

Create Competitive Advantage as a Strategy to Improve the Marketing Performance of Small Food Industry Business in Indonesia

Feliks Anggia Binsar Kristian PANJAITAN
Economics and Business Faculty
University of 17 August 1945 Surabaya, Indonesia
felikscp23@gmail.com

Djunaedi DJUNAEDI
Economics and Business Faculty
Kadiri University, Kediri, Indonesia
djunaedi@unik-kediri.ac.id

Hotman PANJAITAN
Economics and Business Faculty
University of 17 August 1945 Surabaya, Indonesia
hotman_pp@yahoo.com

Article's history:

Received 9th February 2020; Received in revised form 7th March 2020; Accepted 25th March 2020;
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Suggested citation:

Panjaitan, F.A.B.K., Djunaedi, D., Panjaitan, H. 2020. Create competitive advantage as a strategy to improve the marketing performance of small food industry business in Indonesia. *Journal of Applied Economic Sciences*, Volume XV, Spring, 1(67): 124-134. DOI: [https://doi.org/10.14505/jaes.v15.1\(67\).11](https://doi.org/10.14505/jaes.v15.1(67).11)

Abstract:

This research wants to prove that the development of product innovation, competitive advantage and effective strategies are critical to the company's success. The population of 8,701 small businesses Food industry. The number of samples was 382 respondents drawn proportionally from 12 cities. Criteria for respondents are business owners. It is proven that business strategy and market orientation are the determinants of the high performance of marketing companies in the food industry. The new findings in this study are that business strategy has no effect on competitive advantage, and competitive advantage has no effect on marketing performance. It was also found that the competitive advantage variable did not act as an intervening variable. Suggestions for companies to focus and increase competitive advantage with new product innovations that have a unique and funny shape, as well as innovation in production equipment using new technology.

Keywords: business strategy; product innovation; market orientation; competitive advantage; marketing performance.

JEL Classification: M21; M31.

Introduction

The company's ability to create competitive advantage is an important key to winning business competition. Competitive advantage can be achieved if the company is able to provide better value, than what is given by competitors. Competitive advantage can come from a variety of company activities such as in designing, producing, marketing, delivering, and supporting their products. Each of these activities should be directed to support the company's relative cost position and create differentiation from competitors (Slater and Narver 1995).

Problems that occur in the small food product industry include rising raw material prices, and decreasing consumer purchasing power. The increasingly fierce level of competition in the small food product industry occurs due to increased food industry entrepreneurs and reduced market share, thus requiring companies to implement strategies that are relevant to company conditions, and the changing environment. The company must keep trying to maintain its survival. The company's progress depends entirely on the company's ability to create and grow competitiveness that can adjust quickly to changes. Small businesses in the food industry in Indonesia experience significant turnover developments, especially in the months of Ramadan. This study will operate three variables: business strategy, product innovation, and market orientation as factors that influence competitive advantage, and marketing performance. Where this has become Novelty in this study.

1. Literature review and hypotheses

1.1. Business strategy

Strategy explicitly, is the key to success in dealing with changes that occur in the business environment. The strategy will provide unity of direction, for all members of the organization, and if the concept of strategy is not clear, then the decisions taken will be subjective, and only based on intuition and will ignore other decisions. Basically a marketing strategy is an integral part of business strategy, which provides direction to all management functions within an organization.

Business strategy is a means of the company that is used to achieve its objectives. The strategy implies management concepts from the business scope, mission, purpose, and purpose. Corporate strategy has an important role in maintaining the company (Cravens 2008). The company's strategy relates to a strategy in formulating the overall activities of the company (Bruche 2000). If the company has the same strategy as competitors, that means the company does not have a strategy.

Therefore, the company's business strategy should be based on the company's market position, and build the company's characteristics as a competitive advantage (Švárová and Vrchota 2014). Nwachukwu *et al.* (2017), states that systematic strategy formulation is needed to achieve and maintain performance marketing. According to Slávik *et al.* (2019), strategy adjustments will have an impact on business performance. Olson *et al.* (2005), Zhou *et al.* (2009), stated that overall company performance is influenced by how well the structural characteristics of marketing organizations, and the emphasis on strategic behavior, complements alternative business strategies. Each type of strategy requires a different combination of marketing, organizational structures, where strategic behavior is used to achieve success. According to Slávik *et al.* (2019), strategy adjustments will have an impact on business performance. Based on the description above, the hypothesis is as follows:

- H1: There is a significant positive relationship between business strategy and the competitive advantage of small food industry businesses
- H2: The business strategy has a significant positive relationship with the marketing performance of the small food industry business.

