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## Developing Marketing Performance through Iconic Ethnical Product

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### **Abstract:**

*This study aimed to analyze the influence of (1) product innovation, market penetration, value resonance power on marketing performance; (2) market sensing capability, iconic ethnical product on market penetration; (3) iconic ethnical product on value resonance power; (4) product innovation on marketing performance through iconic ethnical product. The population of this study were 1200 Batik SMEs in Pamekasan Regency Madura. The sample of this study were 200 respondents and analyzed using SEM with probability sampling. Based on the results, all hypotheses were significant except the influence of value resonance power on marketing performance.*

**Keywords:** *product innovation, market sensing capability, iconic ethnical product, value resonance power, market penetration, marketing performance*

### **1. Introduction**

A company is built for a specific purpose by including many people. To get satisfactory and sustainable benefits in order to survive and provide benefits, both for owners and employees, companies are required to compete to beat their competitors and maintain the advantages they already have. Company management is required to create good performance marketing in order to achieve these advantages. Lumpkin and Dess (1996) stated that competitive advantage exists when customers perceive a product to have an advantage over competitors.

Based on several previous studies, factors affecting marketing performance include market responsiveness, market orientation, marketing capability, entrepreneurial orientation, marketing mix, product innovation, market penetration, iconic ethnical products, and value resonance power. Market responsiveness is one of the factors that influence marketing performance as stated by Mutmainnah et al. (2016) that understanding and applying market responsiveness properly can certainly create or have an impact on good marketing performance. Another factor is market orientation as stated by Fang et al. (2014) that internal market orientation facilitates the development of market capacity so as to improve performance. Morgan et al. (2009) stated that market orientation and marketing capability are complementary assets that contribute to superior company performance. Entrepreneurial orientation is also a factor that affects performance, it was stated in a study by Wiklund and Shepherd (2005) which identified a positive relationship between entrepreneurial orientation and business performance. In addition, marketing mix also affects marketing performance as stated by Harini and Yulianeu (2019) that marketing mix and market penetration have a positive and significant effect on marketing performance.

Based on the previous studies, the influence of product innovation on marketing performance mentioned that product innovation has a significant influence on marketing performance (Molina-Castillo et al., 2011; Rhee et al., 2010; Shan et al., 2015, Rajapathirana and Hui, 2018). Cheng et al. (2013) mentioned that product innovation success is the source of marketing success. Product excellence is considered important to encourage performance marketing. However, another study mentioned that product innovation has no significant effect on marketing performance (García et al., 2008). Cabral et al. (2015) found that product innovation had no significant effect on marketing performance.

Harini and Yulianeu (2019) focused on the influence of market penetration and marketing mix on the marketing performance of SMEs in Semarang City. The study showed that market penetration had a greater and more significant positive effect on marketing performance directly than was mediated by the marketing mix. Mutmainnah et al. (2016) analyzed the influence of market penetration on marketing performance. The study concluded that market penetration has an influence on marketing performance. Good understanding and application of market penetration can certainly create or have an impact on good marketing performance. Wainaina and Oloko (2016) found that the results of the price

penetration strategy are negative and do not have a strong impact on marketing performance and the correlation results show a weak positive relationship between product improvement strategies and business growth.

Hanfan et al. (2020) found that iconic products have a positive and significant effect on marketing performance. Organizational resources and capital can create competitive advantage. performance marketing is one of the organizational resources. The organizational capability in managing the resources owned is the organizational capital. The higher the competitive advantage, the higher the marketing performance. (Colgate, 1998 in Hanfan et al., 2020). Abbas et al. (2019) found that iconic products have no significant effect on marketing performance. Resource-Advantage Theory shows that good product development capabilities will increase the advantages of local products (Hunt and Morgan, 1995 in Abbas et al., 2019). Product improvement will increase market penetration (Huang and Huddleston, 2009 in Abbas et al., 2019) which in turn will increase marketing performance. This is in line with the facts in the field that iconic product innovation does not have a direct effect on marketing performance without product development capabilities. Although an iconic product is typical of a region, it is not accompanied by the ability to develop this product so that it has no impact on marketing performance.

