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Analysis of Market Orientation and Product Innovation on Competitive Advantage

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Abstract: The development of the traditional food industry has intensified competition among MSMEs. This study aims to analyze the effect of market orientation and product innovation on competitive advantage in traditional food MSMEs in Sukabumi City. The research method uses a causal descriptive quantitative approach with a sample of 128 traditional food MSMEs. Data were collected through questionnaires, interviews, literature study, and documentation. Data analysis used multiple linear regression. The results showed that market orientation had no significant effect on competitive advantage, while product innovation had a positive and significant effect on competitive advantage. Simultaneously, market orientation and product innovation have a significant effect on competitive advantage with a contribution of 15%. This finding indicates that traditional food MSMEs in Sukabumi City need to focus more on product innovation to improve their competitive advantage. This study provides insights for MSME players and related stakeholders in developing strategies to improve the competitiveness of traditional food MSMEs in an increasingly competitive era.

Keywords: Market Orientation, Product Innovation, Competitive Advantage

INTRODUCTION

The development of traditional food to produce products that have broad market potential is processed from local knowledge and local skills of business actors. So that the processing process still emphasizes the process of local methods of old teachings that bring out the characteristics. Traditional food from Sukabumi, West Java, is increasingly favored by the public not only as self-consumption but also as souvenirs that make a product continue to be widely recognized. One of Sukabumi's famous traditional foods is mochi cake, bandros atta, sekoteng singapur, nasi uduk ungu, surabi, bangket cake typical of Sukabumi and many other typical Sukabumi foods. Traditional food is food that has been consumed since the previous generation which is typical of an area and has been adapted to the tastes of local people. One of the efforts to maintain the existence of traditional food is by getting to know more about how the types of traditional snacks. Not only recipes, basic ingredients, how to make, how to

serve, but also the stories and mythology behind the market snacks themselves. (Nurhasanah et al., 2022)..

With an area of 48.33 km2, Sukabumi City must have many culinary businesses. Since it is very likely that one company sells the same product with the same types and features, competition among traditional food MSMEs is a natural thing. Traditional Food MSMEs in maintaining a competitive advantage strategy can only be in a short time because there will be many competitors who can imitate the competitive advantages that the company has, hence the need for competitive advantage.

Competitive advantage is also at the heart of company performance by looking at the company's ability to achieve economic benefits above the profits that competitors in the same industry are able to achieve. (Sahri & Novita, 2019). Under the development of the food industry, conventional MSMEs are growing and developing. However, there are some companies that cannot continue their business because they only have a momentary desire or follow trends.

In facing these challenges, market orientation and product innovation are key factors in increasing competitive advantage. MSMES. Determining market orientation strategies is one of the components that can bring culinary companies to excel in competition in a changing society. (Juwita et al., 2023). Market Orientation helps MSMEs understand customer needs and preferences. (D. Yadi Heryadi et al., 2023).. Traditional food MSMEs often face stiff competition from larger contemporary dining industries, which have easier access to capital and technology. Traditional food MSMEs must have a competitive advantage through product innovation, appropriate marketing strategies, and effective business management.

Table 1. Pre-Research Questionnaire

No.	Question Item	Average Results of Respondents' Answers
1	Consumers can reach the price set by the producer	5.27
2	Pricing is adjusted to the quality of the product that consumers can get	5.54
3	MSMEs set prices according to the benefits that consumers can get from the products consumed.	5.63
4	MSMEs provide appropriate levels of product quality	5.45
5	MSMEs have quality standards	2.45
6	MSMEs Produce products different from other competitors	5
7	MSMEs know the strengths and weaknesses of their own products	5.54
8	MSMEs produce superior products	5.54
9	MSMEs can maximize their business by making new breakthroughs	5.81
10	MSMEs increase creativity as a form of change in producing the best products	6.27
11	MSMEs introduce new product variants to consumers	6
12	MSMEs are able to design business needs	6.4
13	MSMEs are able to increase the selling value of traditional food products	6.54
14	MSMEs set prices that are adjusted to the quality of the product	6.63

Source: Processed by Researchers Based on Data from Pre-Research Questionnaire Results, 2024

Based on the results of table 1 of the pre-research questionnaire above, which researchers distributed to 10 traditional food MSME players in Sukabumi City, problems were found in competitive advantage, this can be seen in the quality of products that are not standardized, which causes a decrease in competitive advantage.

