

THE IMPACT OF INNOVATION, COMPETITIVE ADVANTAGE, AND MARKET ORIENTATION ON A FIRM'S MARKETING PERFORMANCE IN THE GARMENT INDUSTRY IN INDONESIA

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Abstract—The aim of this study is to identify the influence of marketing and product innovation, competitive advantage and market orientation on marketing performance. The objects of this research are small and medium enterprises in the garment industry in Indonesia. 107 firms were selected as samples in this study. The Data was obtained through surveys using Likert scale. Data was tested using multiple regression methods. The results of the study suggest that marketing innovation, product innovation, competitive advantage and market orientation affect marketing performance.

Keywords—marketing innovation, product innovation, competitive advantage, market orientation

I. INTRODUCTION

Innovation is currently the main weapon when facing competition. Aksoy (2017) identified that the key to firms facing intense competition is to innovate so they have competitive advantages. Mapigau and Hastan (2012) explained that competitive advantage is the ability of a firm to create a program superiority or strength that can distinguish it in order to compete with its competitors. Increased competitiveness forces any firm to make changes to have the advantages needed to survive.

Sharp increases in business competition in various sectors cause change to occur so quickly and firms must be able to adapt. Changes occur in almost all aspects, such as marketing, production, human resources management, and firm operations. Firms must have an advantage in order to be able to compete globally. One advantage that a firm can have is innovation, so the firm can continue to survive and be able to compete. Innovation is an entrepreneurial instrument used to build and generate creative added value in a business. The firm's market share can also be obtained from innovations made by the firm (Harefa and Siadari,

2013). Innovation is something new and different, but it is also of value to the users. Innovation can be applied not only to products, but also to better services, messages, and production methods (Eich, 2014).

Firms that innovate will restore their weakened performance in the midst of very tight competition (Tuan et al., 2016). An innovation strategy can increase marketing performance and become the main weapon for firms when facing industrial competition. Innovations created based on customer's orientation will have an influence on the firm's marketing performance (Pekovic and Rolland, 2016).

This study aims to explain the effect of variables such as marketing innovation, product innovation, competitive advantage, and market orientation on marketing performance. The results of this study indicate that marketing and product innovation, competitive advantage and market orientation have an impact on the marketing performance of small and medium enterprises in the garment industry in Indonesia.

II. LITERATURE REVIEW

Innovation is one possible strategy for firms to face tight industrial competition. Innovation can be a differentiator in the midst of intense business competition and it has an impact on firm performance. Gok and Peker (2016) conducted a study that showed the relationship between innovation, market performance and corporate financial performance. The results of the study indicated that innovation can be a differentiator in intense business competition. Innovation can have a very significant influence on a firm's performance. Hence, a firm that initially performed poorly can compete with its competitors because of innovation.

When formulating an innovation, the firm must also pay attention to the factors that can influence

innovation-decision. Lee et al., (2016) explained that innovation is caused by an external factor. From said external factor, firms can carry out innovation activities that influence market performance. This study suggests that innovation activities consisting of organization innovations, product innovations, and marketing innovations can have an influence on market performance. If the firm is in a tight industrial competition, immediate innovation is recommended to continue to compete with its competitors. In another study, Quaye and Mensah (2018) found that marketing innovation through price and promotion can have an impact on marketing performance. Results from a study by Quareshiet et al. (2017) indicated that promotional innovations have a positive effect on marketing performance. In accordance with that study, research by Wadho and Chaudhry (2018) showed that product innovation can improve the firm's marketing performance. Product innovation is an action taken by a firm to drive marketing performance. As long as there is product innovation, the firm can continue to compete.

Lee et al. (2016) showed that product innovation has an impact on the marketing performance of a firm. Product innovation is one way to innovate. When conducting product innovation, firms can choose to offer product varieties and improve product quality relative to its competitors.

Hence, the hypotheses for this study are:

H₁: Marketing innovation has a significant impact on marketing performance

H₂: Product innovation has a significant impact on marketing performance

A study by Kaleka and Morgan (2017) showed that a competitive advantage can result in an increase in marketing performance. Firms with a competitive advantage are able to compete. This is because the firm has a distinguishing characteristic that can be used to attract consumers. This, in combination with the competitive advantage, can result in an increase in the firm's marketing performance. A competitive advantage can be obtained through an exploration of the firm's capabilities so that it can become a distinctive feature of the firm. In accordance with this, Mappigau and Hastan (2012) conducted research using the competitive advantage as one of the variables. Firms that have competitive advantages will continue to be able to compete with existing competitors.

