6.1. Pilot Testing

Pilot test is also known as pre-test. Pilot tests are "dress rehearsals" of full survey operations that are implemented to determine whether problem exist that need to be addressed prior to putting the production survey in the field (Lavrakas, 2008). The objective of pilot test is to identify potential problems and address them prior to the production survey to reduce the amount of non-sampling measurement error produced by the survey. In this research, the researcher used two types of pilot tests, which are validity testing and reliability testing.

3.6.1.1. Validity Testing

Validity test is test done in purpose to understand how accurate a certain instrument in measuring something (Priyanto, 2010). Validity is the extent to which a test measures what we actually wish to measure (Cooper & Schindler, 2006). The researcher conducted validity test by using SPSS version 16.0 program. The type of validity test used by the researcher was Corrected Item-Total Correlation Method. The validity of the questionnaire was determined by correlating between score of each item with the total score and conduct correction towards overestimated correlated coefficient value (Priyanto, 2010). The researcher used 20 respondents (n=20) as the sample of validity test, the calculation was n – 2 = 18 with significance level of 5%, so the value of *r* was 0.4438. Briefly stated, there are two rules in this method:

1) If the result *r* computation > *r*Table, the statement is valid; and,
2) If the result *r* computation < *r*Table, the statement is invalid.

Below table presented the result of validity test done by the researcher:

Table 3.6.1.1.1.: Result of Validity Test
Source: SPSS Version 16.0 and Primary data, Constructed by the Researcher

Variable	Questions	Corrected Item-Total Correlation	*r*Table	Remark
V1	Local sandals that I produce can be used for less then one year.	-.688	.4438	**Invalid**
V2	Local sandals that I produce can be used for one to three years.	.739	.4438	Valid
V3	Local sandals that I produce can be used for more than three years.	.633	.4438	Valid
V4	Local sandals that I produce are easy to clean.	.637	.4438	Valid
V5	Local sandals that I produce possess a good	-.189	.4438	**Invalid**

	flexibility.			
V6	Local sandals that I produce are water resistant.	.635	.4438	Valid
V7	Local sandals that I produce can withstand in any field.	.315	.4438	**Invalid**
V8	Local sandals that I produce are made by sophisticated technology.	.595	.4438	Valid
V9	Local sandals that I produce can be easily repaired by the consumers.	.022	.4438	**Invalid**
V10	I provide after-sale service.	.631	.4438	Valid
V11	Local sandals that I produce need low cost to repair.	.621	.4438	Valid
V12	Materials used to produce the sandals are easy to find.	-.299	.4438	**Invalid**
V13	Local sandals that I produce do not need a long time to be repaired.	.592	.4438	Valid
V14	Local sandals that I produce are eye-catching.	-.021	.4438	**Invalid**
V15	I produce local sandals that are difficult to imitate.	.554	.4438	Valid
V16	I produce local sandals with a very fancy packaging.	.583	.4438	Valid
V17	Local sandals that I produce are very comfortable.	.055	.4438	**Invalid**
V18	Local sandals that I produce are very prestigious.	.735	.4438	Valid
V19	Local sandals that I produce are easy to wear.	-.212	.4438	**Invalid**
V20	Local sandals that I produce are customizable.	.561	.4438	Valid
V21	Some models of the sandals are produced in limited edition.	.596	.4438	Valid
V22	I always produce sandals that are *up-to-date.*	.571	.4438	Valid
V23	I produce sandals that do not make blisters on feet.	.656	.4438	Valid
V24	Local sandals that I produce are very colorful.	.634	.4438	Valid
V25	Local sandals that I produce reflect the culture and characteristics of Bali.	.650	.4438	Valid

Based on the above table, there were 17 valid variables out of 25 variables. 8 variables were considered invalid as the result of *r* computation (Corrected Item-Total Correlation) did not exceed the *r*Table value which was 0.4438. So, the researcher eliminated invalid variables and used only 17 variables for the questions spread to respondents. Below table showed valid questions used by the researcher:

Table 3.6.1.1.2.: Result of Valid Variables
Source: SPSS Version 16.0 and Primary data, Constructed by the Researcher

Variable	Questions	Corrected Item-Total Correlation	*r*Table	Remark
V2	Local sandals that I produce can be used for one to three years.	.739	.4438	Valid
V3	Local sandals that I produce can be used for more than three years.	.633	.4438	Valid
V4	Local sandals that I produce are easy to clean	.637	.4438	Valid
V6	Local sandals that I produce are water resistant.	.635	.4438	Valid
V8	Local sandals that I produce are made by sophisticated technology.	.595	.4438	Valid
V10	I provide after-sale service.	.631	.4438	Valid
V11	Local sandals that I produce need low cost to repair.	.621	.4438	Valid
V13	Local sandals that I produce do not need a long time to be repaired.	.592	.4438	Valid
V15	I produce local sandals that are difficult to imitate.	.554	.4438	Valid
V16	I produce local sandals with a very fancy packaging.	.583	.4438	Valid
V18	Local sandals that I produce are very prestigious.	.735	.4438	Valid
V20	Local sandals that I produce are customizable.	.561	.4438	Valid

V21	Some models of the sandals are produced in limited edition.	.596	.4438	Valid
V22	I always produce sandals that are *up-to-date.*	.571	.4438	Valid
V23	I produce sandals that do not make blisters on feet.	.656	.4438	Valid
V24	Local sandals that I produce are very colorful.	.634	.4438	Valid
V25	Local sandals that I produce reflect the culture and characteristics of Bali.	.650	.4438	Valid

3.6.1.2. Reliability Testing

Reliability test is done in order to test the consistency or stability of the instrument, whether the result will be consistent when the researcher repeatedly does the same measurement (Priyanto, 2010). A reliability coefficient is determined by assessing the degree of relationship between scores on the same test administered on two different occasions (Field, 2005). In this research, the researcher used Cronbach's Alpha method. According to Sekaran, as cited in Priyanto (2010), Cronbach's Alpha value less than 0.6 considered to be poor, while 0.7 is acceptable, and 0.8 or above considered good. Reliability test was done by inputting all valid variables to SPSS 16.0 program. Table below showed the result of Reliability Test done by the researcher:

Cronbach's Alpha	N of Items
.915	17

Table 3.6.1.2.: Reliability Statistics
Source: SPSS Version 16.0 and Primary data

In the validity process, the researcher found out that there were 17 valid variables, so the researcher inputted 17 questions to seek out the value of Cronbach's Alpha. From the above table, we could see that the value of Cronbach's Alpha was more than 0.8 which was 0.915 that concluded the questionnaire was reliable as a research instrument.

3.6.2. Factor Analysis

A very concise definition of Factor analysis was stated by DeCoster (1998) that it is a collection of methods used to examine how underlying constructs influence the responses on a number of measured variables. There are two types of variables in factor analysis:

1) ***Latent Variable***

   A latent variable is one which we do not observe directly, but we can infer its existence by the properties of observed variables (Jones). Latent variables or construct variables in this research were *durability*, *reparability*, *style*, and *design*.

2) ***Manifest Variable***

   According to DeCoster (1998), manifest variable is a variable that can be directly measured or observed. Manifest variables are used in latent variable statistical models, which test the relationships between a set of manifest variables and a set of latent variables. Manifest variables are considered either continuous or categorical (a countable range). In this research, the manifest variables were details of each researched variables, for example *eye-catching*, *difficult to imitate*, *aesthetics*, *packaging*, and *comfort* as manifest variables of style.

Latent variables, which are abstract concepts, have to be operationalized into manifest variables that can be measured into actual research. Moreover, he explained that factor analysis can be categorized into two types: exploratory and confirmatory: Exploratory Factor Analysis (EFA) attempts to discover the nature of the constructs influencing a set of responses, while Confirmatory Factor Analysis (CFA) tests whether a specified set of constructs in influencing responses in a predicted way. Moreover, factor analyses are performed by examining pattern of correlations (or covariance) between the observed measures. In this research, the researcher used Exploratory Factor Analysis (EFA) as the objective of the research is to determine number of common factors influencing a set of measures. Furthermore, adopting the seven basic steps to performing an EFA by DeCoster (1998), the steps done by the researcher are as follows:

1) ***Collect measurements:*** Measure variables on the same (or matched) experimental units. In this step, the researcher collected the data and summarized it in Microsoft Excel. Additionally, as the SPSS version 16.0 program obliged the researcher to input interval data, he had to transform ordinal data into interval data. Tool used by the researcher was Successive Interval methods (Juliandi). Successive Interval Method helped the researcher summarizing the questionnaire based on each answer of each respondent.
2) ***Obtain the correlation matrix:*** Obtain the correlation (or covariance) between each of the variables. There were two steps to obtain the correlation matrix. The first step was The Bartlett's Test of Spherecity which is used to test the null hypothesis that the original correlation matrix is an identity matrix. In this research,

Bartlett's Test is highly significant ($p<0.001$), and therefore the factor analysis is appropriate (Field, 2005).

