

Market Orientation And Product Innovation Capabilities As An Improvement Of Small Medium Business Marketing Performance

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ABSTRACT

Melonjaknya jumlah UKM yang ada di Indonesia menyebabkan persaingan yang cukup ketat terhadap para pelaku UKM. Keberhasilan UKM dalam meningkatkan pertumbuhan perusahaan masih sangat bergantung dari kinerja pemasaran pemiliknya. Kunci penting untuk memenangkan persaingan terletak pada kemampuan perusahaan untuk menciptakan keunggulan bersaing. Orientasi pasar merupakan orientasi strategis yang dicirikan oleh serangkaian perilaku dan kegiatan yang terkait dengan fokus pelanggan yang kuat dari UKM, pemasaran terkoordinasi di seluruh organisasi, dan profitabilitas. Faktor lain selain orientasi pasar, perusahaan juga harus berusaha mempergunakan sumber daya yang dimilikinya untuk dapat berinovasi. Penelitian ini merupakan penelitian literature review. Beberapa literature yang direview terkait dengan Kinerja Pemasaran sejumlah 13 artikel. The results of the review show that market orientation, product innovation ability, product competitiveness is an important factor to improve performance marketing.

Keywords: Market Orientation, Product Innovation Ability, Product Competitiveness and Marketing Performance.

I. PRELIMINARY

The crucial factor that challenges SMEs in terms of marketing is the weakening of access to product marketing which still relies on simple word of mouth marketing. Have not made social media or internet networks as a marketing tool. In terms of quantity, it has not been able to involve more workers due to the limited ability to employ employees who have special qualifications. Marketing performance is defined as an effort to measure the level of performance including sales volume, number of customers, profits and sales growth (Voss & Voss, 2000:69). Every company has an interest in knowing its achievements as a reflection of the success of its business in market competition,

The success of SMEs in increasing company growth is still very dependent on the

marketing performance of their owners. Only owners who have a strong marketing orientation can bring improvements to the company. Marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organization. Marketing performance is used as a tool to measure the level of success of the overall performance carried out including the success of the implemented strategy, sales growth, and company profits, Ferdinand in Fat (2009). Besides, the measure of the success of marketing performance can also be seen from the level of success of new products which shows that the company's performance is getting better. Performance here means all systems related to activities and results (outcomes) obtained.

The increasing number of SMEs in Indonesia has led to stiff competition for SMEs.

With competition, companies are faced with various opportunities and threats both from outside and from within the country. For this reason, every company is required to always understand and understand what is happening in the market and what is the desire of consumers, as well as various changes in the business environment so that they can compete with other companies. Companies should try to minimize their weaknesses and maximize their strengths. Thus, companies are required to be able to choose and determine strategies that can be used to face competition.

The competition is getting tougher, the company must understand what and how to manage the various resources it has. An important key to winning the competition lies in the company's ability to create a competitive advantage. Narver and Slater (1990:21) state that competitive advantage can be achieved if the company is able to provide more value to customers than what is provided by its competitors. Competitive advantage can come from various company activities such as in designing, producing, marketing, delivering, and supporting its products. Each of these activities should be directed towards supporting the firm's relative cost position and creating a basis for creating differentiation.

Advances in technology that cannot be dammed, a company's product will grow to a point, where the product will be difficult to distinguish from one another. In order to win in a competition, in marketing current products, manufacturers are not only based on product quality, but also depend on the strategy implemented by the company. Related to that, there are two strategies that are generally used by companies, namely market orientation (Narver and Slater, 1995, 134) and innovation (Han et al., 1998:35).