Based on previous research, there is a relationship regarding market orientation and product innovation to competitive advantage. Based on the results of research conducted by

(Ahmatang & Sari, 2022) Market orientation has a positive and significant effect on competitive advantage. This is not in line with the results of research proposed by (Anggai et al., 2021) which states that market orientation has no significant effect on competitive advantage. Based on research by (Surya, 2019) Product innovation on competitive advantage shows a positive and significant influence. Meanwhile, the results of research conducted (Rosyida & Yamit, 2022) proves that product innovation has no significant effect on competitive advantage,

Based on this phenomenon, researchers are interested in conducting research with the title *"Analysis of Market Orientation and Product Innovation on Competitive Advantage"* (Study on Traditional Food MSMEs in Sukabumi City).

METHODS

The research method used by researchers is quantitative research with a causal descriptive approach (Priadana & Sunarsi, 2021). The population in this study were Traditional Food MSMEs in Sukabumi City with a total population of 128 members recorded at the Sukabumi City Diskoperindag. In this study, researchers used probability samples of the *Cluster sampling* type. In this study, several samples were taken from each sub-district, namely Gunung Puyuh, Cikole, Warudoyong, Citamiang, Baros, Cibeureum, Lembursitu with the number of samples in this study consisting of 128 samples. The research data used by researchers in this study include questionnaires, interviews, literature studies, and documentation. The data analysis techniques used in this study are validity test, reliability test, classical assumption test, multiple correlation coefficient analysis, determination coefficient analysis, multiple linear regression analysis, and hypothesis testing.

Table 2. Validity Test Results

No.	Statement	r count	r critical	Description
Market Orientation				
1	MSMEs are able to meet consumer needs	0,773	0,5	Valid
2	MSMEs are able to create a productive workforce	0,815	0,5	Valid
3	MSMEs can develop their business	0,796	0,5	Valid
4	MSMEs are able to manage their products well	0,829	0,5	Valid
5	MSMEs are able to make a business plan	0,836	0,5	Valid
6	MSMEs are able to create interesting ideas	0,737	0,5	Valid
7	MSMEs are able to solve problems quickly	0,748	0,5	Valid
8	MSMEs are always careful in dealing with the problems they face	0,791	0,5	Valid
9	MSMEs are able to provide the best service	0,717	0,5	Valid
Product Innovation				
10	Have a novelty plan for MSME products	0,705	0,5	Valid
11	MSMEs Able to do promotion well	0,739	0,5	Valid
12	Able to produce new products	0,607	0,5	Valid
13	MSMEs are able to survive in the long term	0,632	0,5	Valid
14	MSMEs are able to produce certain products	0,677	0,5	Valid
15	Perform detailed product checks	0,760	0,5	Valid
16	MSMEs are able to complement market needs	0,747	0,5	Valid
17	MSMEs are able to improve product quality	0,776	0,5	Valid
18	MSMEs are able to create new product ideas	0,702	0,5	Valid
19	MSMEs can improve sales operational efficiency	0709	0,5	Valid
20	MSMEs Conduct production supervision	0,693	0,5	Valid
21	MSMEs can increase competitiveness in the market	0,692	0,5	Valid
22	MSMEs are able to establish product quality	0,729	0,5	Valid
23	MSMEs are able to manage products	0,717	0,5	Valid
24	Understanding consumer purchasing decisions for MSME products	0,767	0,5	Valid

