

# The role of market orientation, product innovation and competitive advantage in improving marketing performance at furniture MSMEs

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## Abstract

This study aims to determine and analyze the effect of market orientation, product innovation and competitive advantage on the marketing performance of MSMEs Furniture in Jepara. The population in this study were the owners / entrepreneurs of MSMEs Furniture in Jepara with a sample size of 100 respondents. The sampling technique in this study was convenience sampling. The analytical tool used is multiple linear regression, where previously tested the validity and reliability as well as the classical assumption test. The results showed that market orientation, product innovation and competitive advantage had a positive influence on marketing performance. Product innovation has a positive effect on marketing performance, giving the understanding that the higher the product innovation, it will make the owner / entrepreneur of furniture MSMEs able to adapt by creating new ideas for the products offered so that it will have an impact on high marketing performance and competitive advantage is proven to have a positive effect on performance. marketing, gives the understanding that the more the products offered by MSMEs players have an advantage in competing, it will certainly have an impact on the maximum marketing performance.

**Keywords:** Market orientation, product innovation, competitive advantage, marketing performance

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## 1. Introduction

Every business has a goal of realizing growth and survival for the long term, including Small Micro and Medium Enterprises (MSMEs). To face the era of globalization, it requires MSMEs to adapt to an increasingly dynamic environment. Increasingly dynamic environmental conditions require MSMEs to create competitive advantages for their businesses to be able to compete on an ongoing basis. This competition requires MSMEs to be able to create productive and efficient management and be able to produce according to market wants and needs with better quality standards [1].

This phenomenon shows that there are still many external weaknesses faced by MSMEs, such as weakness in marketing, weakness in seeing market opportunities, lack of adaptability to dynamic environments, lack of innovation and creativity for the products offered, lack of managerial ability and skills, lack of access to technological information, capital [2]. The weaknesses experienced by these MSMEs require the role of the government to overcome them.

The role of the government through the Jepara Regency Industry and Trade Office is very much needed to make improvements, namely by providing coaching, training, mentoring and evaluation as well as

follow-up to MSMEs actors so that owners / entrepreneurs experience success. The background to the problem is that the efforts made by the government in providing guidance to MSMEs have not yielded maximum results. Based on data from the guidance of the Jepara Regency Industry and Trade Office during the 2017 to 2019 period, it can be seen that the increasing number of MSMEs in the type of furniture commodity in Jepara has continued to increase, not being matched by the average income of sales of furniture commodity types per year. In 2017 to 2018 there was a significant increase, reaching 35.44

MSMEs performance can be interpreted as a measure of the achievement of organizational goals. The performance of MSMEs is a measure of achievement that is obtained optimally in implementing the right strategy to manage its business well. In relation to the achievement of MSMEs performance, it requires the ability of MSMEs to innovate so that they can excel in competing. Innovation is something that arises from the ability to see connections, identify opportunities and then take advantage of them. Rapid technological advances and high levels of competition require business actors to continuously innovate products so that they will excel in competition, which in turn will improve their business performance. According to Grawe, *et al.* [3], a culture of innovation is needed for business people to excel in competition

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and be able to improve their business performance. In order for the performance of MSMEs to increase, it cannot be separated from the ability of business actors to have a market orientation.

Market orientation is the company's ability to study customers, competitors, and environmental forces to gain an understanding of the market on an ongoing basis and to take action on prospective or bright markets [4]. Thus, the higher the market orientation, the MSMEs can find out, understand and answer the needs and desires of customers, so as to improve marketing performance maximally. This is in accordance with the statement of Narver and Slater [5] that an understanding of market orientation is needed in order to know, answer the needs and expectations of customers, know the weaknesses and strengths of competitors and coordinate potential resources so as to create superior value for customers and can create performance. company in a sustainable manner.

The role of the government through the Department of Cooperatives and MSMEs of Jepara Regency is very much needed in carrying out assistance tasks in the field of industry and trade which are very much needed in fostering MSMEs properly. In an effort to improve the performance of these UKM entrepreneurs / owners, the government through the Cooperative and MSMEs Office continues to make improvements, namely by providing coaching, training, mentoring and evaluation as well as follow-up to MSMEs actors. This is the background of the problem that the efforts made by the government to MSMEs have not provided maximum results.

