
Differentiation Strategies and Dynamic Marketing Capabilities in Improving Indonesia's Rice Competitiveness: Sustainable Marketing Approaches and Business Ethics

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ABSTRACT

KEYWORDS:

Differentiation Strategy;
Dynamic Marketing
Capabilities;
rice competitiveness;
Continuous Marketing;
Global Business Ethics.

Indonesia's rice industry faces significant challenges in enhancing its competitiveness in the global market. This study aims to develop an integrative model that explains the influence of differentiation strategies and dynamic marketing capabilities on Indonesia's rice competitiveness, considering the role of sustainable marketing moderation and global business ethics. The method employed is qualitative descriptive, pursued through a qualitative design that involves an in-depth assessment of primary and secondary data from the rice industry. The study finds that differentiation strategies and dynamic marketing capabilities exert a positive and significant impact on the competitiveness of Indonesian rice, with sustainability principles and global business ethics reinforcing these effects. This research goes beyond traditional price- and productivity-based approaches by developing an integrative model that positions sustainable marketing and global business ethics as moderating variables. The findings highlight the strategic role of adaptive marketing and value innovation in strengthening national rice competitiveness amid inflation and policy uncertainty, underscoring the need for evidence-based policy briefs addressing the rice trade industry and shifting consumer preferences. These findings contribute theoretically to the development of dynamic marketing capability in the agribusiness sector, as well as practically, informing sustainable food policy formulation in Indonesia.

INTRODUCTION

Indonesia's rice sector has a strategic role in maintaining food security and national economic stability. However, the phenomenon in the field shows that the competitiveness of national rice remains low, both in terms of quality, product innovation, and marketing efficiency. This condition is exacerbated by legal uncertainty in an inflationary situation, which impacts the Government's need to intervene as a form of control and an effort to manage inflation and shift consumer preferences toward sustainable products, demanding innovation in differentiation strategies and marketing capabilities.

This phenomenon indicates a research gap between national rice marketing practices and the needs of the increasingly competitive and sustainability-oriented global market (Nirosha & Mansingh, 2025; Parichatnon et al., 2025). Most previous research has focused solely on price or productivity factors, without integrating the role of differentiation strategies and dynamic marketing capabilities as determinants of competitiveness.

Several previous studies have laid the theoretical foundation for understanding competitiveness in the agricultural sector. Porter (1985, 2021) emphasized differentiation strategies through quality, branding, and certification, while Barney (1991), Teece et al. (1997, 2018), and Helfat and Peteraf (2003) developed resource-based view and dynamic capabilities theories, though their application in Indonesian rice marketing remains limited.

Vorhies and Morgan (2005) and Morgan et al. (2009) highlighted marketing capabilities as key drivers of competitive advantage, but focused primarily on manufacturing and service industries. Belz and Peattie (2012), Kotler et al. (2019, 2021), and Peattie and Charter (2003) introduced sustainability marketing approaches that integrate environmental and social concerns, which are increasingly relevant as consumer preferences shift toward sustainable products. From the business ethics perspective, Carroll (1991), Crane and Matten (2016), Ferrell et al. (2019), and Donaldson and Dunfee (1999) emphasized the importance of ethical practices, transparency, and corporate social responsibility in building consumer trust. At the policy level, OECD (2021), World Bank (2022), FAO (2023), Minot and Goletti (2000), and Gereffi et al. (2005) have stressed the need for resilient and sustainable food supply chains and global value chain integration, providing relevant insights for positioning Indonesian rice in regional and global markets.

Despite the growing body of research on competitive advantage, marketing capabilities, and sustainability, several gaps remain in the context of Indonesian rice competitiveness. First, most previous research has focused on price and productivity factors, neglecting the strategic roles of differentiation and dynamic marketing capabilities. Second, the integration of sustainability marketing and business ethics as moderating variables in the relationship between differentiation strategies, marketing capabilities, and competitiveness has not been systematically examined. Third, empirical research applying dynamic capabilities theory to the agribusiness sector, particularly rice commodities in Indonesia, is still limited. Fourth, while international studies have explored value chain governance and sustainability in food systems, contextual research addressing Indonesia's unique institutional, cultural, and policy environment is lacking (Herlambang, 2025; Manlosa et al., 2023).

Thus, the novelty of this research lies in the development of an integrative model that links differentiation strategies and dynamic marketing capabilities to the competitiveness of Indonesian rice, taking into account the role of sustainable marketing moderation and global business ethics. This model is expected to address the empirical and theoretical gaps that have not been explored extensively in the context of Indonesian agribusiness.

