

Product Differentiation and Digital Marketing as Competitive Advantage Strategy in the Time of the Covid 19 Pandemic (Case Study at House of Kitty Café & Bakery Tomohon City)

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ABSTRACT

The COVID-19 pandemic has created economic instability for business people in Indonesia. Business people who survive during the pandemic are those who can see opportunities in the era of the industrial revolution 4.0 even in a pandemic. This study aims to determine the effect of product differentiation and digital marketing as a competitive advantage strategy during the covid 19 pandemic. This type of research is quantitative descriptive and the data collection method is through questionnaires distributed via google form. The sampling technique was purposive sampling technique, which consisted of 96 respondents who then processed the data using the SPSS version 23 application. Hypothesis testing was carried out by multiple regression testing. The result of the research is that there is a partial effect of product differentiation and digital marketing on competitive advantage strategies. So it can be concluded that during this pandemic, House of Kitty as a business person has carried out product differentiation and appropriate digital marketing as a strategy to compete against other competitors.

INTRODUCTION

The period of the Covid 19 pandemic made many changes globally in this world. The impact of the pandemic on various aspects of people's lives is being felt especially by business people. Surviving during a pandemic is a sure thing to do, it's just that not a few businesses have been forced to go out of business during this pandemic. Another fact is that the pandemic occurred in the 4.0 revolution era where people got unlimited information with artificial intelligence technology. Then came the business pioneers called start-ups who entered the business world. Using a digital platform in running a business turns out to be a survival strategy during this pandemic and actually provides more opportunities for start-ups to excel in competing with product innovations and further promoting brands through digital marketing. As Dwinanda said,

Product differentiation is one of the competitive advantage strategies. According to Kotler (2012), a

product or service has added value so that it is different from competitors, meaning that the product/service is differentiated. The challenge for business people is facing consumer behavior that prioritizes product quality but at lower prices. In addition, Tampi (2020) says that business people must be more responsive in dealing with very fast changes in the current era of the industrial revolution 4.0. Business people do not only have to have a strategy in the short term, but it is important to have a strategy in the long term. As is happening now, a pandemic is not an epidemic that can be predicted when it will occur and end.

Likewise with the era of digitalization which brings changes so fast in the use of information technology. It is easier for people to get information. Consumer purchasing decisions are also easier to change without a long process. So in this era of digital transformation, business people must be more intensive in marketing their products. The use of digital marketing guides business people to be able to reach potential customers and customers during this pandemic. In addition, digital marketing can reduce promotional costs. According to Prabowo (2018), marketing activities through internet access, social media, and other digital devices are called digital marketing. Restrictions on Community Activities carried out by the government during this pandemic are certainly a threat factor for business people in Indonesia.

Tomohon City in the last 3 years has become a tourist destination for visitors throughout Indonesia. Apart from having unique tourist attractions, it is also supported by the existence of restaurants and cafes spread throughout the city of Tomohon. House of Kitty Café & Bakery is the only unique cafe in Tomohon City which was founded in 2013. Why is it unique? Because this cafe has the nuances of Japanese kitty dolls from the building to the packaging of the bakery products. Competing with more and more cafes and restaurants in Tomohon City, it's been 8 years, the house of kitty still exists and is consistent with the kitty doll cafe. Bakery products such as kitty bread, pizza and birthday cakes are the mainstay of customers. Then the food and drink menu, both Asian food, Western food and Indonesian food, can be found at the house of the kitty. The strategic location is on Jalan Raya Kakaskasen Tomohon and the pink building with the shape of a kitty doll attracts the attention of consumers to stop by, especially the layout inside the cafe with kitty dolls. House of Kitty Bakery & Café is the only kitty doll cafe in North Sulawesi. Based on the researcher's initial interview with the owner, the pandemic has clearly reduced income, but surviving while maintaining product quality and thinking about how to reach consumers is what must be considered. In addition, the owner realizes that bakery production in Tomohon is not the only house of kitty, but there are also other competitors that exist at lower prices during the pandemic. especially the layout inside the cafe with kitty dolls. House of Kitty Bakery & Café is the only kitty doll cafe in North Sulawesi. Based on the researcher's initial interview with the owner, the pandemic has clearly reduced income, but surviving while maintaining product quality and thinking about how to reach consumers is what must be considered. In addition, the owner realizes that bakery production in Tomohon is not the only house of kitty, but there are also other competitors that exist at lower prices during the pandemic. especially the layout inside the cafe with kitty dolls. House of Kitty Bakery & Café is the only kitty doll cafe in North Sulawesi. Based on the researcher's initial interview with the owner, the pandemic has clearly reduced income, but surviving while maintaining product quality and thinking about how to reach consumers is what must be considered. In addition, the owner realizes that bakery production in Tomohon is not the only house of kitty, but there are also other competitors that exist at lower prices during the pandemic. but surviving while maintaining product quality and thinking about how to reach consumers is what must be considered. In addition, the owner realizes that bakery production in Tomohon is not the only house of kitty, but there are also other competitors that exist at lower prices during the pandemic. but surviving while maintaining product quality and thinking about how to reach consumers is what must be considered. In addition, the owner realizes that bakery production in Tomohon is not the only house of kitty, but there are also other competitors that exist at lower prices during the pandemic.