1.2. Product innovation

Product innovation is a breakthrough that is related to the creation of new products, which can bring products a step ahead of competing products. Business success will be achieved, when companies can quickly react to market changes, and consumer needs. In addition, the company continually seeks creative solutions, and continuously innovates products in accordance with market demand, thus the company must adapt and innovate at all times.

Product innovation as a process of using new technology into a product so that the product has added value (Lukas and Ferrel 2008, Hurley and Hult 2008, Kotler 2014). Product innovation will provide added value compared to similar products, and product innovation must have advantages compared to other similar products, thereby increasing sales (Cooper 2016, Li and Calantone 1998, Wahyono 2012, Collazos *et al.* 2018). The innovation process must be a top priority and carried out in a sustainable manner. Based on the description above, the hypothesis is as follows:

- H3: There is a significant positive relationship between product innovation and competitive Advantage of small food industry businesses.

1.3. Market orientation

Market orientation is concrete actions taken by the company in maintaining variations in market demand and supply, and trying to provide an appropriate response to various changes that may occur. The aim of the market orientation strategy is to shape the company's business and superior products, so that the company is able to achieve profit targets and grow. Market orientation as the ability of an organization to produce, disseminate, and use the best information about consumers and competitors (Richard 2005, Zainul *et al.* 2016, Talaja *et al.* 2017, Narver and Slater 1990, McNaughton *et al.* 2001).

Customer and competitor information is processed and forwarded through cross-functional coordination to create superior value for customers, because consumer decisions in buying a product are supported by a product expected value greater than other products, thus the company wants to create superior value for consumers to produce superior performance for the company, thus market orientation influences marketing performance. While Djunaedi *et al.* (2017), states that market orientation is one of the determinants of successful marketing performance. Based on the description above, the hypothesis is as follows:

- H4: There is a significant positive relationship between market orientation and the competitive advantage of small food industry businesses.
- H5: Market orientation has a significant positive relationship with the marketing performance of the small food industry business.

1.4. Competitive advantage

A superior company is a company that is able to create superior value, face competition, and breakthroughs that can be made by creating new products. The company's competitive advantage is the company's ability to create products that are more valuable and superior than its competitors, and that value should bring benefits to customers. A company's competitive advantage is a unique organizational position against its competitors, and the company's competitive advantage is largely gained from resources and capital (Colgate 1998).

Implementation of a strategy that utilizes a variety of available resources, is a competitive advantage of the company. His unique expertise and assets are seen as a source of corporate excellence (Bharadwaj *et al.* 1993, Ejrami *et al.* 2016, Storey and Kahn 2010). Li (2000), mentioned the positive contribution of competitive advantage, to the company's performance improvement. Dewi (2006), revealed that of two factors (market orientation, and product innovation), it is known that market orientation is the dominant factor influencing competitive advantage. Based on the description above, the hypothesis is as follows:

- H6: There is a significant positive relationship between competitive advantage and marketing performance of small food industry businesses.

1.5. Marketing performance

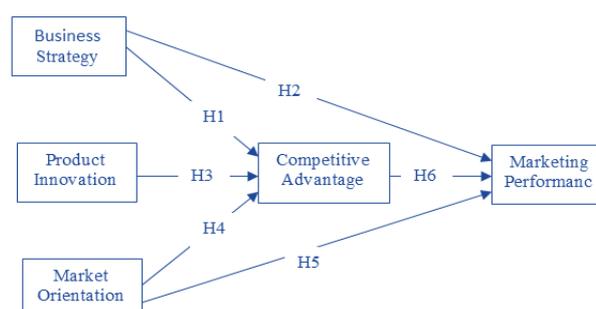
Marketing is a performance factor that is often used to measure the impact of the strategies implemented by the company in terms of its marketing aspects. Marketing performance is a measure of achievement obtained from the activities of the overall marketing process of a company. In addition, marketing performance can also be seen as a concept used to measure, to what extent market performance has been achieved by a product produced by the company (Voss and Voss 2000, Zhou *et al.* 2009).