Iconic ethnical product is also one of the factors affecting marketing performance as stated by Abbas et al. (2019) that the iconic ethnical product has a significant effect on marketing performance. Hanfan et al. (2020) mentioned that the iconic product has a positive and significant effect on marketing performance. Organizational resources and capital can create a competitive advantage. performance marketing is one of the organizational resources. The organizational capability in managing the resources owned is the organizational capital. The higher the competitive advantage, the higher the marketing performance. (Colgate, 1998 in Hanfan et al., 2020).

In addition, this study will specifically examine the effect of indirect variables, namely to examine the position of the iconic ethnical product variable as a mediation on the effect of product innovation on marketing performance in order to overcome the gap between the influence of product innovation on marketing performance and the influence of iconic ethnical products on marketing performance. Ferdinand and Fitriani (2015) mentioned that the iconic product is able to act as a mediating variable between product innovation and marketing performance. The previous study mentioned that companies with product line innovation capabilities can strengthen the attractiveness of iconic products as a driver in improving marketing performance. The innovation ability of the product line managed by the company to empower the attractiveness of a product offered in the market by incorporating iconic attributes, which leads to a degree of inimitability and improves marketing performance.

This is in line with a study by Hanfan et al. (2020) that iconic products can act as a mediating variable from the influence of product innovation on marketing performance. SMEs must be able to adapt to a dynamic environment, therefore companies are required to be able to create new thoughts, new ideas and offer innovative products and improved services that satisfy customers. SMEs must also be able to reshape products, reshape products, configure products, and reconfigure products so that they can best handle environmental changes. The advantages of SMEs in making products as icons or symbols that serve as reminders for consumers with the symbols contained in these products must also be improved so that they can improve marketing performance.

## 2. Theoretical Basic

### 2.1. Resources Advantage Theory of Competition

Resources Advantage (RA) theory is a theory of evolution because it has been developed in the literature from several different disciplines and has close ties to various other theories and research traditions, including evolutionary economics, 'Austrian' economics, historical traditions, the economics of industrial organization, resource-based traditions, competency-based traditions, institutional economics, transaction cost economics, and economic sociology. R-A theory is a general theory of competition that describes the process of competition. (Hunt and Morgan, 2015)

Resource excellence theory is built on the basis of organizational errors in implementing a strategy that focuses on pursuing organizational excellence. Traditionally, organizations have focused on industrial competition. However, in Hunt and Morgan (1999) and Hunt (2011), organizational leadership has begun to focus on different product and service development strategies, which competitors cannot imitate.

### 2.2. Product Innovation

Myers and Marquis in Kotler and Keller (2016: 454) stated that product innovation is a combination of various processes that influence one another. So, innovation is not a concept of a new idea, new invention or also not a development of a new market, but innovation is a description of all these processes.

To find out market needs, an organization must involve new activities or different from the usual, to respond to changes in market conditions, thus, this activity is called innovative behavior. (Jaworski et al in Hurley and Hult, 1998)

Many studies have shown that the key to being able to survive growth and remain profitable is to continuously develop new products and processes (Hartman et al., 1994). This shows that product innovation must be accepted as a way for company sustainability to create an innovative environment as a priority for the company.

### 2.3. Market Sensing Capability

Market sensing capability is the ability to learn about the market environment and use it to guide marketing actions. (Lindblom et al., 2008; Ardyan, 2016; Sugiyarti and Ardyan, 2017). Day (1994) defined sensing capability as the ability to learn about the market environment and use that knowledge to perform various actions. Lankinen et al. (2007) defined market sensing capability as the process of generalizing knowledge about the market to provide information and

guidance in decision making.

This market sensing capability is the ability of an organization to continuously monitor the market and accurately see market opportunities and threats (Fang et al., 2014). Market sensing capabilities provide new insights on how the products and services offered can provide great value to customers and distribution channels (Slater and Narver, 2000).