The second step was *Kaiser-Meyer-Olkin* (KMO), it is a test to assess the appropriateness of using factor analysis on data. Kaiser, as stated in Field (2005) recommended retaining all factors with Eigen values greater than 1. The criterion is based on the idea that the Eigen values represent the amount of variation explained by a factor and that the Eigen value of 1 represents a substantial amount of variation.

3) ***Extract initial set of factors:*** Submit the correlations or covariance into a computer program to extract factors. A factor loading is the correlation between a variable and a factor that has been extracted from the data. Factor loading represents the correlation between original variables and its factors (Hair, Black, Babin, & Anderson, 2006). The researcher can employ the concept of statistical power to specify factor loadings considered significant for different sample size.

Loading Factors	Minimum Sample Taken
.30	350
.35	250
.40	200
.45	150
.50	120
.55	100
.60	85
.65	70
.70	60
.75	50

Table 3.6.2.: Significant Factor Loading based on Sample Size
Source: Hair, Black, Babin, and Anderson (2006)

From the above table, the researcher could determine that the minimal factor loading for this research was 0.75, as the sample size used by the researcher was 50 respondents.

4) ***Rotate factors to a final solution:*** Find a factor solution that is equal to that obtained in the initial extraction but which has the simplest interpretation. Rotated factor loading is the factor loading for the varimax orthogonal rotation represent both how the variables are weighted for each factor but also the correlation between variables and the factor. A varimax rotation attempts to maximize the squared loading of the columns.
5) ***Interpret factor structures:*** Define a factor by considering the possible theoretical constructs that could be responsible for the observed pattern of positive and negative loadings. It is the step of analyzing the factors from the result of the rotation process.

3.7. Limitations

There were several limitations that the researcher faced during the finalization of the research:

1) The research scope was in the province of origin of the researcher, which was in Bali. Currently the researcher stays in Cikarang, so the researcher needed more time to collect all the data, both interview and questionnaire as respondents who became the primary data of the research were all originated from Bali. Also, several respondents were quite difficult to reach as they did not have enough complete addresses.
2) Some of secondary data needed by the researcher was not provided in governance institutions (e.g. lists of registered sandal producers in Bali), so the researcher had to find another source as the secondary data of the research.

3) In this research, the researcher only analyzed the dominant factors of product differentiation strategy that increase export potential chosen by the respondents, disregarding the personal information and background of the respondents (e.g. age, position, education, etc.)
4) The researcher also found that similar researches on specific dimensions of product differentiation were difficult to find. Though a lot of researches were implementing differentiation strategy, the researcher could only find a few researches that focus on specific dimensions of product differentiation.
5) Lastly, time limitation was also faced by the researcher that the research period conducted was only three months. Due to distance matter, the researcher needed more time to conduct the interview. Yet, the researcher could submit the research on-time with his best effort.

CHAPTER IV

ANALYSIS OF DATA
AND INTERPRETATION OF RESULT

4.1. Data Collection

As previously mentioned, after validity and reliability test have been done, the researcher found that there are 17 valid questions to be spread to the respondents. The researcher collected 50 questionnaires as the primary data of the research. Moreover, the researcher collected the questionnaires by directly coming to the office of local sandal producers, and some of them were reached by phone due to their far office location. Furthermore, the researcher could only take 50 respondents due to limitation of time and distance. Thus, 50 questionnaires are considered acceptable as Herrington (1975) stated in his research that in multivariate research, the sample size preferably several times (10 times or more) greater than the number of variables in the study. As variables of product differentiation used in this research were four (*durability, reparability, style,* and *design*), the minimum respondents taken for the research should be at least 40 respondents, and the researcher has exceeded the minimum requirement.

4.2. Research Variable

In this section, the researcher presents the table of construct variables used and the manifest variables to create the questions. The variable used in the questionnaire has already passed the validity and reliability testing. Table below shows the summary of valid questions.

PRODUCT DIFFERENTIATION STRATEGY	**Durability**	V1	Local sandals that I produce can be used for one to three years.
		V2	Local sandals that I produce can be used for more than three years.
		V3	Local sandals that I produce are easy to clean.
		V4	Local sandals that I produce are water resistant.
		V5	Local sandals that I produce are made by sophisticated technology.
	Reparability	V6	I provide after-sale service.
		V7	Local sandals that I produce need low cost to repair.
		V8	Local sandals that I produce do not need a long time to be repaired.
	Style	V9	I produce local sandals that are difficult to imitate.
		V10	I produce local sandals with a very fancy packaging.
		V11	Local sandals that I produce are very prestigious.
	Design	V12	Local sandals that I produce are customizable.
		V13	Some models of the sandals are produced in limited edition.
		V14	I always produce sandals that are *up-to-date.*
		V15	I produce sandals that do not make blisters on feet.
		V16	Local sandals that I produce are very colorful.
		V17	Local sandals that I produce reflect the culture and characteristics of Bali.

Table 4.2.: Table of Research Variables
Source: Primary data and Literature Study

4.3. General Information of the Respondents

In this section, the researcher presents the general information gathered from the respondents. The information was gathered from the questionnaire, by asking several questions related to sandal industries. The questions include office location, length of establishment, frequencies of design update, and product specialty of the respondents. Figures below explain information in details.

4.3.1. Location of Respondents' Office

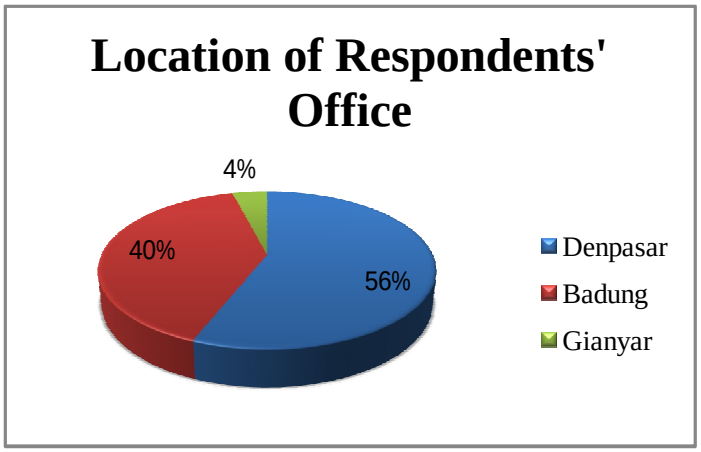

Figure 4.3.1.: Location of Respondents' Office
Source: Primary Data, constructed by the Researcher

From the above figure, the locations of respondents' office are mostly located in Denpasar. It is proved by up to **56%** or 28 respondents' location are in Denpasar, while 40% or 20 respondents are from Badung, and only 4% or 2 respondents are from Gianyar. The researcher did come to offices located in both Denpasar and Badung, and respondents in Gianyar are reached by phone due to the distance.

4.3.2. Length of Establishment

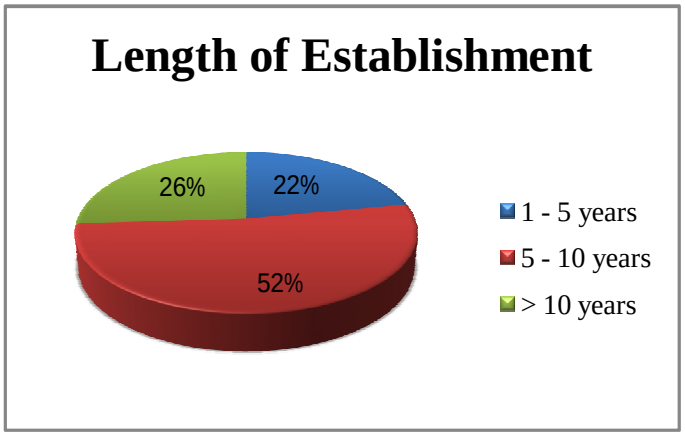

Figure 4.3.2.: Length of Establishment
Source: Primary Data, constructed by the Researcher

From the above figure, the researcher concludes that local producers who mostly conduct export activities have been establishing the company for five to ten years. It is shown by **52%** or 26 respondents are in such period of establishment, followed by 26% or 13 *old-settlers* that have been establishing the company for more than ten years. The rest of the respondents have just been establishing for one to five years.