25	MSMEs are able to accumulate product spending	0,704	0,5	Valid
26	MSMEs have clear financial data	0,737	0,5	Valid
27	MSMEs invest for long-term savings	0,706	0,5	Valid
Competitive Advantage				
28	Consumers can reach the price set by the producer	0,879	0,5	Valid
29	Pricing is adjusted to the quality of the product that consumers can get	0,858	0,5	Valid
30	MSMEs set prices according to the benefits that consumers can get from the products consumed.	0,853	0,5	Valid
31	MSMEs provide appropriate levels of product quality	0,872	0,5	Valid
32	MSMEs have quality standards	0,889	0,5	Valid
33	MSMEs Produce products different from other competitors	0,762	0,5	Valid
34	MSMEs know the strengths and weaknesses of their own products	0,854	0,5	Valid
35	MSMEs produce superior products	0,884	0,5	Valid
36	MSMEs can maximize their business by making new breakthroughs	0,850	0,5	Valid
37	MSMEs increase creativity as a form of change in producing the best products	0,874	0,5	Valid
38	MSMEs introduce new product variants to consumers	0,852	0,5	Valid
39	MSMEs are able to design business needs	0,890	0,5	Valid
40	MSMEs are able to increase the selling value of traditional food products	0,904	0,5	Valid
41	MSMEs set prices that are adjusted to the quality of the product	0,894	0,5	Valid

Table 3. Reliability Test Results

Variables	*Crombach's Alpha*	Standard Value	Description
Market Orientation	0,921	0,6	Reliable
Product Innovation	0,942	0,6	Reliable
Competitive Advantage	0,974	0,6	Reliable

RESULTS AND DISCUSSION

Results

Multiple Correlation Analysis

Multiple correlation is a measure that shows the level of strong relationship between two or more variables. Researchers use SPSS 23 software in performing multiple correlation analysis techniques. The test results are as follows:

Table 4. Multiple Correlation Analysis Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.387[a]	.150	.136	17.98120	.150	11.033	2	125	.000

a. Predictors: (Constant), Product Innovation, Market Orientation

Based on the results above, it is known that the correlation between market orientation variables and product innovation on competitive advantage is 0.387. The calculation results obtained are then given an interpretation of the strength of the relationship using the following guidelines:

Table 5. Multiple Correlation Coefficient According to Guilford Criteria

Coefficient Interval	Relationship Level
0.00 - 0.199	Very Low
0.20 - 0.399	Low
0.40 - 0.599	Medium
0.60 - 0.799	Strong
0.80 - 1.000	Very Strong

Source: Data Processing Results, 2024

Based on the criteria above, the correlation calculation result is 0.387. Therefore, the resulting value lies in the low criteria. This means that the variables of market orientation (X1) and product innovation (X2) on competitive advantage (Y) empirically have a low correlation.

Coefficient of Determination Analysis

This test aims to determine the effect of market orientation (X1) and product innovation (X2) on competitive advantage (Y). To find out how much the percentage contribution of market orientation variables and product innovation in measuring competitive advantage, it refers to the R Square value found in the following table:

Table 6. Determination Coefficient Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.387[a]	.150	.136	17.98120

a. Predictors: (Constant), Product Innovation, Market Orientation

Based on the table above, it can be seen that the coefficient of determination or R Square is 0.713. So it can be concluded that the magnitude of the influence of market orientation and product innovation in measuring competitive advantage is 15%, while the remaining 85% is influenced by other variables not examined in this study.

Based on the above calculations, the research model calculation can be formulated as follows:

