

MARKET ORIENTATION AND PRODUCT INNOVATION IN IMPROVING COMPETITIVE ADVANTAGE AND ITS IMPACT ON MARKET PERFORMANCE

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Keywords

Orientasi, Inovasi, persaingan, Kinerja pasar.

ABSTRACT

Small and Medium Enterprises are one of the important parts that support the economy in Indonesia. This research was conducted to analyze market influencers and PR innovations in increasing competitive advantage and its impact on market performance. The object of this research is Small and Medium Enterprises entrepreneurs in Cirebon Regency, Java, Barat, especially Small and Medium Enterprises that are still operating to this day. The population in this study is MSME owners or managers. Sampling in this study used response sampling of 100 people. Using a quantitative method with data analysis using SPSS 21. The results of this study show that the market orients Having a significant impact on competitive advantage in the performance of marketers and then from the results of PR innovation research also has a positive impact on competitive advantage in the performance of marketers and the results of the latest research. namely the advantage of direct competition in the market.

INTRODUCTION

Indonesia's economic development in 2023 will reach a growth rate of 4.96%. The realization value slowed down compared to the previous year's economic growth of 5.76%. (Badan Pusat Statistik, 2023). The development of the Indonesian economy is influenced by several factors, one of which is the development of small and medium enterprises (MSMEs) which are an important part of the economy of a country or region. The development of MSMEs every year must be maintained and improved in accordance with the increase in economic development in the last year. Munthe and R\ahadi (2021: 45-46) argue that MSMEs are one of the ways to expand employment opportunities to overcome unemployment and poverty. Development of direct job creation in the form of entrepreneurship, micro enterprises, or small businesses in Mamengko et al. (2023).

Micro, Small and Medium Enterprises (MSMEs) are one of the sectors important that can improve the Indonesian economy. MSMEs are businesses owned by companies, ladder or small businesses. The classification of MSMEs is based on annual turnover, balance sheet volume and the number of employees in the Sefnedi, Sukma, and Yadewani (2022). Minor, Small and Medium Enterprises (MSMEs) are involved in the development of the country's economic plants, MSMEs can create a field of work and are very important in maintaining plant products. MSMEs are business entities that have the potential to provide various services to the region, increase community income and participate in Nopriyantoro et al. (2050). According to Irawan & Affan (2020) in Wulandari Serly (2023) MSMEs also play an important role in increasing regional income by meeting the needs of the

community for the sake of the country and opening up business fields, which is supported by data. (Badan Pusat Statistik, 2023) which stated that it had received nine million MSME data that was registered. in Indonesia.

In addition, the MSME coalition also invaded the surrounding area. 97% of the national workforce, while large enterprises only 3% of the national workforce. MSMEs are considered to be able to support the Indonesian economy because they contribute around 60% of Indonesia's gross domestic income (GDP), around Rp.7,704,640 billion/year Haryanti & Hidayah (2018) in Taufiq, Prihatni, and Gurendrawati (2020). The performance of MSME businesses is one of the factors. important that can determine whether or not an effort can survive in this era of globalization. The performance of a business is the result of the induction achieved by a business within a certain period of time. that has been determined. Business performance must also be able to measure and draw a business situation with the agreed according to Herman et al., (2018) in Taufiq et al.(2020).

The increase in the number of MSMEs provides an opportunity for Indonesia to maximize its economy, and a large increase in the number of MSMEs. creating competitors in the business world. Consumers have more choices in such a situation because they have the freedom to choose the policy they want. Competitive advantage is seen as a success in the concept of business management, because it aims to increase the value of the business. If you are operating in a sector, Market Creating economic value and what business has a related relationship, this is the competitive advantage of a business. This situation can be advantageous because it can be used for innovation that is considered the development of functional products that can give advantages over competitors by preventing competitors from entering the market. in Nopriyantoro et al. (2050).