4.3.3. Product Specialization

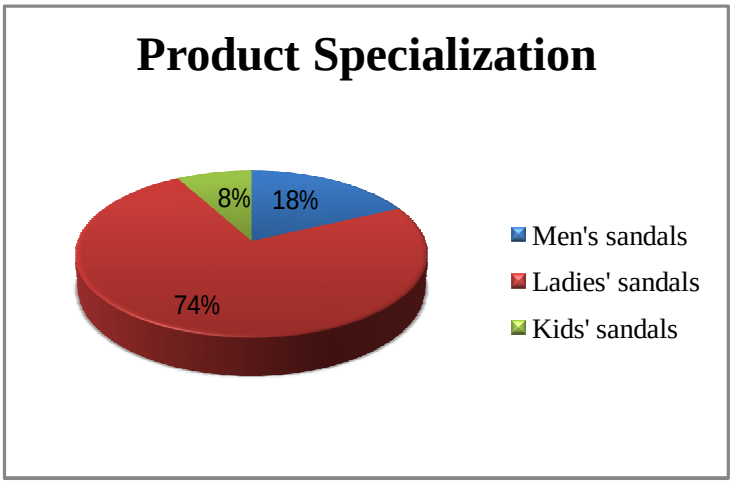

Figure 4.3.3.: Product Specialization
Source: Primary Data, constructed by the Researcher

As we can see from the above table, **74%** or 37 respondents produce ladies sandals as global market demand more ladies sandals made in Bali compared to other type of sandals. Moreover, only 18% or 9 respondents decide to make men's sandals to be their product specialty, and a few numbers of kids' sandals are produced by 8% or 4 respondents.

4.3.4. Frequencies of Design Update

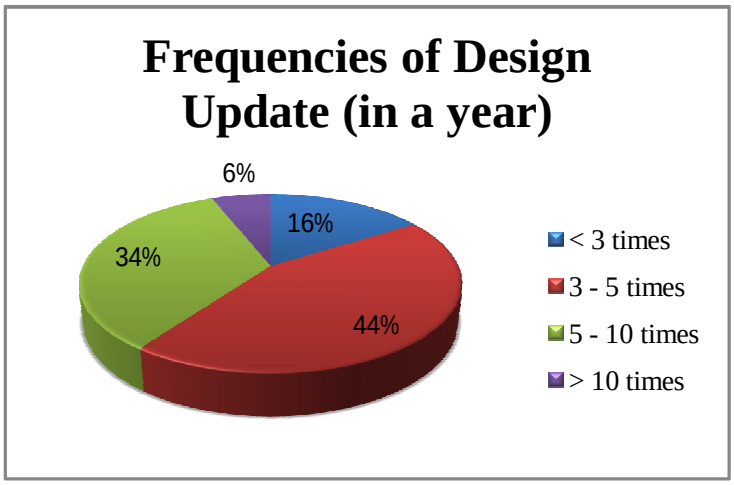

Figure 4.3.4.: Frequencies of Design Update (in a year)
Source: Primary Data, constructed by the Researcher

From the data collected, **44%** or 22 respondents stated that they update their product design for three to five times in a year. The second most, which are 34% or 17 respondents, update their product design for five to ten times in one year followed by 8 respondents who update it less than three times in a year and the last are 6% or 3 respondents that update it more than ten times in a year.

4.4. Data Analysis

4.4.1. Frequencies of Data Collected

The researcher constructs 17 questions that can help answering the objective of this research. The questionnaire is constructed by adapting Phillip Kotler's theory of Product Differentiation. The researcher focuses on four dimensions of product differentiation which are *durability*, *reparability*, *style*, and *design*. After all respondents have filled in the questionnaire, the researcher summarizes their answer into tables that show percentage of answer for each question. The numbers of tables

provided are four tables, and classified based on its dimensions. More details can be seen on tables below.

4.4.1.1. Product Durability

The first dimension is product durability. There are five valid statements that measure the dimension. Below table is the summary of respondents' answers toward the statement.

Table 4.4.1.1.: Product Durability Dimension
Source: SPSS version 16.0 and Primary Data

No	Statement	Value									
		SD		D		NAD		A		SA	
		F	%	F	%	F	%	F	%	F	%
1.	Local sandals that I produce can be used for one to three years.	9	18%	9	18%	4	8%	***18***	***36%***	10	20%
2.	Local sandals that I produce can be used for more than three years.	6	12%	10	20%	7	14%	***26***	***52%***	1	2%
3.	Local sandals that I produce are easy to clean.	6	12%	1	2%	9	18%	***23***	***46%***	11	22%
4.	Local sandals that I produce are water resistant.	3	6%	2	4%	2	4%	21	42%	***22***	***44%***
5.	Local sandals that I produce are made by sophisticated technology.	11	22%	***16***	***32%***	0	0%	11	22%	12	24%

From the above table, product durability dimension can be formulated as follows:

1) Most respondents agree with the first statement "*Local sandals that I produce can be used for one to three years*" showed by 36% of respondents' choice as well as 20% of respondents that do strongly agree to the statement. The rest of the respondents feel neither agree nor disagree, disagree, and strongly disagree for 8%, 18%, and 18% respectively. Local producers seem quite sure with their product durability and it becomes one of the main strength of local sandals
2) Up to 52% respondents agree with the second statement "*Local sandals that I produce can be used for more than three years*" supported by 2% respondents who feel strongly agree. However, there are 12% respondents who strongly disagree and 20% respondents feel disagree. The rest of respondents which are 14% choose to be neutral.
3) As for the third statement, respondents do feel agree with the statement "*Local sandals that I produce are easy to clean*" showed by 46% of respondents' choice, followed by 22% of respondents who feel strongly toward the statement. In the contrary, 12% of respondents are strongly disagree against the statement continued by 2% of respondents who feel disagree, while the rest of respondents choose to be neutral.
4) The fourth statement is positively supported by the respondents that 44% of respondents are strongly agreed and 42% of respondents do agree with the statement "*Local sandals that I produce are water resistant*". The rest of respondents, which is a few choose to be in the opposite side with cumulative percentage of 14%.

5) The fifth statement does not seem to get respondents' support that 32% of the respondents disagree with the statement "*Local sandals that I produce are made by sophisticated technology*". While 24% of respondents feel strongly agree, respondents share the same percentage on both strongly-disagree and agree side with 22% each.

The researcher concludes most respondents do feel agree with the statements in durability dimension that shows the durability of local sandals become one of the main strengths. Moreover, local producers seem sure with the durability of their products, yet local producers still rely on conventional way of making sandals rather than relying on sophisticated technology.

4.4.1.2. Product Reparability

Product reparability becomes the second dimension of the variable. Three valid statements are constructed in order to help measuring the dimension. Below table explains the answers of respondents toward this dimension in details.

Table 4.4.1.2.: Product Reparability Dimension
Source: SPSS version 16.0 and Primary Data

No	Statement	Value									
		SD		D		NAD		A		SA	
		F	%	F	%	F	%	F	%	F	%
6.	I provide after-sale service.	7	14%	9	18%	9	18%	19	38%	6	12%
7.	Local sandals that I produce need low cost to repair.	1	2%	2	4%	1	2%	26	52%	20	40%

8.	Local sandals that I produce do not need a long time to be repaired.	8	16%	5	10%	5	10%	15	30%	17	34%

From the above table, product reparability dimension can be formulated as follows:

6) For the sixth statement "*I provide after-sale service*", 38% of the respondents do agree that they provide after-sale service for their products. 12% of respondents also feel strongly agree with the statement. While, 32% of respondents decide to be on the opposite side, there are also 18% respondents who choose to be neutral toward the statement.
7) As for the seventh statement, "*Local sandals that I produce need low cost to repair*" gets 52% support of the respondents that most respondents agree to the statement. Also, 40% of respondents feel strongly agree with the statement. There are only a few respondents who feel disagree and strongly disagree for 4% and 2% respectively.
8) Eighth statement "*Local sandals that I produce do not need a long time to be repaired*" seems to be agreeable by the respondents showed by 34% feel strongly agree and 30% do agree with the statement. Moreover, 16% of respondents feel strongly disagree with the statement, while respondents who feel disagree and neutral share 10% for each scale.

From the formulation above, the researcher sees that majority of local producers provide after-sale service for their products. Additionally, they also think that to repair their products, they do not need lots of cost. Moreover, they also feel that local sandals do not take a long time to be repaired. Although, there are several respondents who

prefer to disagree and be neutral due to the damage of the sandals cannot be predicted.

4.4.1.3. Product Style

Product style is the third dimension of the variable. As well as the previous dimension, there are three valid statements are constructed in order to measure the dominant factor of the dimension. Below table explains the answers of respondents toward this dimension in details.