Research on performance has been carried out by many previous researchers, such as that conducted by Anjaningrum and Widi [6], Sugiyarti [7], Anggraini, *et al.* [8], Sulistiyani [4], Wang and Feng [9], Suroso [10] show that market orientation has an influence on marketing performance, in a positive direction. Likewise, research conducted by Wachjuni [1] and Sari [11] also shows that market orientation also has a positive effect on business performance. However, it is different from Hatta's [12] research that market orientation has no effect on marketing performance.

Based on the results of the study, it shows that there are contradictions between researchers, especially on market orientation, product innovation and competitive advantage. Based on these problems, it is interesting to conduct research with research questions, do market orientation, product innovation and competitive advantage affect marketing performance?

Marketing performance is a concept to measure the impact of the strategy implemented by the company as a reflection of existing marketing activities [13]. The company's performance illustrates the extent to which the organization is able to meet the needs of its stakeholders and its own needs to survive. Performance is a record of outcomes resulting from the function of a particular job or activity over a certain period

of time. Wang and Feng [9] also explained that marketing performance can be measured by 5 indicators, including overall performance, market share growth, sales growth, profitability and customer satisfaction.

Kotler [14] defines a market orientation in response to market changes. The concept of market orientation is related to company activities that emphasize its strategic policies to consumers by understanding competitors' reactions and creating a conducive internal environment. According to Kotler [14] market orientation has five main attributes, namely consumer philosophy, marketing organization integration, marketing information, strategic orientation and operational efficiency.

According to Robbins and Coulter [15], innovation is the process of turning creative ideas into useful products or work methods. Meanwhile, Kasali (2010) defines innovation as the ability to see things in a new and sometimes out of the ordinary way. Sugiyarti [7] explained that product innovation consists of 3 important things, including product advantages, product uniqueness and product costs. The concept of innovation refers to the creation of new value for the company, its stakeholders and customers. An idea or invention only becomes an innovation when an effective economic potential is realized. While invention is essentially a technical solution, the process of innovation encompasses a wide range of scientific, technological, organizational, financial and marketing activities to realize its potential. Therefore, innovation is the process of converting knowledge into value through the application of new or improved products, processes and systems. Innovation as any form of introduction of something new. Innovative behavior is behavior that is directed at the initiation and application (in the role of a work group or organization) of new and useful ideas, processes, products or procedures. Product innovation is something that can be seen as a functional advancement of a product that can take the product one step further than competitors' products. This product innovation has an advantage that is seen as an added value for consumers. The development of new products and their strategies that are more effective are often the determinants of the success and survival of a company. The development of new products and their strategies that are more effective are often determinants of the success and survival of a company.

Competitive advantage can be described as a company's benefit strategy for working together to create a more effective competitive advantage in its market. The strategy must be designed to create a sustainable competitive advantage so that the company can dominate both in new markets and markets. Excellence in principle grows from the values or benefits created by the company for its buyers. Competition is at the core of success and failure. The essence means that a success or failure depends on the company's courage to compete. Without the courage to