House of kitty uses Instagram and Facebook social media in its digital promotion. Besides that, the house of kitty menu can also be ordered via grab food and go food. Utilizing digital platforms, both

social media and Grab, is one of House of Kitty's strategies during the pandemic to survive and be accessible to consumers. Previous research from Hendrawan (2019) stated that digital marketing had a positive and significant effect on increasing MSME sales. The shift in consumer behavior during the pandemic was caused by digital marketing. Consumer behavior in buying products/services online has increased during this pandemic. However, with more choices on digital devices, making potential customers and customers tend to try all products or services, the quality of a product is very important when it comes to consumers to make them repurchase these products/services. This means that consumers will make repurchases for a product or service that is felt to remain the same quality or have added value without reducing quality.

House of kitty continues to exist during the pandemic while maintaining product quality and continuing to innovate products using digital use. By using the strength of the product, house kitty is sure to be competitive. As stated by Kristanto (2011) that by maximizing internal strength, a company/organization can achieve competitive advantage and continue to survive. So based on the phenomena above, researchers are interested in analyzing product differentiation and digital marketing strategies as a competitive advantage strategy during the Covid 19 pandemic, with a case study at the House of Kitty Café & Bakery in Tomohon City.

Research purposes

1. To determine the effect of product differentiation on competitive advantage strategy at House of Kitty Café & Bakery Tomohon.
2. To determine the effect of digital marketing on competitive advantage strategies at House of Kitty Café & Bakery Tomohon.

THEORITICAL REVIEWS

Product Differentiation

The creation of consumer perceptions about a product or service where the company or organization provides a series of different offers so that added value is formed from the product/service which is considered as an advantage of the product, then it is referred to as an act of product differentiation.

Product Differentiation Indicator

According to Kotler and Armstrong (2012), several indicators in product differentiation are as follows:

1. Form: unique shape, model, physical structure of the product.
2. Features: product features
3. Quality: product specifications
4. Reliability: not a damaged or failed product
5. Easy to repair: the size of the product that can be repaired easily
6. Style: product appearance in the eyes of consumers, product characteristics
7. Durability: product age guarantee, product durability
8. Design: overall product appearance in the eyes of consumers

The differentiation indicators used by researchers are form, features, quality, and design.

Digital Marketing

Marketing strategies by utilizing digital platforms via the internet network or online are digital marketing activities (Purwana et al). Social media such as Instagram, Facebook, Twitter and websites are examples of platforms used by business people in this digitalization era.

Digital marketing indicators according to Yazer (2012) are as follows:

1. Accessibility (convenience): the platform used is easily accessible to users
2. Interactivity: there is two-way communication between advertisers and consumers
3. Entertainment: insert information that entertains consumers
4. Credibility (trust): the information provided can be trusted

The indicators that researchers use in this study are convenience and trust.

Competitive Advantage

According to Hardilawati (2019), competitive advantage is a company's ability to face business competition. This means that a product or service must be able to form a special perception in the minds of consumers. The indicators of competitive advantage according to Hardilawati are as follows:

1. Value: the product's ability to provide value to customers and potential customers.
2. Different from the others: product placement in the minds of consumers that is not found in other products and is difficult for competitors to imitate.
3. Not easy to replace: consumers do not easily replace our products with other brands' products.

Researchers use three indicators of competitive advantage in this research.

Research Model and Hypothesis

Figure 1 shows the research model based on the research background.