Table 4.4.1.3.: Product Style Dimension
Source: SPSS version 16.0 and Primary Data

No	Statement	Value									
		SD		D		NAD		A		SA	
		F	%	F	%	F	%	F	%	F	%
9.	I produce local sandals that are difficult to imitate.	3	6%	7	14%	0	0%	17	34%	23	46%
10.	I produce local sandals with a very fancy packaging.	11	22 %	18	36%	1	2%	15	30%	5	10%
11.	Local sandals that I produce are very prestigious.	8	16 %	5	10%	5	10 %	15	30%	17	34%

From the above table, product style dimension can be formulated as follows:

9) As we can see on the above table, the ninth statement "*I produce local sandals that are difficult to imitate*" is strongly agreed by 46% of the respondents, followed by 34% of respondents agreeing with the statement. In the contrary, 6% of respondents strongly disagree and 14% disagree with the statement.

10) Fancy packaging seems not become respondents' choice as 36% of respondents tend to disagree with the statement. Moreover, the tenth statement "*I produce local sandals with a very fancy packaging*" is disagreed by 22% of respondents. On the other hand, 30% of respondents do agree and 10% of respondents strongly agree with the statement. The rest of respondents, which is only 2% choose to be neutral.
11) In the eleventh statement, 34% of the respondents do strongly agree "*Local sandals that I produce are very prestigious*", while 30% of respondents said agree. However, a modest numbers of respondents are found on the opposite side with 16% of respondents said strongly disagree, 10% disagree, and another 10% of respondents choose to be neutral.

Local producers seem to create sandals that are difficult to imitate by other competitors. However, they do not focus on packaging as the exported products will be without any brand, so buyers can freely make their own brand. Local producers also make their products image as prestigious products, so customers will feel luxurious when they wear them.

4.4.1.4. Product Design

The last dimension is the design of the products. Design is considered a broad subject, so the researcher decides to make more measurement on it, and after validity test has been done, the researcher found that there are six valid statements to measure this dimension. Below table explains the answers of respondents toward this dimension in details.

Table 4.4.1.4.: Product Design Dimension
Source: SPSS version 16.0 and Primary Data

No	Statement	Value									
		SD		D		NAD		A		SA	
		F	%	F	%	F	%	F	%	F	%
12.	Local sandals that I produce are customizable.	7	14%	5	10%	3	6%	17	34%	18	36%
13.	Some models of the sandals are produced in limited edition.	5	10%	5	10%	0	0%	18	36%	22	44%
14.	I always produce sandals that are up-to-date.	7	14%	11	22%	1	2%	18	36%	13	26%
15.	I produce sandals that do not make blisters on feet.	3	6%	5	10%	13	26%	21	42%	8	16%
16.	Local sandals that I produce are very colorful.	3	6%	8	16%	2	4%	20	40%	17	34%
17.	Local sandals that I produce reflect the culture and characteristics of Bali.	9	18%	12	24%	0	0%	19	38%	10	20%

From the above table, product design dimension can be formulated as follows:

12) Most of local producers are able to customize their sandal products based on customers' need. It is proved by 36% of respondents strongly agree toward the statement. Moreover, the statement "*Local sandals that I produce are customizable*" is agreed by 34% of respondents, while a few respondents strongly disagree and disagree with the statement, amounts to 14% and 10% respectively.

13) Likewise, it is evident that some of local sandals are produced in limited edition showed by almost half of the respondents which is 44% strongly agree with statement "*Some models of the sandals are produced in limited edition*", followed by 36% of respondents are agreeing the statement. However, a number of respondents are against the statement that some respondents stated disagree and strongly disagree with 10% for each scale.
14) Local producers agree with the fourteenth statement "*I always produce sandals that are up-to-date*" that 36% of respondents agree and 26% strongly agree with the statement. Although, there are quite a number of respondents who are against the statement for up to 36%.
15) Even though 42% of the respondents do agree and also 16% do strongly agree with the statement "*I produce sandals that do not make blisters on feet*", 26% of respondents decide to be neutral and 16% of respondents disagree with the statement.
16) Colorful sandals also seem to be supported by the respondents that they mostly agree and strongly agree with the statement "*Local sandals that I produce are very colorful*" for 40% and 34% respectively, while 16 of respondents feel disagree, 6% of respondents strongly disagree, and only 4% of respondents decide to be neither agree nor disagree with the statement.
17) As well as the previous statement, the seventeenth statement "*Local sandals that I produce reflect the culture and characteristics of Bali*" is agreed by 38% and strongly agreed by 20% of the respondents. In the contrary, 18% and 24% of respondents feel strongly disagree and disagree correspondingly.

Majority of local producers can customize their sandals as the customers want. Likewise, they also produce several products that is limited edition, but they charge higher price for limited-edition sandals. Moreover, local producers believe that to update their product design is a must, although there are some of them are still focusing on mass productions and do not put enough attention toward the design. Furthermore, most of local producers seem to guarantee that their products will not make any blisters on customers' feet. Yet, there are also respondents who doubt about the comfort of their products as they different type and size of feet may result different impact as well. As for the color of the products, more than a half of respondents decide to make colorful sandals to make their products eye-catching. As well as the color, local producers create sandals that strongly reflect the image of Bali to increase added value of the products.

4.4.2. Factor Analysis

4.4.2.1. Collect Measurements

As previously mentioned, the researcher collects all the data and summarize it in Microsoft Excel. To transform the date from ordinal data to interval data, the researcher uses tool from (Juliandi). After interval data is obtained, the researcher continues to process the data by conducting factor analysis in SPSS version 16.0.

4.4.2.2. Obtain Correlation Matrix

According to Kaiser, as cited in Field (2005)**,** Kaiser-Meyer-Olkin (KMO) is used to measure the sampling adequacy. Small values of the KMO statistic shows that the correlation between pairs of variables cannot be explained by other variables and that factor analysis may not be appropriate. Below table shows the range of value and ratings for the value of KMO.

KMO Value	Ratings
≥ 0.90	Marvelous
0.80 - 0.89	Meritorious
0.70 - 0.79	Middling
0.60 - 0.69	Mediocre
0.50 - 0.59	Miserable
≤ 0.50	Unacceptable

Table 4.4.2.2.1.: KMO Value
Source: Field (2005)

Before analyzing anti-image correlation, The KMO value in this research is 0.609 that indicates factor analysis can be implemented to process the data. Moreover, the value is categorized mediocre (0.60 – 0.69) for an appropriate statistical treatment. Below table shows the KMO and Bartlett's Test before eliminating variables that have Measuring Sampling Adequacy (MSA) under 0.50.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.609
Bartlett's Test of Sphericity	Approx. Chi-Square	334.099
	Df	136
	Sig.	.000

Table 4.4.2.2.2.: KMO and Bartlett's Test before eliminating variables
Source: SPSS version 16.0, Primary Data

Comparison of the distance between the indexes with a coefficient of partial correlation coefficients as a whole should be small identified by the Measure of Sampling Adequacy (MSA). MSA value is considered adequate if the MSA values ≥ 0.5. If there are items or variables that do not have a value of ≥ 0.5, then the variable should be excluded from the analysis of factors. In this research, there are two

variables that the MSA is less than 0.5 which are variables 10 and 16 for the MSA value of 0.364 and 0.483 respectively, so the researcher has to take out both variables from the factor analysis. Below table shows the KMO and Bartlett's Test after eliminating variables that have Measuring Sampling Adequacy (MSA) less than 0.50.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.647
Bartlett's Test of Sphericity	Approx. Chi-Square	275.633
	Df	105
	Sig.	.000

Table 4.4.2.2.3.: KMO and Bartlett's Test after eliminating V10 andV16
Source: SPSS version 16.0, Primary Data

After unqualified variables are taken out, the researcher finds that the KMO value increases to 0.647.The value is still at the same category as before, which is mediocre (0.60 – 0.69) for an appropriate statistical treatment. In addition, the significant value of Bartlett's Test of Sphericity in this research is 0.000. It shows the correlation matrix of manifest variables is not an identity matrix, thus factor analysis can be continued.

4.4.2.3. Extract initial set of factors

Once it has been determined that the factor analysis is an appropriate technique for analyzing the data, the next step is the extraction of the manifest variables in order to form the latent variables. There are two aspects that can be identified, which are: communality and cumulative percentage or total variance explained of the extracted factors. To determine how many latent variables that will come out, only the factor that has Eigen value more than one is considered as significant.