H₃: A competitive advantage has a significant impact on marketing performance

Nuryakin (2018) conducted research using market orientation as one of the variables. The results of the study showed that market orientation has an impact on a firm's marketing performance. Firms that are able to map their market orientation can be superior compared to existing competitors. Similarly, Lengler et al. (2013) also conducted research with market orientation as one of the variables. The results of the study indicated that

market orientation has an influence on market performance. Specifically, the focus of the market orientation is on market orientation towards customers. Firms that provide goods or services based on customers' orientations will gain increased market performance.

H₄: Market orientation has a significant impact on marketing performance

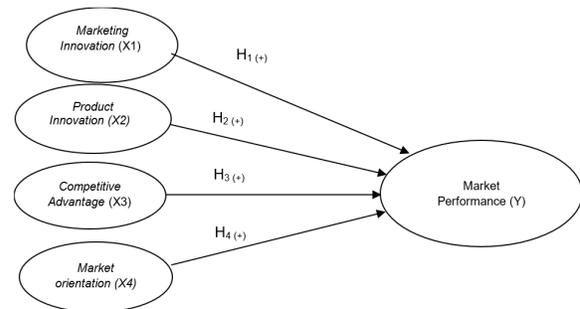


Figure 1. Research Framework

III. METHODOLOGY

The research objects of this study are small and medium scale enterprises with more than 3 years of age in the garment industry in East Java, Indonesia. The subjects of this study are CEO or senior managers who are privy to the research variable data of the firm. The sample used is the data obtained through the distribution of questionnaires processed using a Likert scale from 1 to 7. The samples are selected randomly, based on the data from the regional Chamber of Commerce. Questionnaires were distributed to 107 firms, and the questionnaires were used entirely. The data was analyzed using regression analysis. Regression analysis was used because of its simplicity and the analysis was used to confirm and test the relationships between variables using the SPSS 22 program.

Market performance, competitive advantage and the market orientation indicators used were in accordance with the study by Nuryakin, (2018). Market performance includes sales growth, profit growth, firm performance growth and number of customers. The competitive advantage includes valuable products, products different from those of the competitors, products difficult to replace, products with a different appearance, products difficult to copy. Market orientation includes competitor orientation, customer orientation, customer evaluation, customer service process, fast responses, promotion programs and cross-functional coordination. Marketing and product innovation indicators were taken from Lee et al., (2016). The marketing innovation indicator includes promotion method, the pricing method, the price offered, elegant packaging design, design uniqueness. Product innovation indicators include product variants, product quality and old product replacement.

IV.RESULTS AND DISCUSSION

A. Results

TABLE 1. VALIDITY

Variable	Indicator	Correlation Value	Sig.	Remarks
Marketing Innovation (X1)	X1.1	0.666	0.000	Valid
	X1.2	0.716	0.000	Valid
	X1.3	0.778	0.000	Valid
	X1.4	0.673	0.000	Valid
	X1.5	0.803	0.006	Valid
Product Innovation (X2)	X2.1	0.881	0.000	Valid
	X2.2	0.797	0.000	Valid
	X2.3	0.626	0.000	Valid
	X2.4	0.657	0.000	Valid
Competitive Advantage (X3)	X3.1	0.790	0.000	Valid
	X3.2	0.800	0.000	Valid
	X3.3	0.653	0.000	Valid
	X3.4	0.655	0.000	Valid
	X3.5	0.558	0.000	Valid
Market Orientation (X4)	X4.1	0.850	0.001	Valid
	X4.2	0.907	0.000	Valid
	X4.3	0.790	0.000	Valid
	X4.4	0.800	0.000	Valid
	X4.5	0.653	0.000	Valid
	X4.6	0.655	0.000	Valid
	X4.7	0.625	0.000	Valid
Market Performance (Y)	Y1	0.816	0.000	Valid
	Y2	0.864	0.000	Valid
	Y3	0.649	0.000	Valid
	Y4	0.697	0.000	Valid
	Y5	0.787	0.000	Valid

The test results indicate that the data was valid and reliable. Based on Table 1 it can be seen that all items for each variable have a significant value of 0.000, which is smaller than the value of $\alpha = 0.05$, so each indicator in this study can be deemed as a valid research indicator. The criterion for the questionnaire to be deemed reliable is if the values of Cronbach's alpha are higher than 0.60. The results of the reliability test for each variable in the questionnaire are shown in Table 2 below.