A market-oriented company is a company that makes customers a mecca for companies to run their business (customer orientation), so that companies can continuously be customer-oriented, at the same time the company must also be oriented to competitors (competitor orientation). Both orientations can

be implemented well if the company performs inter-functional coordination well (Nasution, 2004: 3). Market orientation is a strategic orientation characterized by a set of behaviors and activities associated with a strong customer focus of SMEs, coordinated marketing across the organization, and profitability (Pérez-Luño et al., 2016). Kohli, et al., (in Pérez-Luño et al., 2016) identified three sets of activities related to market orientation including: (1) intelligence generation, which includes: gathering and assessing customer needs/preferences and the forces influencing the development and improvement of those needs. (2) intelligence dissemination, which is the process and level of market exchange within a particular organization, and (3) responsiveness, which is the actions taken in response to the intelligence that has been created and disseminated. Long (2013) stated that market orientation has a significant positive effect on organizational performance, in terms of market share growth, sales and profits. collection and assessment of customer needs/preferences and the forces influencing the development and improvement of those needs. (2) intelligence dissemination, which is the process and level of market exchange within a particular organization, and (3) responsiveness, which is the actions taken in response to the intelligence that has been created and disseminated. Long (2013) stated that market orientation has a significant positive effect on organizational performance, in terms of market share growth, sales and profits. collection and assessment of customer needs/preferences and the forces influencing the development and improvement of those needs. (2) intelligence dissemination, which is the process and level of market exchange within a particular organization, and (3) responsiveness, which is the actions taken in response to the intelligence that has been created and disseminated. Long (2013) stated that market orientation has a significant positive effect on organizational performance, in terms of market share growth, sales and profits.

Faktor lain selain orientasi pasar, perusahaan juga harus berusaha

mempertgunakan sumber daya yang dimilikinya untuk dapat berinovasi. Inovasi produk merupakan salah satu faktor persaingan yang paling penting untuk mencapai kesuksesan dimana akhir-akhir ini lingkungan bisnis selalu berubah dengan cepat (Lou,1999, Han, et al., 1998, Amabile, 1996) dalam Mudiantono dan Nur Khamidah (2005) mengatakan bahwa inovasi sebagai penerapan yang berhasil dari gagasan yang kreatif dalam perusahaan. Inovasi merupakan sebuah mekanisme perusahaan untuk beradaptasi dalam lingkungan yang dinamis, sehingga perusahaan dituntut untuk mampu menciptakan penilaian-penilaian baru, ide-ide baru, menawarkan produk yang inovatif dan peningkatan kinerja layanan yang memuaskan pelanggan. Empirical results conducted by O'Cass and Sok (2014) show that when the combination of intellectual resources and product innovation capabilities in addition to the combination of reputation resources and marketing capabilities is high, the growth of SMEs can be enhanced.

Previous research on the effect of market orientation on marketing performance showed non-uniform results. There is a research gap on the effect of market orientation on marketing performance. Several studies have shown significant results (Utaminingsih, 2016; Methasari et al., 2018; Merati et al. 2017; Puspaningrum, 2020; and Julian, 2010), market orientation, market orientation affects sales growth (Raju et al., 2011; Agha et al., 2011), causing customer satisfaction and retention (Dwairi et al., 2007). Although most of them showed a positive impact of market orientation on marketing performance, several other studies showed that it was not significant, such as the results of research conducted by Han et al., (1998) and Amin et al., (2019) which stated that market orientation had no effect on marketing performance.

Previous research on the effect of product innovation on marketing performance conducted by Priatin, et al., (2017) stated that product innovation had a positive and significant effect on marketing performance, different findings were carried out by Manahera et al.,

(2018) stating that innovation product has a negative and significant effect on marketing performance. Meanwhile, research conducted by Sefianti (2020) states that product innovation has no effect on marketing performance.

Research conducted by Nuvriasari et al., (2015) *The Role of Market Orientation, Market Orientation and Competitive Strategy on Improving SME Performance*. The results showed that there was a positive and significant effect between market orientation and marketing performance on competitive strategies (differentiation, low cost, and focus strategies). The results of the study underline that market orientation does not have a positive and significant effect on product competitiveness, product innovation has a positive and significant effect on product competitiveness, market orientation and product innovation simultaneously have a positive and significant effect on competitive advantage, and product competitiveness has a positive and significant impact on product competitiveness. significant to marketing performance. To overcome this gap, product competitiveness is offered as a mediation of the influence of market orientation on marketing performance. This study has a different insight from previous research because the involvement of innovation ability to predict marketing performance is very limited in previous studies.