4.4.2.3.1. Communality

The communality of a variable is defined as parts of its variance that related to the factors that being extracted. In addition, Field (2005) defines the proportion of common variance present in a variable is known as communality. Communality shows the relationship between manifest variables. The range of communality values between zero to one. A variable that has no specific variance (or random variance) would have a communality of 1; a variable that shares none of its variance with any other variable would have a communality of 0 (Field, 2005). The closer the communalities are to 1, the better the factors are at explaining original data. Below table presents the communalities:

Variable	Initial Eigen value	Extraction
VAR01	1.000	.786
VAR02	1.000	.753
VAR03	1.000	.806
VAR04	1.000	.714
VAR05	1.000	.635
VAR06	1.000	.734
VAR07	1.000	.799
VAR08	1.000	.718
VAR09	1.000	.721
VAR11	1.000	.832
VAR12	1.000	.634
VAR13	1.000	.693
VAR14	1.000	.626
VAR15	1.000	.572
VAR17	1.000	.608

Table 4.4.2.3.1.: Communalities
Source: SPSS version 16.0 and Primary Data

4.4.2.3.2. Total Variance explained

Factor	Initial Eigen values		
	Total	% of Variance	% of Cumulative
1	4.128	27.518	27.518
2	2.251	15.009	42.527
3	1.708	11.389	53.916
4	1.480	9.869	63.785
5	1.063	7.086	70.871

Table 4.4.2.3.2.: Total Variance Explained
Source: SPSS version 16.0 and Primary Data

Eigen value expresses the total variance of every factor. Only Eigen value more than one that can be accepted, and those accepted Eigen values determine numbers of factors formed in this research. From the table above, we can see that five factors are formed with cumulative percentage of 70.871%, which means there is only 29.129% of variable variance cannot be illustrated or explained in this study. From the above table we can also see the most dominant factor in this research is variable(s) contained in the first factor with 27.518% of variance, followed by the second factor with 15.009% of variance. The third, fourth, and fifth factors possess percentage of variance of 11.839%, 9.869%, and 7.086% respectively.

4.4.2.4. Rotated Component Matrix

Rotation method used in this research is orthogonal rotation which is Varimax rotation and interpretation of the result is done by looking at the loading factor. Varimax rotation attempts to maximize the dispersion of loadings within factors. Therefore, it tries to load a smaller number of variables highly onto each factor resulting in more

interpretable clusters of factors. As for sample size of 50, a loading of 0.75 is considered significant (Hair, Black, Babin, & Anderson, 2006). Briefly explained, due to the number of respondents used in this research are only 50, only variables that have coefficient correlation higher than 0.75 are included to the new factors formed. Below tables shows the result of Varimax rotation method.

No.	Variable	Factors				
		1	2	3	4	5
1	VAR01	.807				
2	VAR06		.812			
3	VAR07		.810			
4	VAR02			.759		
5	VAR03			.872		
6	VAR09				.823	
7	VAR17					.753

Table 4.4.2.4.: Rotated Component Matrix
Source: SPSS version 16.0 and Primary Data

From the above table, we can see that there are only seven variables that have coefficient correlation exceed 0.75. The rest of variables will automatically be eliminated as the values do not exceed the value of factor loading used in this research.

4.5. Interpretation of the Result

After all steps of Factor Analysis have been completely done, the researcher interprets the result and relates it to the researches that have been done previously. In this subchapter, the researcher emphasizes on the explanation of new factors extracted from several variables that exceed the value of factor loading.

4.5.1. First Factor

The first factor has 27.518% of the total variance with total Eigen value of 4.128. It shows that the first factor becomes the biggest factor that increases export potential of local sandals. The factor only consists of one manifest variable which is VAR01. The following table shows the variable in the first factor as well as the factor value.

No.	Variable	Dimension	Statement	Value
1.	VAR01	Durability	Local sandals that I produce can be used for one to three years.	.807

Table 4.5.1.: First Factor
Source: SPSS version 16.0 and Primary Data

The first factor only consists of one variable from durability dimension. As the first factor has the highest percentage of total variance, it concludes that VAR01 which is "*Local sandals that I produce can be used for one to three years*" becomes the dominant factor of product differentiation that increases export potential toward local sandals in Bali. The finding is also supported by Aaker (1991) that durability of a product vastly contributes in delivering high-quality products. Finally, the researcher concludes that the first factor is formed by one construct variable called **period of usage**.

4.5.2. Second Factor

As the second factor possesses the second highest percentage of total variance which is 15.009%, the factor is considered to be the second most dominant. Additionally, Eigen value of the factor is 2.251. The factor consists of two manifest variables which are VAR06 and VAR07. The following table shows the variables in the first factor as well as the factor value.

No.	Variable	Dimension	Statement	Value
2.	VAR06	Reparability	I provide after-sale service.	.759
3.	VAR07	Reparability	Local sandals that I produce need low cost to repair.	.872

Table 4.5.2.: Second Factor
Source: SPSS version 16.0 and Primary Data

Both variables in the second factor are from reparability dimension. Local producers do provide after-sale service in order to ease the customers to repair damaged or broken sandals. They also state that high cost is absolutely not necessary to repair the sandals, as most of after-sale services provided are free of charge. The findings are also supported by previous research done by Falzlzadeh, Bagherzadah, and Mohamadi (2011) that after-sale service plays a big role in determining customer satisfaction. Also, research done by Rostami and Forooz (2006) found that after-sale service help firms to be more differentiate than others. Finally, the researcher concludes that second factor is formed by one construct variable called **after-sale service**.

4.5.3. Third factor

Third factor has percentage of total variance of 11.389% with the Eigen value of 1.708. Just like the previous factor, it also consists of two manifest variables which are VAR02 and VAR03. The following table shows the variables in the first factor as well as the factor value.

No.	Variable	Dimension	Statement	Value
4.	VAR02	Durability	Local sandals that I produce can be used for more than three years.	.812
5.	VAR03	Durability	Local sandals that I produce are easy to clean.	.810

Table 4.5.3.: Third Factor
Source: SPSS version 16.0 and Primary Data

Both variables in the third factor are from durability dimension. Local producers believe that their products are easy-to-clean type. Also, supporting the statement in the first factor, they believe local sandals can be used for even more than three years. The findings support previous research done by Jusup (2002) that durability creates high sustainable competitive advantage of a firm. Moreover, this factor strengthens the first factor that durability of local products is relatively promising. Lastly, the researcher concludes that third factor is formed by two construct variable called **product lifetime and easiness to clean**.

4.5.4. Fourth Factor

Although the fourth factor has a small total variance percentage of 9.869%, the variable possess the highest factor value of 0.823. The Eigen value of the factor is 1.480. Furthermore, the factor only consists of one manifest variable which is VAR09. The following table shows the variable in the first factor as well as the factor value.

No.	Variable	Dimension	Statement	Value
6.	VAR09	Style	I produce local sandals that are difficult to imitate.	.823

Table 4.5.4.: Fourth Factor
Source: SPSS version 16.0 and Primary Data

One manifest variable in this factor is from product style dimension. Local producers decide to make product style that is difficult to imitate. Rather than finding exclusive fabrics and luxurious materials, local producers tend to create simple yet elegant style in order to make local sandals different. The finding supports Kotler's explanation that products that is difficult to imitate will stay longer in the competition compared to easily-imitated ones (Kotler & Armstrong, 2008). Also, research done by Jusup (2002) concludes that consumers do highly consider creativity and imitability of a product. In the end, the researcher concludes that the fourth factor is formed by one construct variable called **difficulty to imitate**.

4.5.5. Fifth Factor

It is the last factor that is formed in factor analysis that has 7.086% of total variance and the Eigen value of 1.063. The factor only consists of one manifest variable which is VAR17. The following table shows the variable in the first factor as well as the factor value.

No.	Variable	Dimension	Statement	Value
7.	VAR17	Design	Local sandals that I produce reflect the culture and characteristics of Bali.	.753

Table 4.5.5.: Fifth Factor
Source: SPSS version 16.0 and Primary Data

The last manifest variable in the last factor is from product design dimension. Local producers agreed that local sandals produced can reflect

the uniqueness and characteristics of Bali Island, which becomes one of the most valuable added values for the products. The finding linearly result the same in previous research done by Baykal and Delagarde (2011) that the key powers of a product in fashion industry are mostly in price, trend, and special characteristic of the products. Finally, the researcher concludes that the last factor is formed by one construct variable called **product image**.