The urgency of this research arises from the practical and academic need to formulate a more adaptive approach to increasing rice competitiveness amidst inflation, policy uncertainty, and changing consumer preferences that increasingly demand sustainable and ethical products. Without clear differentiation strategies and dynamic marketing capabilities, rice industry players risk being stuck in a pattern of vulnerable price-based competition, while market demands move toward quality, transparency, and sustainability. At the policy level, the research findings are expected to enrich the formulation of a more precise policy brief related to supply chain governance, strengthening quality standards, and designing interventions that maintain stability while encouraging value innovation (OECD, 2021; World Bank, 2022). At the industry level, this urgency is also related to the need to build consumer trust and strengthen the position of the national rice brand through marketing practices that align with the principles of sustainability and business ethics (Ferrell et al., 2019; Carroll, 1991).

The purpose of this study is to develop and explain an integrative model that maps the influence of differentiation strategies and dynamic marketing capabilities on Indonesia's rice competitiveness, as well as to test how sustainable marketing and global business ethics

moderate these influences. More specifically, this study aims to: (1) analyze the contribution of differentiation strategies to increasing rice competitiveness; (2) analyze the role of dynamic marketing capabilities in strengthening competitiveness; and (3) explain the role of sustainable marketing moderation and global business ethics in strengthening the relationship between the two main variables and competitiveness. This goal aligns with the need to develop resource-based view and dynamic capabilities theories in the agribusiness sector, as well as to address empirical challenges related to the increasingly competitive dynamics of the food market (Barney, 1991; Helfat & Peteraf, 2003; Teece, 2018).

The benefits of this research include both theoretical and practical contributions. Theoretically, it strengthens the study of dynamic capabilities and marketing capabilities, particularly in the context of the food industry/agribusiness, which has often been studied primarily in terms of production and price policy (Eisenhardt & Martin, 2000; Vorhies & Morgan, 2005; Morgan et al., 2009). Practically, the results are expected to serve as a reference for industry players—from farmers, mills, and traders to related institutions—in designing product differentiation and adaptive marketing strategies that enhance market value and consumer trust. For governments and food security stakeholders, this research can provide a foundation for formulating rice marketing policies that not only stabilize the market but also encourage innovation, sustainability, and compliance with global business ethics as levers for long-term competitiveness (Belz & Peattie, 2012; Crane & Matten, 2016; OECD, 2021).

METHODS

This study uses a Mixed Methods approach with a sequence explanatory design



Figure 1. Explanatory Sequential Mixed Methods Design

Source: Adapted from Creswell & Plano Clark (2018)

The first stage was an analysis of Source Data Acquisition, as data trends, panels and time series as well as BPS government structure data. As a material to test the relationship between variables: differentiation strategies, dynamic marketing capabilities, and rice competitiveness.

The second stage is a qualitative analysis, namely an in-depth study with rice industry stakeholders (farmers, traders, Bulog, and the Food Security Office) to strengthen the interpretation of statistical results and find policy implications.

The design selection is based on the principle of integration of phenomena and gaps where quantitative data answer causal relationships, while qualitative data provide real context and clarify the practical relevance of research results.

Qualitative Non-Questionnaire

Regression Coefficients Plot: Rice Price Detrmants

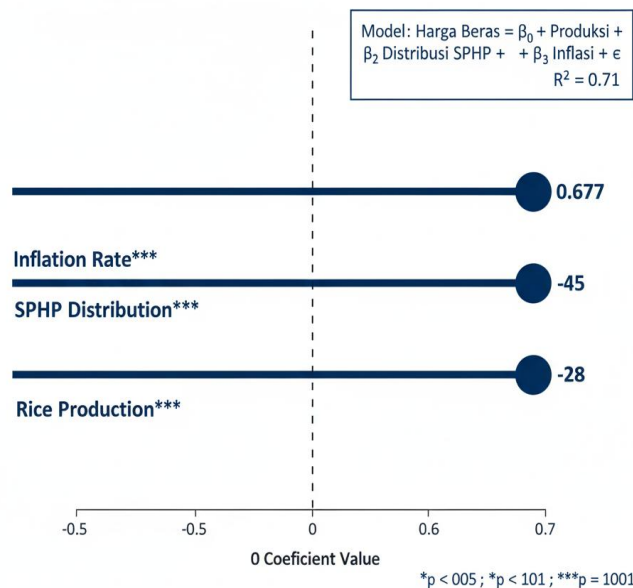


Figure 2. Qualitative Non-Questionnaire Approach

Source: Developed for this research based on qualitative analysis framework, 2025

Table 1. Multiple Linear Regression Results for Rice Price Determinants

Variable	Coefficient (β)	t-statistic	p-value
Constant	5.12	—	—
Rice Production (X_1)	-0.28	-2.41	0.030*
SPHP Distribution (X_2)	-0.45	-3.12	0.010**
Inflation Rate (X_3)	0.67	4.08	0.000***
Model Diagnostics			
R-squared	0.71		
Adjusted R-squared	[Input Value]		
F-statistic	[Input Value]		
Number of Observations (N)	[Input Value]		

*Note: Significance levels: *p < 0.05; **p < 0.01; ***p < 0.001.