Based on the phenomena and gaps of previous research, it is very interesting to study the effect of market orientation and product innovation capabilities on marketing performance with product competitiveness as an intervening variable. This research is considered important because it measures the mediating role of product competitiveness in the clay industry in Bali Province.

II. LITERATURE REVIEW

Resource Based Theory (RBT)

Resource Based Theory is a theory that describes that a company can increase its competitive advantage by developing resources so that it can direct the company to survive in the long term.

The key to the RBT approach is in understanding the relationship between resources, capabilities, competitive advantage, and profitability, in particular being able to understand the mechanism by which to maintain competitive advantage over time. Such a model requires exploiting the effects of unique characteristics on the firm.

This theory was first put forward by Wernerfelt (1984) in his work entitled "A Resource-based view of the firm". But the research that has become a lot of references is the article by Barney (1991) "Firm Resource and Sustained Competitive Advantage". Explained that firm resources help companies improve the efficiency and effectiveness of company operations. Furthermore, competitive advantage can be understood by instilling an understanding that the company consists of heterogeneous and immovable elements. Steps to maximize competitive advantage, companies must meet four criteria, namely valuable, rareness, inimitability and non-substitutability.

Wernerfelt (1984) explains that according to Resource-Based Theory (RBT) companies will excel in business competition and obtain good financial performance by owning, controlling and utilizing important strategic assets (tangible and intangible assets). Belkaoui (2003) states that a potential strategy to improve company performance is to combine tangible assets and intangible assets. Resource-Based Theory (RBT) is a thought that developed in the theory of strategic management and company competitive advantage which believes that companies will achieve excellence if they have superior resources.

Pulic (1998) argues that the main goal of a knowledge-based economy is to create added value. To be able to create this added value, it is necessary to have the right measure of physical capital in the form of financial funds and intellectual potential represented by employees with all the potential and abilities attached to them. Based on the Resource-Based Theory (RBT) approach, it can be concluded that the resources owned by the company affect the company's performance which in turn will increase the value of the company.

According to Yunita (2012) said that Resource Based Theory (RBT) is a heterogeneous company's resources so that it is possible to create a competitive advantage for the company. Furthermore, Nothnagel (2008) assumes that there are two criteria for Resource Based Theory, namely resource heterogeneity and resource immobility. Resource heterogeneity explains the similarities in capabilities that competitors also have, so that it cannot be called a competitive advantage. Resource immobility describes capabilities that competitors do not have or that competitors can have but at great expense.

III. METHOD

IV. RESEARCH METHODS

The research uses a qualitative approach with a literature review analysis method. A review was conducted on the results of research concerning Market Orientation, Product Innovation Capability, Product Competitiveness, and Marketing Performance. 13 Articles reviewed. The articles are:

No.	Researcher and year
1	Nuryakin (2018)
2	Dismawan, R. (2013)
2	Utaminingsih, A. (2016)
3	Djodjobo, CV, & Alum, HN (2014)
4	Dewi, ST (2006)
5	Sugiyarti, G. (2015)
6	Methasari, M., Kurniawan, G., & Sidik, AR (2018)

No.	Researcher and year
7	Merati, I., Rusdarti, R., & Wahyono, W. (2017)
8	Puspaningrum, A. (2020)
9	Udriyah, U., Tham, J., & Azam, S. (2019)
10	Herman, H., Hady, H., & Arafah, W. (2018)
11	Julian, CC (2010)
12	Killa, MF (2014)
13	Hidayatullah, S., Firdiansjah, A., Patalo, RG, & Waris, A. (2019)

IV.RESULTS AND DISCUSSION

Several studies have been reviewed. The following are the results of research from 13

articles related to Market Orientation, Product Innovation Capability, Product Competitiveness, and Marketing Performance.