Briefly stated, the factors of product differentiation strategy based on four dimensions (*durability, reparability, style,* and *design*) to increase export potential of local sandals are as follows:

No.	Factor	Dimension	Description
1.	1st Factor	Durability	Period of usage
2.	2nd Factor	Reparability	After-sale service
3.	3rd Factor	Durability	Product lifetime and Easiness to Clean
4.	4th Factor	Style	Difficulty to imitate
5.	5th Factor	Design	Product image

Table 4.6.: Factor Description
Source: Primary Data and Literature study

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

As the analysis data has been completed, the researcher will have to answer the problem statement in this research. As previously mentioned, the question on the problem statement in the first chapter is as follows:

> ***"What are the dominant factors of product differentiation strategy that increase export potential?"***

The researcher has found five construct variables as the dominant factors of product differentiation strategy that increase export potential toward local sandal producers in Bali. The followings will explain the result in more details:

1) **Period of usage**

   Period of usage of a product reflects how durable a product is. The longer a product can be used, the more customers tend to buy the products concerning the durability. Yet, durability has to be balanced with the price as the more durable a product is, the price tends to be higher compared to less durable products. Local producers believe that durability of local sandals does increase export potential and becomes the main reason of the products being acceptable in the global market.

2) **After-sale service**

   After-sale service becomes one of the most favorable services wanted by customers as it is usually free of charge. By providing after-sale services for their products, the researcher believes that it becomes a strong advantage for local sandals to compete in international market.

3) **Easiness to clean**

Easiness to clean is also part of product durability. Customers do not want to keep on buying new sandals due to easily-damaged. By having easy-to-clean sandals, at least it reminds customers that local sandals are considerably invulnerable to dirt. Therefore, local producers believe that to produce sandals that are easy to clean will positively impact product lifetime.

4) **Difficulty to imitate and Product Image**

Local sandals do not seem to be easily imitated by other competitors, proved by most of local producers are producing their sandals with a different style. By enhancing more on the design of the sandals, local producers try to create sandals that reflect the uniqueness of Bali Island. This is surely difficult to imitate as local design with the aesthetics value mostly can be produced by local people as well. To create a relatively difficult-to-imitate product, is to automatically reduce competitors in the same product line.

5.2. Recommendations

As for the recommendations, the researcher has several recommendations for both local producers and whoever is interested to conduct further research related to this study. The recommendations are as follows:

1) **For local sandal producers in Bali**

Previously, the researcher has mentioned about the problems identified in the research that global competition forces everyone to survive in the fierce competition. Moreover, customers tendency to buy finest yet cheapest product urges local producers to deliver high-quality products yet affordable. Therefore, local producers can put more attention on the

dominant factors obtained in this research in order to maintain the quality of local products. As previously said by the researcher, local producers need to enhance and optimize their product characteristics in order to gain competitive advantage from the competitors. Moreover, the researcher suggests local producers to emphasize more added-value for their products from another aspect of product differentiation such as shape, feature, reliability, etc. Furthermore, local producers can possibly run an online business as the implementation of service differentiation in order to ease customers accessing and getting to know about local products.

2) For further research

As this research only emphasizes on four dimensions of product differentiation which are *durability, reparability, style,* and *design*, further research can be done by analyzing the other five dimensions of product differentiation. Additionally, another differentiation strategy such as service or image differentiation can be implemented as new variables in a further study. A business will run very well if all of differentiation strategy is well-implemented in a particular firm.

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APPENDICES

THESIS ADVISER
RECOMMENDATION LETTER

This thesis entitled "**Analyzing The Dominant Factors of Product Differentiation Strategy That Increase Export Potential in Small-Medium Footwear Industries (A Case Study of Small-Medium Sandals Producers in Bali)**" prepared and submitted by Anak Agung Ngurah Ananta Wijaya in partial fulfillment of the requirement for the degree of Bachelor of Management with a concentration of International Business in the Faculty of Economics has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for oral defense.

Cikarang, Indonesia, January 30th, 2012

Acknowledged by, Recommended by,

Irfan Habsjah, MBA, CMA **Maria Jacinta Arquisola, MHRM**
Head of Management Study Program **Thesis Adviser**

PANEL OF EXAMINERS
APPROVAL SHEET

The panels of Examiners declare that thesis entitled "**Analyzing The Dominant Factors of Product Differentiation Strategy That Increase Export Potential in Small-Medium Footwear Industries (A Case Study of Small-Medium Sandals Producers in Bali)**" that was submitted by Anak Agung Ngurah Ananta Wijaya, majoring in International Business from the Faculty of Economics was assessed and approved to have the Oral Examination on February, 21st 2012.

Suresh Kumar, ST, M.Si
Chair-Panel of Examiners

Purwanto, ST, MM
Examiner I

Maria Jacinta Arquisola, MHRM
Examiner II

DECLARATION OF ORIGINALITY

I declare that this thesis, entitled "**Analyzing The Dominant Factors of Product Differentiation Strategy That Increase Export Potential in Small-Medium Footwear Industries (A Case Study of Small-Medium Sandals Producers in Bali)**" is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 30th, 2012

Anak Agung Ngurah Ananta Wijaya

ABSTRACT

This study is conducted to analyze the dominant factors of product differentiation strategy that increase export potential. The object of the research is local sandal producers in Bali. By understanding the dominant factors of the local products, the researcher expects the research can help local producers to enhance and optimizing the superior characteristics of local sandals.

Balinese sandals have become one of the most attractions of souvenirs from Bali Island. It is known that the export of local sandals shows quite a significant increase that it reaches US$ 3.8 million during period January to October 2011. It explains that local sandals have a very good potential to be developed more and more. Preliminary in-person interview toward three local producers is done and results that there are three major characteristics which are *design*, *style*, and *reparability*. Moreover, according to secondary data found, *durability* also becomes one of the most dominant characteristics of local products. However, due to the globalization, competitors are coming from all around the world that creates tight competition. Based on the background of study and problem found, the researcher decides to implement product differentiation strategy developed by Phillip Kotler (2003).

Due to limitation of time and other limitations in gathering the data, the researcher focuses on product differentiation instead of analyzing other differentiation strategy. The researcher focuses on 50 local producers spread around Bali, and samples are gathered by using snowball sampling technique. The researcher uses both qualitative and quantitative method to process the data. As for analyzing the data, the researcher implements Exploratory Factor Analysis (EFA) that he expects the dominant factor of local products will come out.

KMO and Bartlett's test shows a value of 0.647 and indicates that the research value is mediocre for an appropriate statistical treatment. Cumulative percentage total variance explained is 70.871% which means there are 29.129% of variable variance that cannot be illustrated or explained in this study. Only five components are formed and that indicates there are only five factors that possess Eigenvalue more than 1. Finally, period of usage, after-sale service, product lifetime, easiness to clean, difficulty to imitate, and lastly product image turn out to be the most dominant factors in this research.

ACKNOWLEDGEMENT

I would like to thank Ida Sang Hyang Widhi Wasa for His grace and guidance in the completion of this thesis. I would also want to thank local sandal producers in Bali for the cooperation in completing the information needed by the researcher on behalf of this research. Big appreciation is also extended to my adviser, Mrs. Maria Jacinta Arquisola for the supervision toward the progress of this thesis and her limitless patience to cope with the researcher.

Also, I would like to heartily thank Mr. Ienjo and Mr. Suresh Kumar for their big contribution to lead me finalizing my thesis.

I would like to show my best gratitude to my family; Mama, Ajik, Kakak Ratih, and Westny Dj for their love, encouragement, and support while I was completing this study.

Lastly, I offer my regards to all of my Ratih, Maya, Icha, Gratia, Yessy, Bachol, Jarwo, and Haqa who have always been there struggling to finish our study together. We made it, fellas!