Performance marketing has an impact on business performance, where business performance can be seen from customer satisfaction, customer loyalty, market share and quality. Customer satisfaction is an important measure of business performance. This measure provides factual information, to what extent the company carries out its activities, the main objective in business activities is to provide products that can satisfy customers. If the customer is satisfied, the company gains both short and long term benefits. Market share shows the market share of a product compared to similar products. If the market share increases, the company is superior to competitors, and vice versa. Baker *et al.* (1994) revealed that indicators of performance measurement and competitive advantage that are often used are market share and profitability. The market share is the market share percentage of similar products. Other marketing performance measurements that can also be used are pre-tax profits and sales growth (Li and Calantone 1998). Ejrami *et al.* (2016), mentions that marketing potential has an effect on competitive advantage, marketing capabilities have an impact on company performance, while competitive advantage can affect company performance. Handoyo (2015), revealed that marketing performance can be improved through competitive advantage, where competitive advantage will be created by product innovation.

1.6. Research framework and hypothesis

From the results of the discussion of several theories and the results of previous studies, a research concept framework was developed that explains the relationship between research variables. Figure 1 explains the relationship between variables in this study.

Figure 1. Research logic framework



2. Research methods

This research is a causal and explanatory study (Cooper and Emory 2005, Maholtra 2013). The research population was 8,701 Small Food Industry Enterprises in East Java, Indonesia. Analysis using SEM (Warp PLS). With the Slovin formula (Bungin 2011), the number of samples studied = 382 respondents. Samples for each city are determined by the Taro Yamane formula (Riduwan 2015) shown in Table 1. Using proportional random sampling, and the criteria of respondents are small food industry entrepreneurs, who is still actively operating.

Table 1. Distribution of research samples

No	Regency/City	Population (Food Industry Small Business)	Proportional number of samples
1	Madiun	827	36
2	Magetan	731	32
3	Tulungagung	657	29
4	Bojonegoro	718	32
5	Mojokerto	643	28
6	Kediri	763	34
7	Malang	871	38
8	Jember	705	31
9	Banyuwangi	612	27
10	Pamekasan	208	9
11	Surabaya	1203	53
12	Sidoarjo	763	33
Total		8.701	382

Source: East Java SME Cooperatives Office, 2017

3. Result and discussion

3.1. Descriptive data analysis

This study used a questionnaire instrument with a 5 level Likert scale. The variable business strategy uses 3 indicators adopted from Bruche (2000), namely: company goals, competitive environment, and customer satisfaction. Product innovation uses 3 indicators adopted from Wahyono (2012), Han *et al.* (1998), namely: product superiority, product similarity, and product costs. Market orientation uses 3 indicators adopted from Kohli and Jaworski (1990), Zainul *et al.* (2016), namely: customer orientation, competitor information, and cross-functional coordination. Competitive advantages use 4 indicators adopted from Droge *et al.* (1994), Song and Parry (1997), namely: product uniqueness, imitability, product quality, and competitive prices. Marketing performance uses 4 indicators adopted from Bharadwaj *et al.* (1993); Zhou *et al.* (2009), namely: sales volume, the sales growth rate, customer growth, and ability to generate profits.

Table 2. Characteristics of respondents (N = 382)

Characteristics		Frequency	Percent
Gender	Male	188	49,2
	Female	194	50,8
Age (years)	≤ 20	047	-
	21 - 35	206	12,3
	36 - 50	129	54,0
	≥ 51	-	33,7
	Education	Middle School	109
	High school	142	28,5
	Diploma	131	37,2
	Bachelor	084	34,3
Long time trading (years)	< 1	096	22,0
	1 - 3	158	25,0
	4 - 5	044	41,4
	> 5		11,6

Source: SPSS Analysis

Descriptive data analysis of 382 respondents (Table 2), showed that: According to gender, it was dominated by men, which was 50.8% compared to women 49.2%. Based on age, it can be seen that respondents aged less

than 20 years are absent, ages 20-35 years are 12.3%, respondents aged 36-50 years are 54.0% and in the age range > 50 years are 33.7%. The majority of respondents' education level is Diploma, which reaches 37.2%, while the rest in Bachelor education is 34.3%, 28.5% High School, and there are no Junior High School.

3.2. Instrument test

The instrument test results in Table 3, show that the Pearson correlation value is greater than 5.0, and the alpha coefficient value is greater than 0.6. This informs that the instrument is valid and reliable.