**Table 1.** Operational definition and variable measurement.

| Num | Variable                   | Operational Definition                                                                                                     | Indicator                                                                                                                                                                                                                           | Measurement Scale                                                 |
|-----|----------------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 1.  | Marketing performance (MP) | Marketing performance is a measure of the success of the company through the achievement of targets to benefit the company | <ul style="list-style-type: none"> <li>– Market share growth</li> <li>– Sales growth</li> <li>– Advantages</li> <li>– Customer growth</li> </ul>                                                                                    | Ordinal scale through a questionnaire using a Likert scale 1 to 5 |
| 2.  | Market orientation (MO)    | Market orientation is a process in generating and providing market information in creating high values for consumers       | <ul style="list-style-type: none"> <li>– Customer value</li> <li>– Customer satisfaction</li> <li>– Sharing with consumers</li> <li>– Respond to competitors' strategies</li> <li>– Coordination to formulate strategies</li> </ul> | Ordinal scale through a questionnaire using a Likert scale 1 to 5 |
| 3.  | Product innovation (PI)    | Product innovation is the process of turning creative ideas into useful products or methods                                | <ul style="list-style-type: none"> <li>– Aggressively plan pricing ideas</li> <li>– Aggressive product planning</li> <li>– Aggressive planning of distribution</li> <li>– Aggressive planning of promotions</li> </ul>              | Ordinal scale through a questionnaire using a Likert scale 1 to 5 |
| 4.  | Competitive advantage (CA) | Competitive advantage is the ability to provide added value to a product compared to competitors                           | <ul style="list-style-type: none"> <li>– Worth</li> <li>– Has a distinctive characteristic</li> <li>– Difficult to imitate</li> </ul>                                                                                               | Ordinal scale through a questionnaire using a Likert scale 1 to 5 |

compete, success is impossible. Competitive advantage develops from the value the company is able to create for customers or buyers. Competitive advantage describes how a company selects and implements generic strategies (low cost, differentiation, and focus) to achieve and maintain a competitive advantage. In other words, competitive advantage concerns the way a company implements its generic strategy in practical activities. The advantages of all that come from the industrial structure. Companies that come with a low cost strategy, namely: have the ability to design products, and a more efficient market than competitors. Companies originating with differentiation (differentiation), namely: The ability to produce goods and services that are unique and have superior value for buyers in the form of product quality, special characteristics, and other services.

Emphasis on competitiveness market orientation is based on identifying customer needs so that each company is required to be able to answer the needs desired by consumers, either through the creation of new products that are completely new or the development of existing products. According to Martin and Martin (Wachjuni [1]) there is a link between market orientation and company performance in achieving sustainable competitive advantage. According to Uncles (in Sutapa and Wasitowati, 2017) market orientation is a process and activity related to the creation and aging of customers by continuously assessing customer needs and desires so that the application of market orientation will bring increased performance for the company. Market orientation focuses more on aligning the

organization's unique capabilities and customer needs in order to achieve business performance goals. With market orientation, the company can know, understand and answer the needs and expectations of customers, and can find out the weaknesses and strengths of competitors and coordinate company resources so that ultimately it can create superior value for customers and can create company performance in a sustainable manner. Thus, the higher the market orientation, the company can answer the needs and desires of customers so that of course it will have an impact on the achievement of the company's marketing performance. Research conducted by Anjaningrum and Widi [6], Sugiyarti [7], Anggraini, *et al.* [8], Sulistiyani [4], Wang and Feng [9], Suroso [10] show that market orientation has a positive and significant effect on marketing performance. Likewise with the research of Wachjuni [1], Sari [11], and Wulandari [16], that market orientation has a positive and significant effect on marketing performance. Referring to the theory and previous research, the following hypothesis can be formulated: H<sub>1</sub>: Market orientation has a positive and significant effect on marketing performance.

Product innovation is an additional means because companies can increase their efficiency and market performance which can further contribute to competitive advantage in a business environment that currently prefers to compete on the basis of service rather than on the physicality of the product (Grawe *et al.*, [3] in Fauzi and Widiyanto [17]). This is in line with Lukas and Ferrell [18] who state that product innovation varies with market orientation. Thus innovation

is a development that is considered new and can help to focus more on the level of interest desired by customers, so that with this innovation able to improve the company's business performance. The more innovative the products produced, the more marketing performance they produce. Innovation can be through business activities such as improving products, processes or procedures aimed at increasing the value and performance produced. in Fauzi and Widiyanto [17] explains that innovation is needed for companies to better recognize the unique properties of a product it produces. The more these products are able to have advantages because of their uniqueness in each product produced by the company, of course it will affect the marketing performance of the company. The results of research by Fauzie and Widiyanto [17], Anggraini, *et al.* [8], Mulyana and Supata [19], Hartanty and Ratnawati [20] show that innovativeness affects business performance. Based on the theory put forward by several experts and supported by previous research, the following hypothesis can be formulated: H<sub>2</sub>: Product innovation has a positive and significant effect on marketing performance.