#### *2.4. Marketing Performance*

Marketing performance is an important element of company performance in general because the performance of a company can be seen from the marketing performance that has been done so far. Marketing performance is a concept for measuring the marketing achievement of a company. Every company has an interest in knowing its achievements as a reflection of the success of its business in market competition. The success of the company, which is reflected in the marketing performance achievements, is the implementation of the strategy. Marketing performance is also said to be the ability of organizations to transform themselves in facing challenges from the environment with a long-term perspective (Keats et al., 1998; 576). Performance appraisal is part of the effort to see the suitability of the strategies applied in dealing with environmental changes. The environment has indeed become an important part of the company and is a difficult thing for companies to change. Companies can only recognize them and then manage them well so that they can benefit the company. Knowing the environment well will have an impact on the quality of the resulting strategy which in turn will have an impact on marketing performance.

#### *2.5. Iconic Ethical Product*

The competitive advantage of a product (Gupta, 2015; Hakkak and Ghodsi, 2015) is superiority or differentiator compared to offers from competitors. The elements of product excellence are the uniqueness, value, and benefits offered by the company from the perspective of the customer. Li and Calantone (1998: 17) stated that product uniqueness is defined as an important attribute of product excellence, which is influenced by innovative power and high technology so that products can be produced according to consumer desires.

The advantage of iconic products is the superiority of the company by making the product into an icon or symbol that reminds consumers of the symbols contained in the product. The icon is a symbol that has a similarity in appearance and the symbol is not difficult for the user to recognize. In the icon, the relationship between the representation and the object is manifested in the same quality. The iconic model is a physical representation of the original appearance on a smaller scale.

Iconic models are easy to observe, shape, and explain, but difficult to manipulate and useless for forecasting. Iconic brands are consumer-owned brands. Through a certain understanding and experience with a specific brand, consumers feel very close to the product brand and even feel that the brand has become a part of themselves. Therefore, brand owners and managers must continually seek out associations that strengthen the iconic status.

#### *2.6. Market Penetration*

Marketing strategy is seen as an important framework for helping SMEs to concentrate on unlimited resources to add benefits and maintain competitive advantage (Baker, 2008). According to Orville (2008), marketing strategy is simply a way for a company to achieve its marketing goals by focusing on a specific market segment so that the company will also achieve its overall goals.

There are various marketing strategies that can be adopted by companies, one of which is The Ansoff Market Growth Matrix developed by Igor Ansoff to help companies grow by using new products in existing markets or vice versa (Ansoff, 1957). The matrix developed by Ansoff has four main strategies that companies can choose from. These strategies include marketing penetration, product development, market development, and diversification.

Market penetration strategy in the Ansoff matrix is known as a business strategy to penetrate existing markets. Market penetration can involve acquiring new consumers but it must be in existing markets. It is aimed at getting to a fast and large target market. Market penetration is also a measure of the market percentage that a product or service can accept by consumers, in other words, the purpose of market penetration is to expand market share in an existing market.

#### *2.7. Value Resonance Power*

Consumer value is the difference between the total consumer value and the total costs incurred by consumers from marketing the product. The company must be the center of consumers and provide high value to the target market. The total value for consumers is an accumulation of product value, service value, employee value, and image value (Sangadji and Sopia, 2013: 180).

### **3. Research Method**

This study used quantitative method. Based on theory and previous studies, the conceptual framework is as follows:

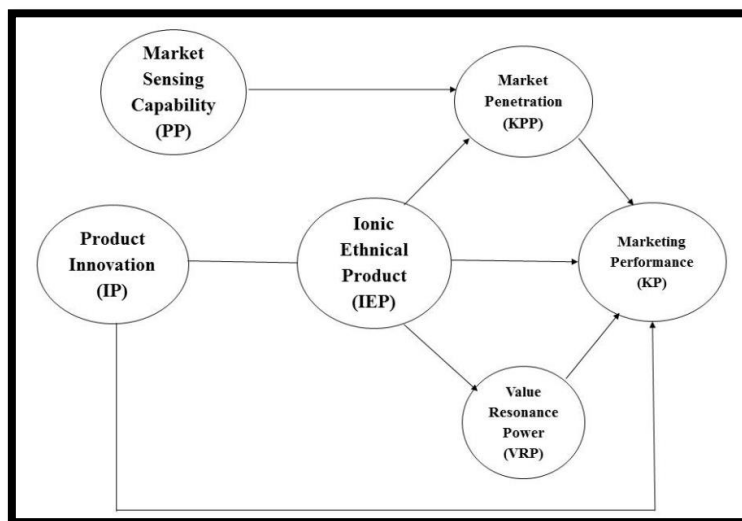


Figure 1: Conceptual Framework  
Source: Processed by Researchers (2020)