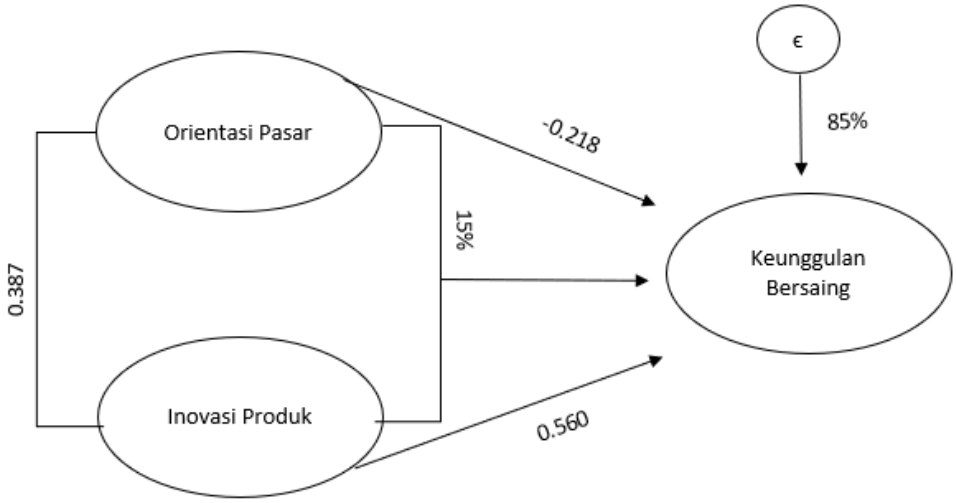

figure 1. Research Model Calculation

Based on the figure above, it can be seen that the correlation between market orientation and product innovation on competitive advantage is 0.387. The relationship between market orientation variables and competitive advantage is -0.218 and the relationship between product innovation variables and competitive advantage is 0.560, and the contribution of market

orientation and product innovation in influencing competitive advantage is 15% while the remaining 85% is influenced by other variables not examined in this study.

Multiple Linear Regression Analysis

Multiple linear regression analysis aims to measure how much influence the independent variable has on the dependent variable and to determine whether the independent variable has a positive or negative relationship with the dependent variable. The results of multiple linear regression testing can be seen in the following table:

Table 7. Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	25.198	11.557		2.180	.031
	Market Orientation	-.543	.406	-.218	-1.338	.183
	Product Innovation	.750	.219	.560	3.430	.001

a. Dependent Variable: Competitive Advantage

Based on the results of the value of the multiple linear regression equation above, the regression equation can be made as follows:

Y = a + b1X1+ b2X2

Y = 25.198 + 0.543 - 750

From the equation above, it can be interpreted as follows:

1. The constant value (a) 25.198 means that if Market orientation and innovation product is equal to zero, then the market orientation variable is worth 25,198. equal to zero, then the competitive advantage variable is worth 25,198.
2. The regression coefficient value of the market orientation variable (X1) is negative, which is -0.543, meaning that every additional value of one unit (1) in the market orientation variable (X1), the value of the competitive advantage variable (Y) will decrease by -0.543 units, assuming that the other independent variables are constant.
3. The regression coefficient value of the product innovation variable (X2) is positive, which is equal to, meaning that every additional value of one unit (1) in the product innovation variable (X2), the value of the competitive advantage variable (Y) will increase by 0.750 units, assuming that the other independent variables are constant.

Hypothesis Testing

1. Simultaneous Significance Test (F-test)

This test is used to determine the combined strength of the independent variables on the dependent variable. In this study, testing was conducted to determine how much strength market orientation (X1) and product innovation (X2) had on competitive advantage (Y). Based on the results of data processing that has been done, the results of the Simultaneous Significant Test (F-test) are as follows:

Table 8. Simultaneous Significant Test Results (F-test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7134.567	2	3567.283	11.033	.000[b]
	Residuals	40415.433	125	323.323		
	Total	47550.000	127			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Product Innovation, Market Orientation

Based on the above calculations, the results of F count of market orientation variables and product innovation, simultaneously have an influence on competitive advantage of 0.000 <0.05 and the calculated F value of 11,033. then the calculated F value is compared with the F table value, the F table is sought in the table listed in the attachment based on the numerator dk = k and denominator dk = (n-k-1) and the error rate applied is 5% or 0.05. So dk numerator = 2, and dk denominator 128 - 2 - 1 = 125 so that the value of F table = 3.07 is obtained. Therefore it can be concluded that there is a significant influence between variables X1, X2, on Y.
The results of hypothesis testing are:

$$F_{Hitung} > F_{Tabel}$$

Based on the results of this test, it shows that the calculated F value is greater than the F table where the calculated F value is 11.033> F table of 3.07, it can be seen that this hypothesis can be accepted and declared feasible to explain the dependent variable analyzed because F count> F table. The influence of market orientation variables (X1) and product innovation (X2) together have a simultaneous effect on competitive advantage (Y).