Table 3. Instrument test results

Research variables	Indicator	Question Number	Pearson correlation	Coefficient Alpha (α)
Business Strategy	BS1	01-03	0,667**	0,832
	BS2	04-06	0,712**	
	BS3	07-10	0,814**	
Product Innovation	PI1	11-14	0,672**	0,754
	PI2	15-17	0,806**	
	PI3	18-20	0,683**	
Market Orientation	MO1	21-24	0,722**	0,782
	MO2	25-27	0,714**	
	MO3	28-30	0,721**	
Competitive Advantage	CA1	31-33	0,824**	0,729
	CA2	34-36	0,776**	
	CA3	37-39	0,843**	
	CA4	40-43	0,796**	
Marketing Performance	MP1	44-46	0,826**	0,834
	MP2	47-49	0,847**	
	MP3	50-53	0,846**	
	MP4	54-57	0,798**	

Note: ** Correlation is significant at the 0.01 level (2-tailed).

3.3. Analysis of the research model

Model analysis is performed to determine the entire model (Inner and Outer). Table 4, informs that all indicator variables are significant. That is, each indicator can explain the construct variable.

Table 4. Model analysis results

Research variables	Relationship	Loading Factor (λ)	SE.	Probability
Business Strategy	B_Str → BS1	0.909	0.046	0.000
	B_Str → BS2	0.844	0.045	0.000
	B_Str → BS3	0.840	0.045	0.000
Product Innovation	P_Inov → PI1	0.698	0.049	0.000
	P_Inov → PI2	0.754	0.045	0.000
	P_Inov → PI3	0.750	0.045	0.000
Market Orientation	M_Orie → MO1	0.736	0.045	0.000
	M_Orie → MO2	0.735	0.045	0.000
	M_Orie → MO3	0.808	0.046	0.000
Competitive Advantage	C_Adv → CA1	0.669	0.045	0.000
	C_Adv → CA2	0.753	0.046	0.000
	C_Adv → CA3	0.675	0.049	0.000
	C_Adv → CA4	0.763	0.046	0.000
Marketing Performance	M_Perf → MP1	0.746	0.047	0.000
	M_Perf → MP2	0.829	0.046	0.000
	M_Perf → MP3	0.834	0.047	0.000
	M_Perf → MP4	0.738	0.047	0.000

Note: B_Str = Business Strategy; P_Inov = Product Innovation; M_Orie = Market Orientation; C_Adv = Competitive Advantage; M_Perf = Marketing Performance.

Source: SEM data analysis.

3.4. Testing the validity of variables

The variable validity test is done by convergent validity test and discriminant test. Table 5, informs that the average variance value extracted (AVE) shows a value greater than 0.5. This means that all convergent measures of variable validity are eligible.

Table 5. AVE value and correlation between latent variables

Variable	AVE	B_Stra	P_Inov	M_Orien	C_Adv	M_Perf
B_Stra	0.695	0.834	0.139	0.186	0.182	0.503
P_Inov	0.521	0.139	0.722	0.503	0.722	0.205
M_Orie	0.672	0.186	0.503	0.820	0.524	0.373
C_Adv	0.522	0.182	0.550	0.524	0.750	0.286
M_Perf	0.565	0.503	0.205	0.373	0.286	0.682

Source: WrapPLS output

Table 5, informs that the value of the diagonal block is greater than the value of the same block. This means that all research variables, meet the discriminant validity criteria.

3.5. Research variable reliability test

Reliability tests are measured by two criteria (composite reliability and Cronbach's alpha). Table 6 informs that all research variables have a composite reliability, value ≥ 0.7 and Cronbach's alpha is ≥ 0.6 . This means that the structural model used is appropriate.