The hypotheses are as follows:

- H1 : Product innovation influences the marketing performance.
- H2 :Market sensing capability influences the kekuatan penetrasi pasar
- H3 : Iconic ethnical product influences the market penetration
- H4 : Iconic ethnical product influences the valueresonance power
- H5 : Market penetration influences the marketing performance
- H6 : Value resonance power influences the marketing performance

The population of this study were 1200 Batik SMEs in Pamekasan Regency Madura. Hair et al. (2010: 637) stated that the appropriate sample size for SEM analysis tools is between 100-200 to estimate interpretation by SEM, in this study to determine the sample size refers to Hair et al. (2010), which used the maximum number of provisions, namely 200 respondents. To select respondents in each sub-district, this study used probability sampling with the simple random sampling method, which is a sampling method where all elements in the population have an equal chance of being selected as samples.

4. Results and Discussion

4.1. Results

After the model modification experiment based on the modification index resulted by the AMOS program, the model produced a better evaluation than before. Here are the results of the model that has been modified:

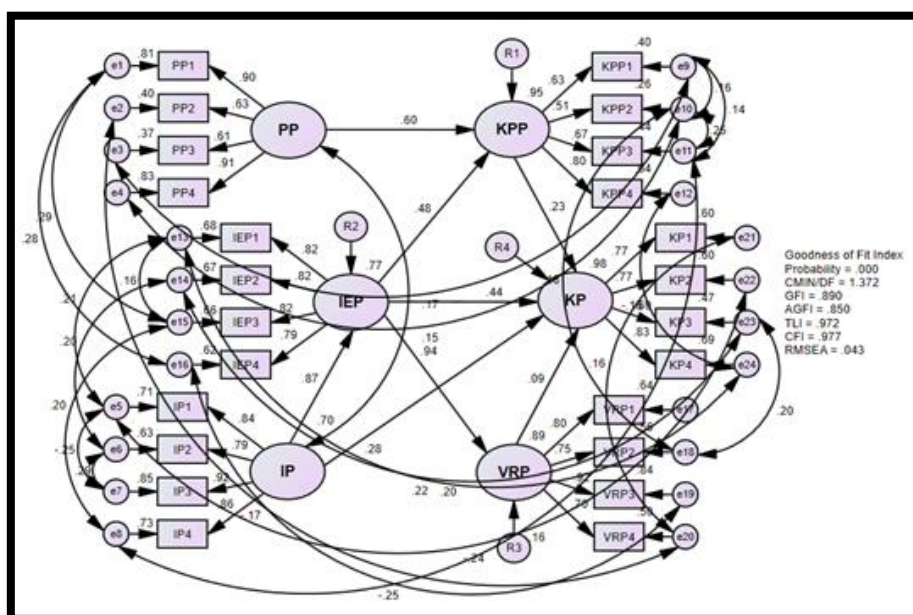


Figure 2: Modified Structural Model  
Source: Processed Data (2020)

Goodness Of Fit Index	Cut-off	Results	Description
Probability	$\geq 0.05$	0.000	Not Good
RMSEA	$\leq 0.08$	0.043	Good
GFI	$\geq 0.90$	0.890	Marginal
AGFI	$\geq 0.90$	0.850	Marginal
CMIND/DF	$\leq 2.00$	1.372	Good
TLI	$\geq 0.95$	0.972	Good
CFI	$\geq 0.95$	0.977	Good

Table 1: Goodness of Fit Modified Structural Model Testing  
Source: Processed Data (2020)