TABLE 2. RELIABILITY

Variable	Indicator	Cronbach's Alpha if Deleted	Cronbach's Alpha.	Remarks
Marketing Innovation (X1)	X1.1	0.766	0.782	Reliable
	X1.2	0.758		Reliable
	X1.3	0.740		Reliable
	X1.4	0.763		Reliable
	X1.5	0.738		Reliable
Product Innovation (X2)	X2.1	0.715	0.790	Reliable
	X2.2	0.741		Reliable
	X2.3	0.781		Reliable
	X2.4	0.778		Reliable
Competitive Advantage (X3)	X3.1	0.722	0.779	Reliable
	X3.2	0.730		Reliable
	X3.3	0.755		Reliable
	X3.4	0.761		Reliable
	X3.5	0.760		Reliable
Market Orientation (X4)	X4.1	0.870		Reliable
	X4.2	0.846		Reliable
	X4.3	0.855		Reliable

Variable	Indicator	Cronbach's Alpha if Deleted	Cronbach's Alpha.	Remarks
Market Performance (Y)	X4.4	0.855	0.795	Reliable
	X4.5	0.879		Reliable
	X4.6	0.873		Reliable
	X4.7	0.884		Reliable
	Y1	0.757		Reliable
	Y2	0.748		Reliable
	Y3	0.775		Reliable
Y4	0.768	Reliable		
Y5	0.755	Reliable		

The classic assumption test used in this study includes the multicollinearity test, heteroscedasticity, the normality test and the linearity test. The results suggest that, overall, the data used fulfilled each of the assumption criteria. The study showed a determinant coefficient (R^2) of 0.712 and this suggests that the variability of the market performance variable that can be explained by variables *Marketing Innovation*, *Product Innovation*, *Competitive Advantage* and *Market Orientation* on market performance is 71.2%. Significance level data as shown in table 3 showed significance level > 0.05 . This suggests that overall the independent variable has a positive and significant impact on the dependent variable. This indicates that all the hypotheses in this study are proven valid.

TABLE 3. REGRESSION ANALYSIS RESULTS

Model	Coefficients		t	Sig.
	B	Std. Error		
(Constant)	.953	.228	4.186	.000
X1	.149	.054	2.773	.007
X2	.166	.068	2.442	.017
X3	.116	.035	3.289	.001
X4	.389	.065	5.945	.000

B. Discussion

The marketing innovation variable has a positive and significant effect on marketing performance. This is in accordance with the research by Quaye and Mensah (2018) and Guzman et al., (2018). The descriptive analysis results in this study indicate that different pricing methods from competitors can result in higher sales average. This implies that garment firms must have the right pricing method process to compete with other firms. If the firm uses the right pricing method, it can result in a higher profit margin or a cheaper price to the customers compared to its competitors.

Unique packaging design can push sales and increase the number of customers. However, the descriptive analysis of this study shows that a unique product design does not really attract customers when making a purchase. This could be due to the characteristic of the SME in this study, as the production of many garment firms is oriented towards customers' orders. For garment firms that exclusively produce based on customers' orders, unique design is not really a selling point, because the most important would be elegant packaging.

In this study, product innovation has a significant positive impact on market performance. This finding is in line with a study by Wadho and Chaudhry (2018). Old products or services will be evaluated to be replaced by new models. Hence, garment firms need to always evaluate old products, such as old types of fabric that have the lowest sales need to be changed with newer fabric types that have added value. That can impact the market performance of the garment firm.

The findings of this study indicate that the competitive advantage also showed a positive significant effect on market performance. This supports research by Kaleka and Morgan (2017). Firms that have competitive advantages are able to distinguish themselves from their competitors, making customers more interested in purchasing. Hence, this will improve the firm's market performance. Products or services that are different from those of the competitors can increase sales. This means that garment firms' products must look different so appearance can be a selling point to the customers. Products with a different appearance are only meant for firms that produce their own designs. But for firms that produce products based on customers' orders, it can differentiate their products through using different materials, because in the world of garment there are many materials that appear similar but have different values.

The results of the study showed that market orientation has an effect on the market performance of the firm. The findings suggest that market orientation has a significant positive effect on market performance. This finding is in accordance with the research done by Nuryakin (2018). Firms are expected to be able to conduct an evaluation to understand and fulfill customers' expectations. Feedback received from customers can pave a way for the firm to compete with its competitors in the future. High market orientation of the firm will have an impact on its market performance.

V. CONCLUSION

The results of the study suggest that marketing and product innovation, competitive advantage and market orientation have an impact on the market performance of small and medium scale enterprises in the scope of the garment industry in Indonesia. The innovation of products results from the company's ability to know what is required by the customer, making the product competitive through variety and quality. This finding confirmed the need for innovation, competitive advantage and market orientation to improve a firm's performance.

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