What are the factors? which can be a measure in an effort to increase competitive advantage and its impact on market performance. Between other markets and market innovation. According to Crick (2021) Market orientation refers to the philosophy of organization to identify and satisfy the needs of consumers by being more *flexible* in responding to market conditions and knowing the behavior of competitors. Previous research conducted Haryono & Marniyati (2018) stated that PR innovation has a significant impact on the performance of MSMEs. An MSME that shows a high level of PR innovation is considered to have a high or good business performance value.

According to Nopriyantoro et al. (2050) innovation is an activity that aims to improve the character or excellence of a to increase its sales, this can be achieved through development or new development. To meet consumer needs by utilizing product innovations, the company ensures that the business that it produces can still attract customers to buy it, and the business is designed according to the customer's wishes. Therefore, the market or the market become the foundation of innovation as a business development.

Based on the problems and some of the previous research statements above, the purpose of this research is to provide the right knowledge and understanding of market dynamics, innovation in improving competitive advantage and its impact on market performance. This study is an update of previous research, especially covering research subjects that are different from previous research. This study uses the target area of research on small and medium enterprises or MSMEs located in the Cirebon Regency area. The researcher chose MSMEs in the Cirebon Regency area as the subject of this study because the number of MSMEs is based on data from Bekraf is very dominant and the number is large, namely around 60% of the existing MSMEs. With the number of commercial rivals called Business entities are becoming more and more strict, so that every business entity is required to have good business performance in its businessm Taufiq et al. (2020).

METHODS

This research was conducted to explain that. This research was obtained through questionnaire data with respondents from MSMEs in the food sector and was taken by responsive sampling of 100 people. The analysis used SPSS 21. Figure 1 explains the relationship of research hypotheses between the variables studied, namely market orientation, product innovation, competitive advantage and market performance. This research method can be described as follows

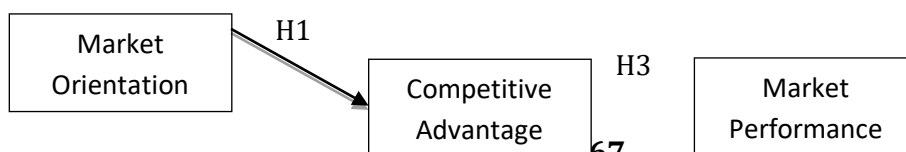




Figure 1. Research Graphic Models

H1 : Market orientation has a positive influence on competitive advantage in the performance of the market

H2: Product innovation has a positive influence on competitive advantage in the performance of the company.

H3 : Competitive advantage has a positive influence on the performance of the company

RESULTS

Based on the results of data analysis using SPSS 21.0, after the validity and reliability of the testing process which are all valid and reliable, can be continued with the path analysis model, the test is as follows:

Tabel 1. Summary Of Regression Analysis of Model I and Model II

Descriptive	Tes Model			Such Hypotheses			Result
	Adj R2	F	Sig	B	t	Sig	
Model and regression	0,427	37,821	0,000				
Market Orientation and Product Innovation towards Competitive Advantage							
Y1 = 0,097X1 + 0,390X2							
- Market Orientation to Competitive Advantage				0,097	2,900	0,005	H1 : Accepted
- Product Innovation to Competitive Advantage				0,390	4,728	0,000	H2 : Accepted
Model II Regression	0,288	14,327	0,000				
Market Orientation, Product Innovation, and Competitive Advantage against Market Performance							
Y2 = 0,720X1 + 0,550X2 + 0,000Y1							
- Market Orientation to Market Performance				0,015	0,359	0,720	
- Product Innovation to Market Performance				-	-	0,550	
- Competitive Advantage against Market Performance				0,067	0,599		
				0,634	5,088	0,000	H3 : Accepted

Source : Data Proses 2024

Test Mediation (Sobel Test)

The results of this mediation test were carried out using the sobel test in the spss program with two mediation tests as follows:

Descriptive	A	B	SEA	SEB	Sobel Statistic	Tes	Two-tailed probability
Market Orientation to Market Performance	0,097	0,634	0,034	0,125	2,486		0,012
Product Innovation to Market Performance	0,390	0,634	0,083	0,125	3,446		0,000

Source : Data Proses 2024

Based on the table above, the results of the mediation test show that competitive advantage is able to mediate the influence of dependent variables, namely market orientation on market performance. The influence of product innovation on market performance is mediated by competitive advantage and the results of the second sobel test explain that competitive advantage is able to mediate the influence of dependent variables, namely market orientation on market performance.