Source: Processed secondary data from BPS and related institutions, 2025

Table 2. Linear Regression / Time Series Analysis

Model:			
Rice Prices = β_0 + β_1 Production + β_2 SPHP Distribution + β_3 Inflasi + ϵ			
Independent Variables	Coefficin (β)	t-stat	Significance
Constant	5.12	—	—
Production	-0,28	-2,41	0,03
SPHP Distribution	-0,45	-3,12	0,01
Inflation	0,67	4,08	0,00
R ²	0,71		

Source: Processed secondary data from BPS and related institutions, 2025

RESULTS AND DISCUSSION

The results of the SEM-PLS analysis show that:

1. Differentiation Strategy has a positive and significant effect on Indonesia's Rice Competitiveness ($\beta = 0,41$; $p < 0,01$).
2. Dynamic Marketing capabilities also have a significant effect on competitiveness ($\beta = 0,37$; $p < 0,05$).

The integration of the two variables shows that strategic innovation and adaptive marketing capabilities play an important role in strengthening the position of national rice products.

The results of interviews and in-depth studies identified that sustainable marketing and global business ethics serve as reinforces that reinforce the impact of differentiation strategies and dynamic marketing capabilities on competitiveness. In general, stakeholders emphasized that the rice market increasingly assesses aspects of transparency, quality stability, and certainty of information (e.g. origin and distribution process), especially when prices fluctuate due to inflation. These findings are in line with modern marketing principles: consumer perceived trust and value play a big role in the formation of preferences, not just product availability. (Kotler & Keller, 2022; Ferrell & Hartline, 2020; Porter, 2021)

In the aspect of sustainable marketing, the field findings emphasize that supply chain efficiency, reduction of waste, and consistency of quality will increase the perception of value, especially in the consumer segment that is starting to become aware of sustainability. Sustainability here is not just a narrative, but a real practice that influences cost, supply stability, and quality that ultimately reinforces differentiation. When differentiation is built on a more organized process basis (e.g. post-harvest handling, sorting, storage, and distribution), competitiveness increases because the product is more consistent and trustworthy. (Tece, 2018; Grant, 2019; Kotler & Keller, 2022)

On the aspect of global business ethics, the interview highlighted the importance of transparency (non-misleading information), accountability in distribution, as well as public interest orientation when the market faces inflation and price sensitivity. In the context of policies (e.g. the distribution of SPHP), business actors need to avoid practices that undermine trust (e.g., unclear information on product quality/origin or speculation that worsens market perception). Global business ethics are ultimately not just the norm, but factors that reinforce legitimacy, minimize reputational risks, and maintain loyalty. (Ferrell & Hartline, 2020; Barney, 1991; Porter, 2021)

Thus, the empirical novelty of this study lies in the evidence that the combination of differentiation strategies and dynamic marketing capabilities is capable of being a major driver of national rice competitiveness within the framework of sustainable marketing and global business ethics.

CONCLUSION

This study aims to explain and test how differentiation strategies and dynamic marketing capabilities contribute to increasing the competitiveness of Indonesian rice, taking into account sustainable marketing and global business ethics as strengthening factors. Key findings show that differentiation strategies and dynamic marketing capabilities play a significant role in strengthening competitiveness, as they help industry players build clear

value, maintain consistency of quality, and adapt marketing and distribution approaches as the market environment changes. In the macro context, the results of the analysis also confirm that production dynamics, the distribution of stabilization programs, and inflationary pressures are factors that affect the movement space of the rice market, so that increasing competitiveness cannot only rely on production logic or price competition, but requires a more structured value strategy and adaptive capabilities. Academically, this study contributes to strengthening the literature on competitive advantage and dynamic capabilities in the context of agribusiness, especially rice commodities, by broadening the understanding that competitiveness is determined by the orchestration of differentiation strategies, dynamic marketing capabilities, and market legitimacy through sustainable practices and business ethics. The overall significance of this research lies in its relevance for business actors and policymakers to design interventions that not only maintain price stability, but also encourage value innovation, transparency, and consumer trust as the foundation of long-term competitiveness. The limitations of this study include the dependence on certain secondary and proxy data in measuring market dynamics, as well as the limited scope of qualitative informants that can affect generalizations in all regions of Indonesia. Further research is suggested to expand the scope of regions and supply chain actors, using more granular measurement of differentiation indicators (e.g. quality, branding, certification, and traceability), and test models longitudinally to more accurately capture changes in market behavior and policy impacts.

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