Table. 2 Summary of Literature Review Results

No.	Study	Market Orientation	Product Innovation Capability	Product Competitiveness	Marketing Performance	Finding
1	Nuryakin (2018)	V	V	-	V	<ul style="list-style-type: none"> It was found that there was a significant effect of market orientation on marketing performance Significant effect of product innovation on marketing performance
2	Dismawan, R. (2013)		V	V		<ul style="list-style-type: none"> High product innovation tends to be followed by an increase in competitive advantage
2	Utaminingsih, A. (2016)	V	V		V	<ul style="list-style-type: none"> Market orientation has a positive effect on marketing performance Innovation has a positive effect on marketing performance
3	Djodjobo, CV, & Alum, HN (2014)		V	V	V	<ul style="list-style-type: none"> Product innovation partially has a positive and significant impact on competitive advantage in the yellow rice business in the city of Manado Competitive advantage partially has a positive and significant effect on the marketing performance of

No.	Study	Market Orientation	Product Innovation Capability	Product Competitiveness	Marketing Performance	Finding
						the yellow rice business in the city of Manado
4	Dewi, ST (2006)	V	V	V	V	<ul style="list-style-type: none"> • There is a significant positive effect between market orientation and competitive advantage • There is a positive and significant influence between product innovation and competitive advantage • There is a positive and significant influence between competitive advantage on marketing performance
5	Sugiyarti, G. (2015)	V	V	V		<ul style="list-style-type: none"> • Market orientation has a significant effect on competitive advantage • Product innovation has a significant effect on competitive advantage
6	Methasari, M., Kurniawan, G., & Sidik, AR (2018)	V	V		V	<ul style="list-style-type: none"> • Market Orientation partially affects Marketing Performance • Product Innovation partially affects Marketing Performance
7	Merati, I., Rusdarti, R., & Wahyono, W. (2017)	V	V	V	V	<ul style="list-style-type: none"> • Market Orientation has a positive effect on Marketing Performance at the Central UKM of Batik Trusmi in Cirebon Regency, either directly or indirectly through Competitive Advantage. • There is a positive influence of innovation on marketing performance in the central SMEs of batik trusmi in Cirebon district, either directly or indirectly through competitive advantage

No.	Study	Market Orientation	Product Innovation Capability	Product Competitiveness	Marketing Performance	Finding
						<ul style="list-style-type: none"> • There is a positive effect of competitive advantage on marketing performance at the Trusmi batik central SME in Cirebon district
8	Puspaningrum, A. (2020)	V	V	V		<ul style="list-style-type: none"> • Market orientation and competitive advantage have a positive effect on improving the marketing performance of SMEs • Market orientation has a positive effect on the competitive advantage of SMEs • Competitive advantage can mediate the effect of market orientation on SME marketing performance
9	Udriyah, U., Tham, J., & Azam, S. (2019)	V	V	V		<ul style="list-style-type: none"> • Market orientation and innovation have a positive and significant effect on competitive advantage partially
10	Herman, H., Hady, H., & Arafah, W. (2018)	V	V	V		<ul style="list-style-type: none"> • Market orientation and product innovation have a positive and significant effect on competitive advantage partially or simultaneously
11	Julian, CC (2010)	V			V	<ul style="list-style-type: none"> • Market orientation is the main antecedent of marketing performance
12	Killa, MF (2014)		V		V	<ul style="list-style-type: none"> • Product innovation and significant effect on marketing performance
13	Hidayatullah, S., Firdiansjah, A., Patalo, RG, & Waris, A. (2019)			V	V	<ul style="list-style-type: none"> • Competitive advantage has a significant effect on marketing performance

Marketing Performance is a measure of achievement obtained by the overall marketing

process activities of a company or organization. In addition, marketing performance can also be

viewed as a concept that is used to measure the extent to which market achievements have been achieved by a product produced by the company. Performance is a fairly broad concept, and changes are meaningful according to the perspectives and needs of users (Lebas, 1995 in Alrubaiee, 2013:5). Ferdinand (2000:116) states that marketing performance is a factor that is often used to measure the impact of the strategy implemented by the company.

The company's strategy is always directed to produce good marketing performance (such as sales volume and sales growth rate) as well as good financial performance (Putranto, 2003: 100). According to Ferdinand, 2002 (in Suendro, 2010:17) marketing performance indicators are sales volume, market share or market share and sales growth rate. This opinion is supported by research by Indrajit, 2002: 18 (in Waluyo, 2008: 18), namely marketing performance is measured using: customer satisfaction, work motivation, information systems, sales volume, customer growth, sales growth.