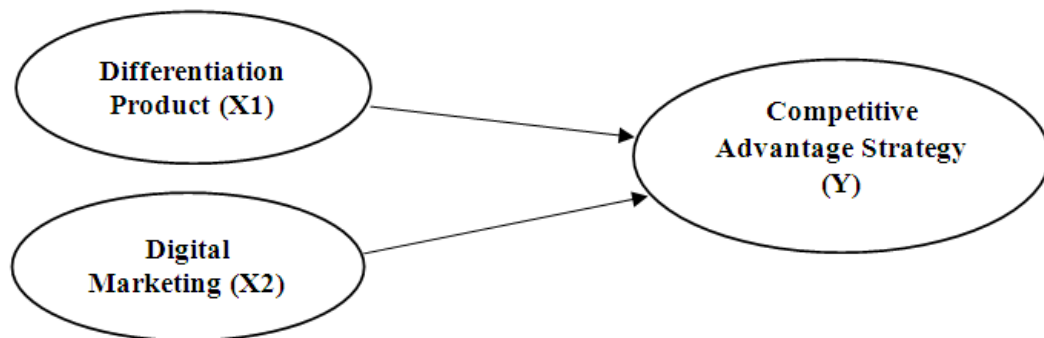


Figure 1. Research Model

Sources: Literature Reviews, 2021

Based on the research model above, in this study there are 3 (three) variables consisting of 2 (two) independent variables and 1 (one dependent variable) as follows:

1. Independent Variables, consist of Product Differentiation (X1) and Digital Marketing (X2)
2. Dependent Variable is Competitive Advantage Strategy (Y)

Development of the hypothesis as follows:

H1 = There is a significant influence between variable X1 (product differentiation) on variable Y (competitive advantage strategy).

H2 = There is a significant influence between variable X2 (digital marketing) on variable Y (competitive advantage strategy)

H3 = There are significant influences between variable X1 (product differentiation) and variable X2 (digital marketing) on variable Y (competitive advantage strategy), simultaneously.

RESEARCH METHODS

Based on the research objectives and hypothesis development, this research is a quantitative research method and uses multiple linear analysis to examine the influence between variables. This research was conducted in the city of Tomohon from October 2021 to December 2021.

1. Population and Sample

The population in this study was all consumers who had visited the House of Kitty Café & Bakery. Meanwhile, the determination of the sample used a total purposive sampling technique with the sample criteria being respondents who visited the House of Kitty Café & Bakery more than 1 (one) time. The total number of respondents who obtained were 96 respondents.

2. Data Collection Techniques

This study used a questionnaire research instrument, namely the questions given to respondents representing the three variables. Then use the Scoring scale for the respondent's answers as follows:

Table 1. Questionnaire Answer Score

| | |
|-------------------|---|
| Strongly Agree | 5 |
| Agree | 4 |
| Simply Agree | 3 |
| Disagree | 2 |
| Strongly Disagree | 1 |

RESULTS AND DISCUSSION

Table 2. Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | std. Error | Betas | | |
| 1 | (Constant) | 4,096 | 4,825 | | 849 | .398 |
| | Differentiation Product | .924 | .229 | .335 | 4,028 | .000 |
| | Digital Marketing | .973 | .175 | .461 | 5,546 | .000 |

a. Dependent Variable: Competitive Advantage

Source: Processed Data of SPSS 25

Based on the results of the table test above using SPSS version 23, the regression equation is as follows:

$$Y = a + \beta X_1 + \beta X_2 + e$$

$$Y = 4.096 + 0.924 + 0.973 + e$$

From these equations can be interpreted as follows:

1. a constant value of 4,096 which means a competitive advantage strategy of 4,096 points before there is influence from the two independent variables.
2. If one unit increases in the product differentiation variable (X1), then 0.924 increases in the competitive advantage strategy variable.
3. If one unit increases in the digital marketing variable (X2), then by 0.973 it increases in the competitive advantage strategy variable.

T test results

Basic t test decision making:

- If the sig value < 0.05 or t count > t table then there is an influence of variable X on variable Y.
- If the sig value > 0.05 or t count < t table, then there is no effect of variable X on Y

1. Effect of Product Differentiation on Competitive Advantage Strategies.

The sig value is known. for the effect of X1 on Y is 0.000 < 0.05 and the t-value is 4.028 > t-table 1.615 so that it can be concluded that H1 is accepted, which means that there is an effect of X1 on Y. In other words, there is an effect of product differentiation on competitive advantage strategies.

2. The Effect of Digital Marketing on Competitive Advantage Strategies.

The sig value is known. for the effect of X2 on Y is 0.000 < 0.05 and the t-count value is 5.546 > t-table 1.615 so that it can be concluded that H2 is accepted, which means that there is an influence of digital marketing on competitive advantage strategies.