Table 6. Reliability test results

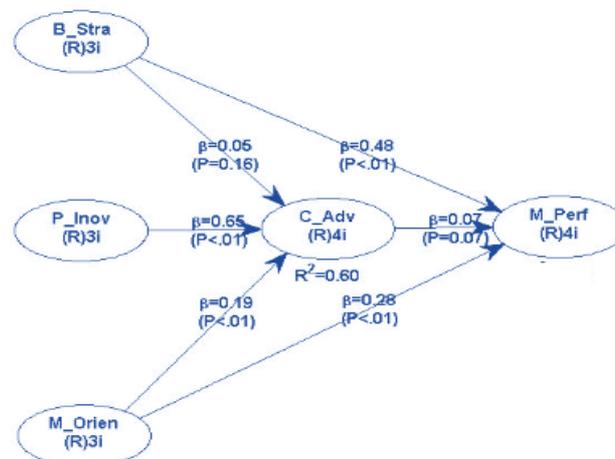
Variable	Reliabilities	
	Composite Reliability	Cronbach's Alpha
Business Strategy	0.872	0.779
Product Innovation	0.742	0.594
Market Orientation	0.859	0.753
Competitive Advantage	0.800	0.659
Marketing Performance	0.773	0.605

Source: WrapPLS output

3.6. Evaluate the model's goodness of fit

With the sample data of 382, the result of WrapPLS analysis shows APC value = 0.287, ARS value = 0.495, AARS value = 0.491 with a significance of 0.000. This means that the research model is good enough to explain the phenomenon under study (the accepted model).

Figure 2. The path coefficient of the research model



3.7. Hypothesis testing

By considering the estimated value of the parameters of the research model (Table 7), the hypothesis testing is carried out as follows.

Table 7. Hypothesis testing

H	Relationship	Standardized Coefficient	SE	P	Decision
H1	B_Stra → C_Adv	0.051	0.051	0.157	Reject
H2	B_Stra → M_Perf	0.478	0.048	0.000	Accepted
H3	P_Inov → C_Adv	0.653	0.047	0.000	Accepted
H4	M_Orie → C_Adv	0.188	0.050	0.000	Accepted
H5	M_Orie → M_Perf	0.282	0.050	0.000	Accepted
H6	C_Adv → M_Perf	0.074	0.051	0.073	Reject

Source: WrapPLS output

Table 7, informs that business strategy has no effect on competitive advantage (0.051, 0.051, 0.157). This means that hypothesis 1 is rejected. Business strategies affect marketing performance (0.478, 0.048, 0.000) This means that hypothesis 2 is accepted. Product innovation affects competitive advantage (0.653, 0.047, 0.000). This means that hypothesis 3 is accepted. Market orientation influences competitive advantage (0.188, 0.050, 0.000). This means that hypothesis 4 is accepted. Market orientation influences marketing performance (0.282, 0.050, 0.000). This means that hypothesis 5 is accepted. Competitive advantage has no effect on marketing performance (0.074, 0.051, 0.051). This means that hypothesis 6 is rejected.

4. Discussion

H₁ shows that a business strategy does not affect the company's competitive advantage. This result means that the business strategy implemented by the small food industry in East Java has not been able to shape and increase the company's competitive advantage.

Therefore, the small food industry still needs to study more about the business strategy as it should be done. The dominant indicator that forms a business strategy variable is an indicator of company objectives followed by competitive environment indicators, and finally an indicator of customer satisfaction. Not the dominant indicator of customer satisfaction, the company deserves more attention to customer satisfaction. Paying attention to customer satisfaction can be done by serving customers well, politely, creating and delivering superior quality products to consumers. Management should also inform each employee that customer satisfaction is the main goal of the company and all employees to serve consumers with all their heart. Companies also need to develop business strategies by always making product innovations and service innovations to maintain customer satisfaction, as a means of increasing competitive advantage.

H₂ shows that business strategy influences marketing performance. The results of this verification mean that the business strategy implemented by the small food industry in East Java has been able to increase the company's marketing performance. This result also informs that some of the food industry business objectives have been achieved, where the food products produced already have advantages compared to other food products, although the achievement of this success is still not optimal. Therefore, the influence of business strategy on marketing performance still needs to be improved, and to improve it, it can be done through new product and market expansion. The strategy includes adding products and expanding markets related to small food industry businesses, as well as to new products and markets. The main success of a business strategy is to be able to combine competitive advantage with existing opportunities, to achieve customer satisfaction in the long run. The results of this study are in accordance with the findings of Olson *et al.* (2005).

H₃ shows that innovative products affect consumer competitive advantage. The results of this evidence mean that product innovation that has been carried out by small food industry businesses in East Java has been able to increase competitive advantage. The results of this verification also explain that product innovation is one that consumers consider when buying food. Therefore, the company should conduct continuous innovation products. Product innovation can be done through cultural innovation by creating new products, which follow market tastes, and keep up with the times so companies can excel with competitors. Technical innovation where companies try to create new products with the latest technology machines. The dominant indicators that make up product innovation variables are product similarity indicators followed by product cost indicators, and finally indicators of product excellence. Product superiority can be done by producing superior quality products, thereby satisfying consumers, and according to consumer desires. These results are in accordance with the opinions of Song and Parry (1997), Li and Calantone (2008). That the advantages of new products include unique designs, novelty and cost efficiency.