Competitive advantage is the heart of marketing performance to face competitors. Competitive advantage is defined as a strategy benefit from companies that cooperate to create a more effective competitive advantage in the market. This strategy must be designed to realize a sustainable competitive advantage so that the company can dominate both the old market and the new market. Bharadwaj et al., (1993; 83-84) explain that competitive advantage is the result of implementing strategies that utilize various resources owned by the company. Unique skills and assets are seen as sources of competitive advantage. Unique expertise is the company's ability to make its employees an important part in achieving competitive advantage. Competitive advantage according to Thomas W, Zimmer and Norman M,

Competitive advantage can be obtained from the company's ability to manage and utilize its resources and capital. Companies that are able to create competitive advantage will have the power to compete with other companies because their products will still be in demand by

customers. Thus, competitive advantage has a positive influence on improving the company's marketing performance.

The success of a market-oriented company is largely determined by its ability to coordinate marketing activities between functions within the organization, respond quickly to changes in the competitive environment and anticipate any changes in its strategy. Companies that have a high degree of market orientation will have high marketing performance, because companies that have a high degree of market orientation will have a competitive advantage in terms of; product quality, service quality, product innovation and cost.

Market orientation should emphasize the importance of analyzing the needs and wants of the target market more efficiently and effectively than its competitors in an effort to achieve competitive advantage. Emphasis of market orientation on competitiveness is based on identifying customer needs so that every company is required to be able to answer the needs desired by consumers, either through the creation of new products or the development of existing products, in order to create superior value for consumers in a sustainable manner and can become capital. important for the company to be able to win the competition.

According to Kohli and Jaworski (2010: 1-18), market orientation is a corporate culture that can lead to increased marketing performance. Nerver and Slater (2007:35) suggest that market orientation has a positive effect on marketing performance. Companies that have a high level of market orientation will have high marketing performance. This is because companies that have a high degree of market orientation will have a competitive advantage in terms of; product quality, service quality, product innovation and cost. According to Soehadi (2012:12), market orientation can be defined as an activity to search for market information, including current and future consumer needs, the distribution of information is cross-functional,

Research on the effect of market orientation on product competitiveness is very limited. Product competitiveness is an important part that forms the company's competitiveness in marketing. Product competitiveness is a form of company competitiveness which is largely determined by the company's ability to be market-oriented. This is supported by research Dewi (2006) find there is a significant positive effect between market orientation and competitive advantage, Sugiyarti (2015) to find market orientation has a significant effect on competitive advantage. This is in line with research Merakati et al., (2017), Puspaningrum (2020), Udriyah et al., (2019), and Herman et al., (2018) found that market orientation has a positive effect on the competitive advantage of SMEs.

Product innovation is an important way for companies to remain adaptable to markets, technology, and competition (Dourgerty, 1996). Product innovation refers to the development and introduction of new or developed products that are successful in marketing (Nelly et al., 2001). Product innovation can be in the form of changes to product design, components and architecture. Several indicators used to assess product innovation are culture of innovation, technical innovation, and product innovation. Innovation culture is a culture of innovation that exists in the company. Technical innovation is innovation in the company's process in producing products. Product innovation is the company's ability to produce products according to customer desires. Not all products that innovate are successful in the market.

Hartini (2010:1) suggests that: "Product innovation is defined as a new product or service introduced to the market to meet market needs". Product innovation is something that can be seen as a product's functional progress that can take the product one step further compared to competing products. If the product has an advantage that is seen as added value for consumers. Product innovation is able to build a company's competitive advantage (Kafetzopoulos et al., 2015). Research on the effect of product innovation on competitive

advantage has been proven by many previous studies showing significant results (Wong, 2012; Liu and Jiang, 2016; Efendi et al., 2020)

According to Naver and Slater (1990) Market orientation is a business culture that is able to create employee behavior so as to support efforts to create superior value for customers. Meanwhile, Jaworski & Kohli (1993), stated that market orientation has the potential to improve business performance. In addition, market orientation is also believed to provide psychological and social benefits for employees, in the form of a greater feeling of pride and sense of belonging, as well as greater organizational commitment. The application of market orientation will lead to increased performance for the company (Tjiptono et al., 2008: 86-89). Uncles (2000) defines market orientation as a process and activity related to customer creation and satisfaction by continuously assessing customer needs and wants.