2. Partial Significance Test (t-test)

This test is used to see the effect of each independent variable alone on the dependent variable. This test is used to determine whether partially the variables of market orientation and product innovation have a significant effect or not on competitive advantage. Based on the results of data processing that has been done, the results of the Partial Significance Test (t-test) are as follows:

Table 9. Partial Significance Test Results (t-test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	25.198	11.557		2.180	.031
	Market Orientation	-.543	.406	-.218	-1.338	.183
	Product Innovation	.750	.219	.560	3.430	.001

a. Dependent Variable: Competitive Advantage

From the results of the t test calculation above, it can be seen that the t value of market orientation (X1) on competitive advantage (Y) is obtained at -1.338. with an error rate of 5% or 0.05 and db = (n - 1) db = 128 - 1 = 127 obtained from t count of -1338 and the significance value obtained is 0.183 greater than 0.05 so that because t count -1.338 < t 1.656 then H1 is rejected H0 is accepted or in other words it can be said that there is no positive and significant effect on market orientation (X1) on competitive advantage (Y).

Then the results of the second t count variable product innovation (X2) on competitive advantage (Y) obtained a calculated value of 3.430 with an error of 5% or 0.05 and db = (n - 1) db 128 -1 = 127 obtained a t value of 3.430 higher than t table 1.656 and the significance value obtained is 0.001 smaller than 0.05 so that because t count 3.430> t table 1.656 then H1 is accepted H0 is rejected or in other words it can be said that there is a positive and significant effect on product innovation (X2) on competitive advantage (Y).

DISCUSSION

The Effect of Market Orientation (X11) on Competitive Advantage (Y)

Based on multiple linear regression calculations, it shows that the application of market orientation in traditional food MSMEs in Sukabumi City has research results that there is no

positive and significant effect on market orientation (X1) on competitive advantage (Y). 0.183 > 0.05 means insignificant, while the t-count value of -1338 < 1,556 means insignificant. Significance here H0 is accepted and H1 is rejected. The results of hypothesis testing show that the effect of market orientation on competitive advantage is not significant.

Effect of Product Innovation (X2) on Competitive Advantage (Y)

Based on multiple linear regression calculations, it shows that the application of market orientation in traditional food MSMEs in Sukabumi City has a positive and significant effect on product innovation (X2) on competitive advantage (Y). This can be seen from the *sig*. 0.001 < 0.05 which means positive and t-count 3.430 > t table 1.695 which means significant. The results of hypothesis testing show that the effect of product innovation on competitive advantage has a positive and significant effect.

CONCLUSIONS

Based on the results and discussion of market orientation and product innovation on competitive advantage in traditional food MSMEs in Sukabumi city, the following conclusions can be obtained:

1. Market Orientation in Traditional Food MSMEs in Sukabumi City is in the moderate category, indicated by market demand, productivity, and market growth which makes MSME players continue to be oriented to their business planning and are always careful in dealing with existing problems. Product innovation in traditional food MSMEs in Sukabumi city is also in the moderate category, this can be seen from the indicators that have been responded to by traditional food MSME players in Sukabumi city that MSMEs have a significant ability to meet market needs so that they can develop and compete effectively in an increasingly competitive market. As well as Competitive Advantage in traditional food MSMEs in Sukabumi city which is also in the moderate category, this can be seen from several statements based on indicators that have been responded to by traditional food MSME players in Sukabumi city that MSMEs can set quality standards and provide appropriate product quality and produce products that are different and superior to competitors.
2. There is no influence between market orientation on competitive advantage. This is evidenced by the value in the test results which shows that the value is smaller than the value. t_{hitung} smaller than the value of t_{tabel} which states "There is no influence between moral *core values* on employee performance".
3. There is a positive and significant influence between product innovation on competitive advantage, meaning that the existence of competitive advantage can increase product innovation. This is evidenced by the value in the results of hypothesis testing which shows that the value t_{hitung} is greater than t_{tabel}. This means that product innovation by MSMEs can increase competitive advantage, so it can be stated "There is an influence between product innovation on competitive advantage".

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