Based on the table above, out of the 7 goodness of fit criteria, only 2 criteria did not meet the cut-off value but approached the cut-off value (marginal fit). Then, for probability values, because the sample size is very large ( $n = 200$ ), the probability is not calculated (Hair, 2013 in Solimun and Fernandes, 2018). Therefore, it can be concluded that the structural model formed was fit and can be analyzed further. Solimun and Fernandes (2018) stated that if two model criteria have been met, then the model was declared fit. The estimation results of the path significance in the structural model are presented in the table below:

Path	Coefficient	S.E.	p-value	Description
Product Innovation (Ip) $\rightarrow$ Marketing Performance (Kp)	0.261	0.092	0.043	Significant
Market Sensing Capability (Pp) $\rightarrow$ Market Penetration (Kpp)	0.355	0.048	0.000	Significant
Iconic Ethical Product (Iep) $\rightarrow$ Market Penetration (Kpp)	0.350	0.060	0.000	Significant
Iconic Ethical Product (Iep) $\rightarrow$ Value Resonance Power (Vrp)	1.186	0.102	0.000	Significant
Iconic Ethical Product (Iep) $\rightarrow$ Marketing Performance (Kp)	0.579	0.287	0.043	Significant
Market Penetration (Kpp) $\rightarrow$ Marketing Performance (Kp)	0.419	0.156	0.007	Significant
Value Resonance Power (Vrp) $\rightarrow$ Marketing Performance (Kp)	0.091	0.191	0.631	Not Significant

Table 2: Hypothesis Test Results  
Source: Processed Data (2020)

## 4.2. Discussion

### 4.2.1. The Influence of Product Innovation on Marketing Performance of Batik SMEs Pamekasan

The first hypothesis that shows product innovation influences the marketing performance was accepted indicating that SMEs in Pamekasan Regency can perform the product innovation well, so it can improve the marketing performance of these SMEs for the better. This shows that the Batik SMEs Pamekasan can create different products from its competitors and will make these SMEs superior to competitors. This innovation is a major component of competitive advantage. The innovation here is about how Batik Pamekasan SMEs produce different and unique products which can later make consumers switch to buying batik from Pamekasan SMEs when compared to other SMEs. This competitive advantage will ultimately improve the marketing performance of Batik SMEs Pamekasan. This is consistent with the conception of Hurley and Hult in Noble et al. (2002) which stated that innovation is part of work character that connects aspects of corporate culture with the ability to innovate and improve performance. Luke and Ferrel (2000) added that marketing and innovation are seen as drivers of economic growth and major components of competitive advantage.

### 4.2.2. The Influence of Market Sensing Capability on Market Penetration of Batik SMEs Pamekasan

The second hypothesis that shows market sensing capability influences the market penetration was accepted indicating that Batik SMEs in Pamekasan Regency have a better market sensing capability, so the SMEs will be more able to penetrate the market well. This shows that Batik SMEs Pamekasan is able to do market sensing well and will create opportunities for these SMEs to find out opportunities and threats in their industrial fields. After knowing these opportunities and threats, Batik SMEs Pamekasan will be better able to meet consumer needs. If SMEs have succeeded in fulfilling consumer needs, it is possible that consumers will be more interested in buying batik at Batik SMEs Pamekasan. This can increase the marketing performance of SMEs. This result is in accordance with the conception of Lin and Wang (2015) who stated that market sensing capability allows companies to perceive opportunities and threats from their business. The study of market sensing has become a general concept in marketing science. According to Robbins and Coulter (1999), market penetration has important implications for the interaction between companies and consumers, so that company objectives can be identified that are able to meet customer needs. Furthermore, the ever-changing market opportunities and threats with market penetration are able to perfect products to meet targets.

#### 4.2.3. The Influence of Iconic Ethnical Product on Market Penetration of Batik SMEs Pamekasan

The third hypothesis that shows iconic ethnical product influences the market penetration was accepted, indicating that the Iconic Ethnical Product from Batik SMEs Pamekasan is getting better and superior to competitors, the SMEs will be able to penetrate the market well. In carrying out a market penetration strategy, Batik SMEs Pamekasan first needs to highlight their products through ethnic elements. This element certainly cannot be obtained from other Batik SMEs, because indeed each region has different elements. The ethnic elements that are highlighted in Pamekasan batik products will be a special attraction for consumers, if consumers are interested in buying, of course, Pamekasan Batik SMEs can easily enter the market quickly. This result is in accordance with the conception of Sugiarto (2003) in Mutmainnah et al. (2016) that market penetration is an effort to increase sales of products that are already owned by the current market through a more aggressive or large and aggressive marketing mix. Companies can try to increase the level of customer use or attract competitors and new customers who have not used the product.