Competitive advantage can be achieved by looking at the environment, both the external environment and the internal environment (Hui-O Yang (2007) in Fauzi and Widiyanto [17]). Competitive advantage can be seen from the company's ability to produce products both in terms of quality, design, shape, size, packaging, service, warranty, and several other factors in order to attract consumers, a competitive advantage strategy is always directed to produce products that have advantages so that they are able to. improve the company's marketing performance. The more the product produced has advantages, both in terms of features, shape, quality, packaging to brand, it will certainly affect the performance produced by the company. Marketing strategy is always directed through good product excellence in improving the company's marketing performance. Octavia's (2013) research results show that product excellence has a positive effect on marketing performance. Meanwhile, the research of Fauzi and Widiyanto [17] also shows the same results that competitive advantage has a positive influence on the company's marketing performance. Based on theory and supported by previous researchers, the following hypothesis can be formulated: H<sub>3</sub>: Competitive advantage has a positive and significant effect on marketing performance.

## 2. Research Method

The type of research used is associative explanatory research. In this study the population is all owners/entrepreneurs of Furniture MSMEs in Jepara, Indonesia. The furniture industry was chosen as the sample in this study because the city of Jepara, Indonesia is famous for its carvings and the furniture

industry is a leading industry in the city of Jepara, Indonesia. The sampling technique used in this study was convenience sampling, which is a sampling technique from population elements whose data is easy to obtain, where the researcher has the freedom to choose the fastest and easiest sample. In this case, all owners / entrepreneurs have the same opportunity to be used as samples, given the large population, to provide an accurate sample, in this study refers to the Slovin formula [22] stated by the following formula: 
$$n = \frac{N}{1 + Ne} = \frac{2980}{1 + (2980)(0.10)^2} = 96.8 \text{ rounded off } 100,$$
 where  $n$  = total sample,  $N$  = total population, and  $Ne^2$  = percent leeway inaccuracy due to sampling error (10%).

Based on the determination of the sample in accordance with the Slovin formula, the minimum sample used in this study is 100 owners / entrepreneurs of Furniture MSMEs in Jepara. Primary data is used in this study, by distributing questionnaires to respondents. The questionnaire was given to owners / entrepreneurs of Furniture MSMEs in Jepara. The questions are presented using a Likert scale, with the assessment criteria ranging from strongly disagree to strongly agree using a liker scale of 1 to 5.

Multiple linear regression analysis is used to determine the effect of the independent variables on the dependent variable. The regression equation can be formulated as follows:  $MP = \beta_0 + \beta_1 MO_1 + \beta_2 PI_2 + \beta_3 CA_3 + e$ , where MP = marketing performance, MO = market orientation, PI = product innovation, CA = competitive advantage,  $\beta_0$  = constant,  $\beta_1, \beta_2, \beta_3$  = regression coefficient of market orientation, product innovation and competitive advantage, and  $e$  = error of term (confounding variable).

## 3. Result and Discussion

The explanation of the characteristics of respondents based on age shows that most of the owners / entrepreneurs of MSMEs Furniture in Jepara are dominated by respondents aged between 31 to 50 years. The high age of the respondents means that the maturity level of the owner / entrepreneur has an important role in making decisions wisely in order to strengthen his business. This is because age is a factor that supports the potential of the owner / entrepreneur to develop more advanced in advancing his business more optimally. Respondents' responses for the gender of the respondents indicated that the owners / entrepreneurs of MSMEs furniture in Jepara who were respondents in this study were dominated by male respondents, namely 63% when compared to women who were only 37%. This can be understood because the furniture business in carrying out its activities requires more of a stronger mind and physical energy so that it requires men who have better physical strength than women, even though women are also involved in it. Responses to the education of respon-