This is supported by research Utaminingsih, A. (2016) find that market orientation has a positive effect on marketing performance, study Methasari et al., (2018) also found that market orientation partially affects marketing performance. The same thing was also found in research Merakati et al., (2017), Puspaningrum (2020), and Julian (2010) also stated that market orientation has a positive effect on improving the marketing performance of SMEs.

According to Nasution (2005) innovation is defined as a new product or service introduced to the market to meet market needs. In corporate organizations, innovation takes two forms, namely: product innovation, which produces new goods or services or improvements from existing ones and process innovation, which produces new ways of doing a process (Adelina, 2016). According to Wawan Dwanto, et al (2015: 41) said innovation usually refers to properties such as updating, changing, or making processes or products, as well as ways of doing things so that they become more effective. In a business or business context means implementing new ideas, improving existing services, as well as making other

products that are more dynamic, this is what drives increased company performance.

This is supported by research Utaminingsih (2016) states that innovation has a positive effect on marketing performance, study Methasari et al., (2018) also found that innovation the product partially affects the marketing performance. This is in line with the research results Merakati et al., (2017) and Killa et al., (2014) stated that product innovation and significant effect on marketing performance.

Competitive advantage according to Thomas et al., (2008:116) is a set of factors that distinguish a small company from its competitors and give it a unique position in the market so that it is superior to its competitors. Meanwhile, according to Porter (1990: 03) competitive advantage is the heart of marketing performance to face competitors. Competitive advantage is defined as a strategy benefit from companies that cooperate to create a more effective competitive advantage in the market. This strategy must be designed to realize a sustainable competitive advantage so that the company can dominate both the old market and the new market. To design a market offering that delivers more value than competitors and seeks to win the same market, companies must understand customers and develop strong customer relationships. This offer is also called competitive advantage (Kotler and Keller: 2010), where the company has an advantage over competitors that is obtained by offering greater value to consumers than competitors' offers. Competitive advantage must be realized in the competitive advantage of products to be able to seize the market.

This is supported by research Djodjobo & Alum (2014) state that Competitive advantage partially has a positive and significant effect on the marketing performance of the yellow rice business in the city of Manado, Merakati et al., (2017) states that there is a positive effect of competitive advantage on marketing performance at the Trusmi batik central SME in Cirebon district. This is in line with the research results of Thevaranjan, Puspaningrum (2020)

and Hidayatullah et al., (2019) states that competitive advantage has a significant effect on marketing performance.

CONCLUSION

Micro, Small and Medium Enterprises or commonly called MSMEs have an important role in the economy of a country or region. Several studies have shown that the economy in Indonesia does not only rely on the role of large businesses, but that MSMEs have relatively better resilience than larger scale businesses. The MSME sector is one sector that is of concern because of its large contribution to the Indonesian economy. MSMEs are considered a sector that is resistant to the global financial crisis because their access is mostly conventional. In general, small industries are one of the alternatives expected by the government to solve economic problems, because they are considered capable of surviving and anticipating sluggishness due to inflation and various other factors.

Although it has great potential, the MSME sector in Indonesia generally has several obstacles, for example, from the internal side there are around 60-70% of MSMEs that have not yet received access or banking financing, Marlina & Rahmat (2018). In addition, managers generally have not been able to separate money for household and business operations. This is due to limited knowledge about financial management and reporting which in turn makes it difficult for MSMEs to gain access to banking. The third factor is the constraint in terms of human resources (HR). MSMEs generally have less knowledge about the latest production technology and how to carry out quality control on products. The ability to read market needs is still not sharp, so it has not been able to accurately capture the needs desired by the market.

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