#### 4.2.4. The Influence of Iconic Ethnical Product on Value Resonance Power of Batik SMEs Pamekasan

The fourth hypothesis that shows iconic ethnical product influences the value resonance power was accepted, indicating that the Iconic Ethnical Product of Pamekasan Batik SMEs is getting better and superior to competitors, the better the value resonance power of the SMEs will be. The ethnic elements that are highlighted in the batik products of the Pamekasan SMEs are its own characteristics that cannot be obtained from other SMEs in other regions because it is truly unique that only Pamekasan Regency has. The existence of this ethnic element can indirectly make Batik SMEs Pamekasan have a strong resonance power value. This result is in accordance with the conception of Powell (2000: 90) described that the principles of product attractiveness are a manifestation of excellent product quality. It can be said that product quality determines the state and existence of a product. If the quality of a product is bad, the attractiveness of a product will be low, this is because attractiveness is something that is very important to the product. Specifically, Mason (1999: 223) used attractiveness in product categories as an explanation for customer purchases. By showing how an incoming product can lead to the total consumption of the category. Mason added that if customers feel confident in a category, then if we bear the consumption represented with confidence, it will be influenced by the attribute category. This gives the impression that if it gives a difference in individual preferences, the product category will be changed, that is, adding choices will also be able to change (increase) potentially.

#### 4.2.5. The Influence of Market Penetration on Marketing Performance of Batik SMEs Pamekasan

The fifth hypothesis that shows market penetration influences the marketing performance was accepted indicating that SMEs in Pamekasan Regency is able to penetrate the market well, then it will improve the marketing performance of these SMEs for the better. Pamekasan batik SMEs are able to enter the market quickly compared to competitors, so it does not rule out the possibility that these SMEs are better able to adapt market opportunities to the objectives of SMEs. This strategy will make it easier for Batik SMEs Pamekasan to interact with consumers to find out market opportunities which in turn can improve the marketing performance of the SMEs. This result is in accordance with the conception of Robbins and Coulter (1999) which stated that market penetration strategy is a managerial process in the marketing field to develop and maintain goals, skills, knowledge, resources, in accordance with opportunities and threats in a market that is always changing and aims to perfect the businesses and products so that they meet profit and growth targets. The existence of an effective marketing strategy shows a good strategy behavior in competitive market conditions. The market penetration strategy also has important implications for the interaction between companies and consumers, as the key to getting and identifying company goals, customer satisfaction, and needs to be well compared with competitors (Lee and David, 2004).

#### 4.2.6. The Influence of Value Resonance Power on Marketing Performance of Batik SMEs Pamekasan

sixth hypothesis that shows value resonance power influences the marketing performance was rejected indicating that whether or not the value resonance power of SMEs in Pamekasan Regency does not affect the marketing performance of the SMEs. There are various consumers who buy batik products for different purposes, there are consumers who will be resold, but there are consumers who buy only for personal use. There is also an assumption that using Madurese batik does not reflect one's self-image. There is also an assumption that using Madurese batik does not give pride, this is because it is widely sold in bulk. This is not in line with a conception by Kotler (2002: 73) which defined customer value as the difference between total customer value and total customer cost. Total customer value is a set of benefits expected by the customer from a particular product or service. Total customer costs are a set of costs that are expected by consumers to be incurred to evaluate, acquire, use and dispose of a product or service. According to Woodruff in Kristanto (2005: 17), the concept of product value has a close relationship with customer satisfaction, where the value that is felt when consuming the product will shape consumer satisfaction, and this consumer satisfaction affects consumer loyalty.