**Table 2.** Validity-test.

| Num | Variable              | Indicator | r count | r table | Information |
|-----|-----------------------|-----------|---------|---------|-------------|
| 1.  | Market orientation    | MO1.1     | 0.861   | 0.2368  | Valid       |
|     |                       | MO1.2     | 0.712   |         | Valid       |
|     |                       | MO1.3     | 0.714   |         | Valid       |
|     |                       | MO1.4     | 0.850   |         | Valid       |
|     |                       | MO1.5     | 0.720   |         | Valid       |
| 2.  | Product innovation    | PI2.1     | 0.786   | 0.2368  | Valid       |
|     |                       | PI2.2     | 0.757   |         | Valid       |
|     |                       | PI2.3     | 0.709   |         | Valid       |
|     |                       | PI2.4     | 0.678   |         | Valid       |
| 3.  | Competitive advantage | CA3.1     | 0.704   | 0.2368  | Valid       |
|     |                       | CA3.2     | 0.715   |         | Valid       |
|     |                       | CA3.3     | 0.721   |         | Valid       |
| 4.  | Marketing performance | MP.1      | 0.772   | 0.2368  | Valid       |
|     |                       | MP.2      | 0.652   |         | Valid       |
|     |                       | MP.3      | 0.790   |         | Valid       |
|     |                       | MP.4      | 0.636   |         | Valid       |

Source: SPSS output, processed primary data, 2019.

**Table 3.** Reliability-test.

| Num | Variable              | r Alpha Value | Standarization Value | Information |
|-----|-----------------------|---------------|----------------------|-------------|
| 1.  | Market orientation    | 0.909         | 0.6                  | Reliable    |
| 2.  | Product innovation    | 0.874         | 0.6                  | Reliable    |
| 3.  | Competitive advantage | 0.846         | 0.6                  | Reliable    |
| 4.  | Marketing performance | 0.862         | 0.6                  | Reliable    |

Source: SPSS output, processed primary data, 2019.

dents indicate that most of the owners or entrepreneurs of MSMEs furniture are more dominated by respondents with high school education by 36%. This indicates that the level of education can affect a person's achievement. This is because having education will affect the perspective, way of thinking and how to behave so that adequate education is needed.

The results showed that market orientation has a positive and significant influence on marketing performance, giving the sense that the higher the market orientation, the company can know, understand and answer the needs and expectations of customers so that it will further improve marketing performance maximally. The proof of the results of this study, it is important for the MSMEs business actor to conduct an evaluation by looking at market orientation, such as the importance for the owner / entrepreneur of furniture MSMEs to carry out evaluations, including the ability of business actors to create customer value better than competitors so that marketing performance can increase. Marketing performance can increase if there are efforts from the owner / entrepreneur to provide satisfaction for customers on an ongoing basis. For this reason, it is important for furniture owners / entrepreneurs to be able to share information with customers, through criticism or suggestions given by customers. Furniture owners / entrepreneurs have the ability to improve marketing performance if they have the ability to respond quickly to competitors' strategies. This is very important because changes or devel-

opments in the furniture business are very dynamic so that something more is needed in the products it offers. For this reason, coordination is needed in order to formulate a strategy to share resources, both to customers and competitors in improving marketing performance. The results of this study are reinforced by Uncles' statement (in [1]) that market orientation is a process and activity related to the creation and aging of customers by continuously assessing customer needs and desires so that the application of market orientation will bring increased performance for the company. Market orientation focuses more on aligning the organization's unique capabilities and customer needs in order to achieve business performance goals. The results of this study support the findings of Sugiyarti [7], Suroso [10], and Sulistiyani [4] that market orientation has a positive and significant effect on marketing performance. Likewise, the research of Wachjuni [1], Wulandari [16], and Sari [11] which states that market orientation has a positive and significant effect on marketing performance. However, in Hatta's [12] research, the opposite occurs if market orientation has no effect on business performance.