Discussion

Market orientation has a positive influence on competitive advantage on market performance

Based on the results of the first hypothesis test, it shows that there are positive results and a significant influence between market orientation and competitive advantage. From the respondents' answers obtained from the results of a market orientation questionnaire conducted by MSMEs of food business actors in Cirebon Regency, West Java, it has been good in optimizing the competitive advantage of MSME actors in the market. Crick (2021) states that market orientation refers to the philosophy of the organization to identify and satisfy the needs of consumers by being more *flexible* in responding to market conditions and knowing the behavior of competitors. From this, it can be understood that the market orientation increases, it can be said that the competitive advantage will also increase. In this case, MSME actors in the food business in Cirebon Regency, West Java understand the importance of market orientation so that there is commensurate competitive competition.

Product innovation has a positive influence on competitiveness in market performance.

Based on the results of the test, the second hypothesis shows positive results and a significant influence between product innovation and competitiveness. From the respondents' answers obtained from the results of a product innovation questionnaire conducted by MSMEs of food business actors in Cirebon Regency, West Java, it has been optimal in achieving competitive advantage. This is because most business actors already have high product innovation so that the marketing performance of business actors has also increased. According to Kotler Amstrong, there are product indicators that include product quality, product variants, and product style and design. Innovation can be broadly interpreted as a breakthrough so that it is a solution that can help MSMEs to survive in difficult and critical times. According to (Anna & Endang in Damayanti and Tjahjaningsih n.d.) The existence of a passive relationship between product innovation and competitive advantage is shown by the high level of product innovation so that marketing performance increases. Therefore, product innovation is one way to maintain business strength for MSME actors in Cirebon Regency, West Java. The aspect of product innovation needs to be enriched by creating a variety of innovative products, imitating other business products to add product diversity, creating and developing new ideas as the market generates more variety so as to have a variety of offerings for customers.

Competitive advantage has a positive influence on market performance.

Based on the results of the third hypothesis test, it shows that there are positive results and a significant influence between competitive advantage and performance. From the respondents' answers obtained from the results of the questionnaire, competitive advantage has optimally improved the marketing performance of MSME actors in Cirebon Regency, West Java. Because the competitive advantage created by MSME actors is able to increase customer trust in existing products so that business actors can be stronger in maintaining relationships with customers through the marketing performance provided, so that it will have a positive impact and affect marketing

performance. This research is in accordance with the research (Anna & Endang in Damayanti and Tjahjaningsih n.d.) which shows that competitive advantage has a positive and significant effect on market performance .

CONCLUSION

The result of this research is that market orientation has a significant influence on competitive advantages in the marketing performance of MSMEs food business actors in Cirebon Regency, West Java. The results of the study show that good market orientation allows MSME actors to better understand customer needs, which in turn improves their ability to compete in the market. Then from the results of the research, product innovation also has a positive impact on competitive advantage in marketing performance. MSME actors who are able to innovate products tend to have a greater competitive advantage, which helps them to maintain or increase their market share. And the results of the last study, namely Competitive advantages, directly affect the marketing performance of MSMEs. This shows that MSME actors who have succeeded in creating a competitive advantage are able to gain customer satisfaction and improve their marketing performance. Thus, the results of this study show the importance of market orientation, product innovation, and competitive advantage in improving the marketing performance of MSMEs in Cirebon Regency, West Java. The implementation of strategies related to these three factors can help MSME actors to strengthen their position in the market and achieve greater success.

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