H₄ shows that market orientation influences the company's competitive advantage. The results of this verification mean that market orientations that have been run by small food industry businesses in East Java have been able to increase the small industry competitive advantage of food. The evidence also informs that small food

industries in East Java have been able and successful in disseminating and using important and best information about consumers, competitors and also understanding the conditions of the target market. This can help companies develop strategies, by taking advantage of existing opportunities and rejecting threats that come. Strategic planning and implementation of market-oriented small-scale food industry business is a managerial process to be able to develop and maintain that the goals, expertise, and resources of small-scale food industry businesses can match changing market opportunities, where the purpose of strategic planning is to shape and refine the organization and company product innovation so as to meet marketing performance targets, profits and the company will continue to grow. The results of this study are in accordance with the findings of Suharto and Subagja (2018). The results of this study are different from the findings of Zainul *et al.* (2016), which shows market orientation does not have an impact on competitive advantage.

H₅ shows that market orientation affects the company's marketing performance. The results of this verification mean that market orientations carried out by small food industry businesses in East Java have been able to increase the company's marketing performance. The evidence also informs that small food industries in East Java have been able and successfully implemented orientation strategies for customers and have been able to identify the needs and desires of consumers, so that small food industry businesses are able to bring up product solutions according to the needs and wants of consumers. The dominant indicators that form the variable market orientation are cross-functional coordination indicators, competitor orientation indicators and finally customer orientation indicators. Dominating the coordination indicators across these functions, companies deserve to pay great attention to the issue of coordination across these functions. This can be done by conducting cross-functional coordination in all parts that have an impact on creating high value for buyers. Orientation to competitors also needs to be taken into account in anticipation, because understanding the strengths and weaknesses of a competitor's company can design a strategy that can be used as a superior strategy. The results of this study are in accordance with the findings of Lapian *et al.* (2016), Talaja *et al.* (2017), that market orientation and product innovation affect marketing performance. Handoyo (2015), market orientation and customer innovation affect marketing performance.

H₆ shows that competitive advantage does not affect the company's marketing performance. The results of this verification mean that the company's current product competitive advantage has not been able to increase the company's marketing performance. This shows that food products produced by small businesses in East Java do not have advantages compared to other similar products. Therefore, the company should plan and create new products that are innovative and unique from existing products. This can be done by producing food products that have various flavors and various interesting forms. For example, chocolate flavor, various fruit flavors, and others. Thus the product development of the innovation carried out has advantages over the previous products. The dominant indicators that form competitive advantage variables are competitive price indicators, followed by indicators of imitability, product quality indicators, and finally indicators of product uniqueness. Not the dominant indicator of product uniqueness, the company deserves more attention to the problem of product uniqueness. The uniqueness of the product can be done by producing foods with unique designs and taste innovations that can be done by combining several flavors into one. The results of this study are different from the findings of Ejrami *et al.* (2016), which shows that competitive advantage influences company performance.

Conclusions and Recommendations

This research proves that business strategy and market orientation are the determining variables for the high performance of marketing companies in the food industry. This study also found that business strategy has no effect on competitive advantage, and corporate competitive advantage has no effect on marketing performance. This study is also able to explain that the competitive advantage variable does not play an intervening variable in the relationship between business strategy, product innovation, and market orientation with the marketing performance of food industry companies.

It is recommended for small food industry business management, it is better to pay attention and increase competitive advantage which until now has not shown a positive impact on the company's marketing performance, which is a new finding in this research. To increase competitive advantage, it can be done by creating new product innovations that have a unique and funny shape, which can attract the attention of consumers, which have an impact on product performance and increase business performance. Innovating production equipment with the use of new technology. Cooperating with other companies that aim to create a competitive advantage together.

This discussion only focuses on the variables of business strategy, product innovation, market orientation, and competitive advantage, and there are still many other variables that can affect marketing performance.

Therefore, further research can be continued on variables not yet covered in this paper, for example by including the characteristics of the target market.

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