This study defines the value of resonance power through indicators of emotional value, social value, quality or performance value, and price or value for money, but it is not considered that Batik SMEs Pamekasan which has a good resonance power value will be more successful in improving its marketing performance. Aziz and Yasin (2010) stated that the determinants of service brand equity are based on consumer perceptions of banking service brand ratings, and between marketing performance and brand feelings. Strong, positive and significant relationships were also found between marketing performance and brand resonance, between brand ratings and brand resonance and between brand feeling and brand resonance. The multiple regression results show that only brand feelings, brand ratings, and marketing performance have a significant effect on brand resonance.

Value resonance power has no significant effect on marketing performance because there is an attribute value resonance power that is not related to the marketing performance of Batik SMEs Pamekasan. The attribute referred to as 'the product provides financial benefits' in which this attribute also has the lowest average value when compared to other attributes. This is because there are various consumers who buy batik products at Batik SMEs Pamekasan for different purposes, there are consumers who buy them because they want to be sold again, but there are also consumers who buy them only for personal use. Consumers from Batik SMEs Pamekasan use batik cloth only for personal use, for example, work uniforms, daily casual clothes, and so on, of course, it cannot provide financial benefits for them, unlike consumers who buy batik for resale. Therefore, batik entrepreneurs cannot use this attribute in improving the marketing performance of Batik SMEs Pamekasan.

#### 4.2.7. The Influence of Product Innovation on Marketing Performance through Iconic Ethnical Product of Batik SMEs Pamekasan

The seventh hypothesis that shows product innovation influences the marketing performance through iconic ethnical product was accepted indicating that SMEs in Pamekasan Regency are able to carry out product innovation well which is supported by better iconic ethnical products, which will increase the marketing performance of these SMEs to be better. Product innovation by Batik SMEs Pamekasan is carried out through product development according to consumer interests. Besides developing products, Batik SMEs Pamekasan also needs to create products that are truly unique, namely by highlighting ethnic elements. If Batik SMEs Pamekasan is able to produce its innovation by highlighting ethnic elements, consumers will be more interested in buying, which in the end the data will improve the marketing performance of Batik SMEs Pamekasan. This is in line with a conception by Neill et al. (2007) which stated that product innovation shows the development and introduction of new or developed products that are successful in marketing. product innovation can take the form of changes in design, components, and product architecture. Drucker in Berthon et al. (1999) stated that product innovation is one thing that has the potential to create thoughts and imagination of people who ultimately create customers. Charles et al. (2012) stated that innovation is part of a framework that connects aspects of corporate culture with the ability to innovate in improving company performance through consumer purchasing decisions.

## 5. Conclusion

Some conclusions that can be drawn up based on the results of the study and discussion in the previous chapter are:

- Product innovation influenced the marketing performance indicating that SMEs in Pamekasan Regency can perform the product innovation well, so it can improve the marketing performance of these SMEs for the better
- Market sensing capability influenced the market penetration indicating that Batik SMEs in Pamekasan Regency have a better market sensing capability, so the SMEs will be more able to penetrate the market well
- Iconic ethnical product influenced the market penetration indicating that the Iconic Ethnical Product from Batik SMEs Pamekasan is getting better and superior to competitors, the SMEs will be able to penetrate the market well.
- Iconic ethnical product influenced the value resonance power indicating that the Iconic Ethnical Product of Pamekasan Batik SMEs is getting better and superior to competitors, the better the value resonance power of the SMEs will be.
- Market penetration influenced the marketing performance, indicating that SMEs in Pamekasan Regency is able to penetrate the market well, then it will improve the marketing performance of these SMEs for the better.
- Value resonance power had no influence on marketing performance indicating that whether or not the value resonance power of SMEs in Pamekasan Regency does not affect the marketing performance of the SMEs.
- Product innovation influenced the marketing performance through iconic ethnical product, indicating that SMEs in Pamekasan Regency are able to carry out product innovation well which is supported by better iconic ethnical products, which will increase the marketing performance of these SMEs to be better.
- Value resonance power positively but insignificantly influenced the marketing performance, then the eighth hypothesis cannot be proven statistically. The indicator that has the highest average value is the product that provides good aesthetic benefits.

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