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FACTOR ANALYSIS RESULT BEFORE ELIMINATING VARIABLES (VAR010 & VAR016)

Variable	Mean	Std. Deviation	Analysis N
VAR001	2.4636	0.96617	50
VAR002	2.3142	0.65573	50
VAR003	2.6874	0.8623	50
VAR004	3.104	0.83779	50
VAR005	2.35	1.06336	50
VAR006	2.3862	0.82535	50
VAR007	3.1422	0.69822	50
VAR008	2.721	1.03851	50
VAR009	3.054	0.91533	50
VAR010	2.143	0.87799	50
VAR011	2.5006	0.84786	50
VAR012	2.8026	1.01403	50
VAR013	2.9988	0.96524	50
VAR014	2.599	0.98285	50
VAR015	2.603	0.74378	50
VAR016	2.8768	0.8856	50
VAR017	2.4532	0.97707	50

Communalities		
Variable	Initial	Extraction
VAR001	1	0.813
VAR002	1	0.769
VAR003	1	0.815
VAR004	1	0.822
VAR005	1	0.618
VAR006	1	0.728
VAR007	1	0.798
VAR008	1	0.76
VAR009	1	0.629
VAR010	1	0.902
VAR011	1	0.84
VAR012	1	0.657
VAR013	1	0.696
VAR014	1	0.624
VAR015	1	0.595
VAR016	1	0.756
VAR017	1	0.652

Rotated Component Matrix						
Variable	Component					
	1	2	3	4	5	6
VAR001		0.812				
VAR002			0.773			
VAR003			0.88			
VAR004						
VAR005						
VAR006	0.753					
VAR007	0.826					
VAR008		0.773				
VAR009						
VAR010						0.923
VAR011						
VAR012						
VAR013						
VAR014						
VAR015						
VAR016					-0.783	
VAR017				0.803		

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.212	24.775	24.775	4.212	24.775	24.775	2.54	14.94	14.94
2	2.355	13.856	38.631	2.355	13.856	38.631	2.466	14.507	29.447
3	2.036	11.977	50.607	2.036	11.977	50.607	2.263	13.312	42.759
4	1.56	9.175	59.782	1.56	9.175	59.782	2.119	12.464	55.222
5	1.207	7.101	66.883	1.207	7.101	66.883	1.742	10.249	65.471
6	1.103	6.488	73.371	1.103	6.488	73.371	1.343	7.9	73.371
7	0.762	4.482	77.853						
8	0.69	4.061	81.914						
9	0.626	3.685	85.599						
10	0.548	3.222	88.821						
11	0.461	2.71	91.53						
12	0.427	2.514	94.044						
13	0.319	1.875	95.919						
14	0.239	1.403	97.322						
15	0.176	1.038	98.36						
16	0.152	0.893	99.253						
17	0.127	0.747	100						

Component	Component Transformation Matrix					
	1	2	3	4	5	6
1	0.624	0.505	0.501	0.256	0.139	0.141
2	0.097	-0.569	-0.033	0.74	0.038	0.341
3	0.12	0.37	-0.467	0.33	-0.716	-0.099
4	-0.631	0.153	0.601	0.145	-0.383	0.222
5	-0.429	0.501	-0.333	0.365	0.562	0.071
6	0.068	0.1	-0.241	-0.351	-0.065	0.894

Variable	Anti-image Correlation Matrices																
	VAR01	VAR02	VAR03	VAR04	VAR05	VAR06	VAR07	VAR08	VAR09	VAR10	VAR11	VAR12	VAR13	VAR14	VAR15	VAR16	VAR17
VAR001	.588a	-0.009	-0.463	-0.206	0.154	-0.183	0.059	-0.399	0.038	-0.176	0.318	-0.149	-0.161	-0.268	0.415	-0.271	0.202
VAR002	-0.009	.733a	-0.321	-0.07	-0.122	-0.051	0.236	-0.19	-0.297	0.015	-0.399	0.103	-0.174	-0.091	0.01	-0.29	0.077
VAR003	-0.463	-0.321	.533a	0.116	-0.224	0.054	0.07	0.133	0.174	0.107	-0.338	0.2	0.033	0.237	-0.275	0.19	-0.08
VAR004	-0.206	-0.07	0.116	.609a	-0.126	-0.397	-0.237	-0.122	-0.366	0.581	0.151	-0.083	-0.163	-0.122	0.017	0.284	-0.022
VAR005	0.154	-0.122	-0.224	-0.126	.688a	0.087	0.02	-0.22	0.083	-0.229	-0.072	-0.148	0.198	0.004	0.204	0.243	-0.106
VAR006	-0.183	-0.051	0.054	-0.397	0.087	.567a	-0.369	0.335	0.194	-0.452	-0.307	0.236	0.084	0.246	-0.012	-0.204	-0.133
VAR007	0.059	0.236	0.07	-0.237	0.02	-0.369	.714a	-0.436	0	0.029	-0.214	-0.283	0.01	-0.076	-0.05	-0.114	0.234
VAR008	-0.399	-0.19	0.133	-0.122	-0.22	0.335	-0.436	.645a	0.008	-0.191	-0.074	0.349	-0.118	0.167	-0.022	0.085	-0.101
VAR009	0.038	-0.297	0.174	-0.366	0.083	0.194	0	0.008	.589a	-0.323	-0.045	-0.121	0.145	0.134	-0.102	0.164	-0.138
VAR010	-0.176	0.015	0.107	0.581	-0.229	-0.452	0.029	-0.191	-0.323	.364a	0.135	-0.125	-0.053	-0.245	-0.202	0.2	0.048
VAR011	0.318	-0.399	-0.338	0.151	-0.072	-0.307	-0.214	-0.074	-0.045	0.135	.668a	-0.412	0.031	-0.244	0.062	0.096	0.104
VAR012	-0.149	0.103	0.2	-0.083	-0.148	0.236	-0.283	0.349	-0.121	-0.125	-0.412	.577a	-0.051	0.062	-0.037	-0.064	-0.26
VAR013	-0.161	-0.174	0.033	-0.163	0.198	0.084	0.01	-0.118	0.145	-0.053	0.031	-0.051	.730a	-0.112	-0.038	0.123	-0.296
VAR014	-0.268	-0.091	0.237	-0.122	0.004	0.246	-0.076	0.167	0.134	-0.245	-0.244	0.062	-0.112	.609a	-0.308	-0.197	-0.169
VAR015	0.415	0.01	-0.275	0.017	0.204	-0.012	-0.05	-0.022	-0.102	-0.202	0.062	-0.037	-0.038	-0.308	.573a	0.049	-0.134
VAR016	-0.271	-0.29	0.19	0.284	0.243	-0.204	-0.114	0.085	0.164	0.2	0.096	-0.064	0.123	-0.197	0.049	.483a	-0.292
VAR017	0.202	0.077	-0.08	-0.022	-0.106	-0.133	0.234	-0.101	-0.138	0.048	0.104	-0.26	-0.296	-0.169	-0.134	-0.292	.550a

FACTOR ANALYSIS RESULT AFTER ELIMINATING VARIABLES (VAR010 & VAR016)

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VAR005	1	0.618
VAR006	1	0.728
VAR007	1	0.798
VAR008	1	0.76
VAR009	1	0.629
VAR011	1	0.84
VAR012	1	0.657
VAR013	1	0.696
VAR014	1	0.624
VAR015	1	0.595
VAR017	1	0.652

Rotated Component Matrix					
Variable	Component				
	1	2	3	4	5
VAR001	0.807				
VAR002			0.759		
VAR003			0.872		
VAR004					
VAR005					
VAR006		0.812			
VAR007		0.81			
VAR008					
VAR009					0.823
VAR011					
VAR012					
VAR013					
VAR014					
VAR015					
VAR017				0.753	

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.128	27.518	27.518	4.128	27.518	27.518	2.454	16.361	16.361
2	2.251	15.009	42.527	2.251	15.009	42.527	2.312	15.412	31.773
3	1.708	11.389	53.916	1.708	11.389	53.916	2.295	15.303	47.076
4	1.48	9.869	63.785	1.48	9.869	63.785	2.036	13.571	60.647
5	1.063	7.086	70.871	1.063	7.086	70.871	1.534	10.224	70.871
6	0.764	5.091	75.962						
7	0.689	4.592	80.555						
8	0.606	4.04	84.594						
9	0.547	3.644	88.238						
10	0.433	2.885	91.124						
11	0.411	2.743	93.867						
12	0.346	2.307	96.173						
13	0.256	1.706	97.88						
14	0.186	1.24	99.119						
15	0.132	0.881	100						

Component	Component Transformation Matrix				
	1	2	3	4	5
1	0.624	0.505	0.501	0.256	0.139
2	0.097	-0.569	-0.033	0.74	0.038
3	0.12	0.37	-0.467	0.33	-0.716
4	-0.631	0.153	0.601	0.145	-0.383
5	-0.429	0.501	-0.333	0.365	0.562