Determinant Coefficient

Table 3. Model Summary

| Model | R | R Square | Adjusted R Square | std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .649a | .421 | .408 | 4,393 |

a. Predictors: (Constant), Digital Marketing, Differentiation Product

Source: Processed Data of SPSS 25

The coefficient of determination (R²) is basically to measure how far the model's ability to explain the variation of the independent variables. The value of the coefficient of determination is between zero and one. A small value (R²) means that the ability of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the dependent variable. From the results of calculations using SPSS version 23 as listed in the table above, it shows an R² of 0.421, meaning that Competitive Advantage based on the results of this analysis is 42.1% influenced by product differentiation and digital marketing. Thus the remaining 57.9% was caused by other things.

Discussion

Effect of Product Differentiation on Competitive Advantage Strategies

Based on the results of multiple linear regression tests, it shows a positive and significant effect that product differentiation is directly proportional to competitive advantage. A significant value of < 0.05 and a regression coefficient of 0.973 proves that there is an influence of digital marketing on the competitive advantage strategy undertaken by House Of Kitty during the covid 19 pandemic. These results are in line with research conducted by Wulandari (2019) to test the effect of product differentiation to competitive advantage in IKM Coffee in Temanggung Regency. Wulandari argues that if product differentiation is set low, competitive advantage will also be low. Researchers assume that the product differentiation carried out by House of Kitty during a pandemic, such as, continues to create products with good quality standards such as bakery products, pizza, rougatz which are combined with new flavors. Consumers don't have to go to Manado to experience Korean bread and pizza, because they are available in Tomohon. Also, House of Kitty looks at consumer behavior during a pandemic, which is shifting in this digitalization era. The pandemic requires more consumers to be outside than in offices or public places. People are more wary in choosing products let alone food products. So consumers spend more time on online media to get information out there, which is shifting in this digitalization era. The pandemic requires more consumers to be outside than in offices or public places. People are more wary in choosing products let alone food products. So

consumers spend more time on online media to get information out there. which is shifting in this digitalization era. The pandemic requires more consumers to be outside than in offices or public places. People are more wary in choosing products let alone food products. So consumers spend more time on online media to get information out there.

The Influence of Digital Marketing on Competitive Advantage Strategies

Based on the results of multiple linear regression tests, it shows a positive and significant effect that digital marketing is directly or unidirectional on competitive advantage. A significant value of <0.05 and a regression coefficient of 0.924 proves that there is an effect of product differentiation on the competitive advantage strategy undertaken by House of Kitty during the Covid 19 pandemic. The results of this study are in line with research conducted by Ayu (2021) where digital marketing seen from the indicators of accessibility, interactivity, entertainment, and credibility affect the competitive advantage of an online business. Ayu argues that the more creative the digital marketing of a product or service, the higher the competitive advantage that is created. Researchers assume that digital marketing carried out by House of Kitty through Instagram and Facebook has attracted potential customers and customers during this pandemic. Observations by researchers on House of Kitty's Instagram and Facebook found that advertisements were simple but attractive and easily accessible. In addition, the content contains the latest bakery, food and beverage products as well as important information about the basic ingredients of the product, as well as health-related news. So that customers don't doubt and believe in the credibility of House of Kitty's online advertisements. 2 (two) way communication is also provided via whatsapp if requested by the customer. Considering that not all consumers are also comfortable communicating through Instagram and Facebook social media. The Whatsapp platform makes it closer to customers. These results support the theory used by researchers by (Hardilawati, 2019) that digital marketing indicators seen from trust and convenience are factors that support House of Kitty's competitive advantage during this pandemic. This also means that the satisfying service through the social media used by House of Kitty has been established for consumers during the pandemic so that House of Kitty customers still choose to make purchases again.

CONCLUSION

1. There is an effect of product differentiation on competitive advantage strategy at House Of Kitty Café and Tomohon Bakery. This means that the more precise product differentiation is made by House of Kitty, the higher the competitive advantage.
2. There is an influence of digital marketing on competitive advantage strategies at House of Kitty. This means that the more creative digital marketing during the pandemic has further increased House of Kitty's competitive advantage compared to other competitors.

RESEARCH IMPLICATIONS AND LIMITATIONS

This research is expected to contribute to the field of management science as the application of marketing strategy theory and can also be a comparison for further researchers. The results of this study are also expected to provide an overview for House of Kitty owners to further improve marketing strategies during the Covid 19 pandemic to achieve a sustainable competitive advantage. Researchers realize the limitations of this study seen from the variables used and research methods. It is suggested that future researchers can use other variables or indicators to analyze competitive advantage strategies

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