Regarding product innovation, the results show that product innovation has a significant positive effect on marketing performance, giving the sense that the higher the company's ability to create new ideas related to products, the more it will increase the company's marketing performance maximally. With the proof of the research results, it is important for the

**Table 4.** Linier regression-test.

| Dependent variable    | Independent variable  | Beta  | t count | Sig   | Information |
|-----------------------|-----------------------|-------|---------|-------|-------------|
| Marketing performance | Market orientation    | 0.146 | 2.237   | 0.028 | Accepted    |
|                       | Product innovation    | 0.226 | 3.333   | 0.001 | Accepted    |
|                       | Competitive advantage | 0.610 | 7.805   | 0.000 | Accepted    |

Source: processed primary data, 2019.

**Table 5.** Coeffisien determination-test.

| Information                                                                                                | R     | R Square | Adjusted R Square |
|------------------------------------------------------------------------------------------------------------|-------|----------|-------------------|
| The influence of market orientation, product innovation and competitive advantage on marketing performance | 0.930 | 0.865    | 0.861             |

company to be more aggressive in planning new ideas about the price of a product so that it will be able to increase the company's sales growth. When the price offered is able to compete in seizing the market, it will certainly affect the high sales growth of the company. The company's ability to be more aggressive in planning new ideas about increasing customers because customers will certainly find it easy to get the product. For this reason, it is important for companies to continue to evaluate in order to be more innovative in their marketing, such as the high aggressiveness of the company to seek and find new ideas about promotions carried out through advertising media. By promoting through attractive advertisements and known to the public, it can be a good solution in increasing the number of customers. Another factor that needs attention is the importance of the aggressiveness of the company to plan new ideas about the products offered in the development of a broad market. The more new ideas about the product being offered are in accordance with the wishes and expectations of customers, of course the higher the development of a product's market area will be. Grawe *et al.* [3] explained that product innovation is an additional means because companies can increase their efficiency and market performance which in turn can contribute to competitive advantage in a business environment that currently prefers to compete on the basis of service rather than on the physicality of the product. Roger (in Fauzi and Widiyanto [17]) explains that innovation is needed for companies to better recognize the unique properties of a product it produces. The results of this study support the findings of Anggraini, *et al.* [8], Mulyana and Supata [19], Hartanty and Ratnawati [20] show that product innovation has a positive effect on business performance. Likewise with the research of Fauzie and Widiyanto [17] that innovation affects business performance. In contrast, this research does not support the findings of Zafer and Pinar (2012), which shows the opposite that marketing innovations have no effect on company performance.

The last factor discussed is related to product excellence, the test results show that competitive advantage has a significant positive effect on marketing performance, giving the sense that the higher the

furnirure MSMEs owner / entrepreneur has an advantage in competing, it will certainly have an impact on the achievement of the resulting marketing performance. Marketing strategy is always directed through good product excellence in improving company performance. Marketing performance can be maximized if it is supported by products offered by the owner / entrepreneur, which is very valuable because it has a better design when compared to competitors. It is important for the owner / entrepreneur to continue to evaluate so that the products they produce have distinctive features. This means that the owners / entrepreneurs must be able that the products they produce have unique characteristics compared to competitors, so that it will become a product that is very well known to their customers. This can be seen from the design so that it has its own characteristics for the assessing customer. In this case the product being offered must be more unique and much liked. The results of this study support the findings of Maharani (2012) showing that competitive advantage has an influence on marketing performance. In line with the research results of Fauzi and Widiyanto [17], Wachjuni [1], Octavia [21] also show the same thing that competitive advantage has a positive influence on marketing performance.

#### 4. Conclusion

Based on the research that has been done, it can be concluded that market orientation, product innovation and competitive advantage have a significant positive effect on marketing performance. The limitation in this study is that the data collection technique used in this study only uses a questionnaire so that the conclusions that can be drawn are only based on the data collected through the questionnaire. The data analyzed is the perception of the respondent's answer which can cause problems if the respondent's answer does not match the real situation. So that suggestions for further research should be added with interview techniques so that it will further strengthen the accuracy of the data and adding research variables, such as product superiority, in order to find different results. The

research implication for MSMEs furniture is to continue to improve market orientation, continue to carry out product innovation and increase competitive advantage in order to improve marketing performance.

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