Variable	Anti-image Correlation Matrices														
	VAR01	VAR02	VAR03	VAR04	VAR05	VAR06	VAR07	VAR08	VAR09	VAR11	VAR12	VAR13	VAR14	VAR15	VAR17
VAR001	.588a	-0.009	-0.463	-0.206	0.154	-0.183	0.059	-0.399	0.038	0.318	-0.149	-0.161	-0.268	0.415	0.202
VAR002	-0.009	.733a	-0.321	-0.07	-0.122	-0.051	0.236	-0.19	-0.297	-0.399	0.103	-0.174	-0.091	0.01	0.077
VAR003	-0.463	-0.321	.533a	0.116	-0.224	0.054	0.07	0.133	0.174	-0.338	0.2	0.033	0.237	-0.275	-0.08
VAR004	-0.206	-0.07	0.116	.609a	-0.126	-0.397	-0.237	-0.122	-0.366	0.151	-0.083	-0.163	-0.122	0.017	-0.022
VAR005	0.154	-0.122	-0.224	-0.126	.688a	0.087	0.02	-0.22	0.083	-0.072	-0.148	0.198	0.004	0.204	-0.106
VAR006	-0.183	-0.051	0.054	-0.397	0.087	.567a	-0.369	0.335	0.194	-0.307	0.236	0.084	0.246	-0.012	-0.133
VAR007	0.059	0.236	0.07	-0.237	0.02	-0.369	.714a	-0.436	0	-0.214	-0.283	0.01	-0.076	-0.05	0.234
VAR008	-0.399	-0.19	0.133	-0.122	-0.22	0.335	-0.436	.645a	0.008	-0.074	0.349	-0.118	0.167	-0.022	-0.101
VAR009	0.038	-0.297	0.174	-0.366	0.083	0.194	0	0.008	.589a	-0.045	-0.121	0.145	0.134	-0.102	-0.138
VAR011	0.318	-0.399	-0.338	0.151	-0.072	-0.307	-0.214	-0.074	-0.045	.668a	-0.412	0.031	-0.244	0.062	0.104
VAR012	-0.149	0.103	0.2	-0.083	-0.148	0.236	-0.283	0.349	-0.121	-0.412	.577a	-0.051	0.062	-0.037	-0.26
VAR013	-0.161	-0.174	0.033	-0.163	0.198	0.084	0.01	-0.118	0.145	0.031	-0.051	.730a	-0.112	-0.038	-0.296
VAR014	-0.268	-0.091	0.237	-0.122	0.004	0.246	-0.076	0.167	0.134	-0.244	0.062	-0.112	.609a	-0.308	-0.169
VAR015	0.415	0.01	-0.275	0.017	0.204	-0.012	-0.05	-0.022	-0.102	0.062	-0.037	-0.038	-0.308	.573a	-0.134
VAR017	0.202	0.077	-0.08	-0.022	-0.106	-0.133	0.234	-0.101	-0.138	0.104	-0.26	-0.296	-0.169	-0.134	.550a

KUISIONER

NAMA : _____
JABATAN : _____
PERUSAHAAN : _____

Perkenalkan, saya mahasiswa President University yang sedang melakukan penelitian terhadap faktor-faktor yang meningkatkan potensi ekspor pada industri sandal di wilayah Bali. Saya sangat berterima kasih apabila Bapak/Ibu dapat meluangkan waktu untuk menjawab beberapa pertanyaan mengenai seputar indutri terkait.

II. Berikan tanda (√) untuk pilihan yang menurut Bapak/Ibu paling sesuai

Pengertian Nilai:

1 = *Sangat Tidak Setuju*
2 = *Tidak Setuju*
3 = *Kurang tahu / Netral*
4 = *Setuju*
5 = *Sangat Setuju*

No.	Pernyataan	Nilai				
	Sandal lokal yang saya produksi:	**1**	**2**	**3**	**4**	**5**
1	dapat bertahan selama kurang dari 1 tahun					
2	dapat bertahan selama 1 - 3 tahun					
3	dapat bertahan selama lebih dari 3 tahun					
4	memiliki ketahanan terhadap air					
5	mempunyai bentuk yang cukup lentur					
6	mudah dibersihkan					
7	tahan terhadap segala macam medan					
8	dibuat dengan teknologi yang canggih					
9	dapat diperbaiki sendiri oleh sang pembeli					
10	memiliki layanan purna jual (After-sale service)					
11	biaya perbaikannya murah					
12	materialnya mudah ditemukan					
13	tidak memerlukan waktu perbaikan yang lama					
14	Menarik perhatian pembeli karena eye-catching					
15	yang sulit untuk ditiru pesaing lainnya					
16	disertai dengan kemasan yang menarik					
17	yang nyaman dipakai oleh pembeli					
18	yang memiliki prestise yang tinggi					
19	mudah digunakan sehingga tidak menyulitkan pembeli untuk menggunakannya					
20	dapat disesuaikan dengan kebutuhan dan fungsi yang dibutuhkan oleh pembeli (customizable)					
21	mencerminkan budaya dan khas Bali					
22	selalu mengikuti perkembangan tren terkini					
23	tidak membuat kaki lecet					
24	dibuat dengan warna yg menarik					
25	beberapa diproduksi dengan edisi terbatas (limited edition)					

KUISIONER

Perkenalkan, saya Ananta Wijaya, mahasiswa President University yang sedang melakukan penelitian terhadap faktor-faktor yang meningkatkan potensi ekspor pada industri sandal di wilayah Bali. Saya sangat berterima kasih apabila Bapak/Ibu dapat meluangkan waktu untuk menjawab beberapa pertanyaan mengenai seputar indutri terkait.

Nama : _____
Jabatan : _____
Perusahaan : _____

I. Informasi Umum

1. Termasuk di kabupaten manakah kantor Bapak/Ibu?
   - ( ) Denpasar
   - ( ) Badung
   - ( ) Klungkung
   - ( ) Tabanan
   - ( ) Gianyar
   - ( ) Karangasem
   - ( ) Buleleng

2. Sudah berapa lamakah Bapak/Ibu mendirikan usaha ini?
   - ( ) 1 sampai 5 tahun
   - ( ) 5 sampai 10 tahun
   - ( ) lebih dari 10 tahun

3. Sandal jenis/tipe apakah menjadi spesialisasi produk di perusahaan Bapak/Ibu?
   - ( ) Mens' sandals
   - ( ) Ladies sandals
   - ( ) Kids sandals

4. Seberapa sering dalam setahun Bapak/Ibu meng-*update* desain produk anda?
   - ( ) kurang dari 3 kali
   - ( ) 3 sampai 5 kali
   - ( ) 5 sampai 10 kali
   - ( ) lebih dari 10 kali

II. Berikan tanda (√) untuk pilihan yang menurut Bapak/Ibu paling sesuai

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4	mudah dibersihkan					
5	dibuat dengan teknologi yang canggih					
6	memiliki layanan purna jual (After-sale service)					
7	biaya perbaikannya murah					
8	tidak memerlukan waktu perbaikan yang lama					
9	sulit untuk ditiru pesaing lainnya					
10	disertai dengan kemasan yang menarik					
11	memiliki prestise yang tinggi					
12	dapat disesuaikan dengan kebutuhan dan fungsi yang dibutuhkan oleh pembeli (customizable)					
13	beberapa diproduksi dengan edisi terbatas (limited edition)					
14	selalu mengikuti perkembangan tren terkini					
15	tidak membuat kaki lecet					
16	dibuat dengan warna yg menarik					
17	mencerminkan budaya dan khas Bali					

QUESTIONNAIRE

First of all, please allow me to introduce myself. My name is Ananta Wijaya and I am currently studying in President University. I am currently working on my thesis titled "Dominant Factors that Increase Export Potential in Local Sandal Industries". Your assistance to fill in the questionnaire would be very much appreciated for the finalization of my thesis.

Name : _____
Position : _____
Company : _____

I. General Information

1. In which region is your company located?
   - ( ) Denpasar
   - ( ) Badung
   - ( ) Klungkung
   - ( ) Tabanan
   - ( ) Gianyar
   - ( ) Karangasem
   - ( ) Buleleng

2. How long have you been establishing the Company?
   - ( ) 1 to 5 years
   - ( ) 5 to 10 years
   - ( ) More than 10 years

3. What type of product specialization is the Company in?
   - ( ) Mens' sandals
   - ( ) Ladies sandals
   - ( ) Kids sandals

4. How often do you update the design of products in a year?
   - ( ) Less than 3 times
   - ( ) 3 to 5 times
   - ( ) 5 to 10 times
   - ( ) More than 10 times

II. Please give mark (√) for the most appropriate answer that fits you

Value:

1 = *Strongly Disagree*
2 = *Disagree*
3 = *Neither Agree nor Disagree*
4 = *Agree*
5 = *Strongly Agree*

No.	Statement	Value				
	Local Sandals that I produce	**1**	**2**	**3**	**4**	**5**
1	can be used for 1 - 3 years					
2	can be used for more than 3 years					
3	are water resistant					
4	are easy to clean					
5	are made by sophisticated technology					
6	provide after-sale service					
7	need a relatively low cost for repairment					
8	do not take a long time to be repaired					
9	are difficult to imitate					
10	are packed with a fancy packaging					
11	are very prestigious					
12	are customizable					
13	some are produced in limited edition					
14	are always *up-to-date*					
15	do not make blisters on feet					
16	are very colorful					
17	reflect the culture and characteristics of Bali					