The Effect of Market Orientation, Technology Orientation to Increase Marketing Performance on Confection Medium Small Business in Indonesia

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Abstract: This study aims to test and analyze the influence of market orientation, technological orientation to create competitive advantage in improving marketing performance. Sampling technique based on purposive sampling, sample of 232 respondents. Data obtained by interview. While the data collection is using a combination of open questions and closed questions given to the respondent. The collected data was analyzed by SEM (Structural Equation Modeling). The theoretical findings in this study show that marketing performance can be improved through competitive advantage where competitive advantage can be created by product innovation. Factors influencing product innovation are market orientation and technological orientation.

Keywords: market orientation, technological orientation, product innovation, competitive advantage, marketing performance.

INTRODUCTION

The economy is now very tight and complex [1]. Every company is required to understand what [2] is happening in the market and what consumers desire, and must always make changes so as to compete with competitors. Changes on how the company innovates so that its products [3] in accordance with the wishes of consumers, able to compete with competitors, and always follow the changes that occur in the market.

Innovation by the company [4, 5] is expected to create a completely new product, the existence of previous product development or make products for the improvement of existing products. In using a product, consumers not only look at the value or function of a product, but consumers also pay attention to whether the selected product has added value when compared with other similar products. This desire must be understood by a manufacturer as a basis for innovation. The development of successful innovation will be the right strategy in maintaining the position of the product in the market, because most of the competitor's products appear static from year to year [6, 7] in addition to product innovation companies also need to pay attention to market orientation.

Market orientation is the corporate culture in marketing performance [8, 9]. Three elements of market orientation namely customer orientation, competitor orientation, interfunctional coordination. Customer orientation is an understanding of current strengths and weaknesses as well as the long-term capabilities and strategies of existing competitors and potential competitors. Research [10] that market orientation does not always have a positive effect on marketing performance on a condition. The study was also supported by [11] who found that relatively less significant relationship between market orientation and marketing performance.

Research [8,9] found that market orientation was designed along with technological and environmental orientation as an element affecting the company's success in the face of rapidly changing environmental change. Changes caused by external changes of the company are market movements and technological movements, have influence on the performance of pemasaran [8,9]. Market and technological changes are generated by changes in customer preferences, market expansion, and technological developments. Do all external factors directly affect the performance [12], explain the uncertainty of external factors causing firms to innovate in winning the competition.

Based on the above research background then the formulation of the problem: how the influence of market orientation, technological orientation to product innovation in creating competitive advantage to improve marketing performance.
LITERATURE REVIEW

Marketing performance

Marketing performance is a common construct used to measure the impact of a corporate strategy [13, 14]. Company strategy is directed to produce performance, both marketing performance and financial performance. Marketing performance is a concept of measuring market achievement of a product, where every company is concerned to know the market achievement of its products [13]. Performance measurement indicators include satisfaction, loyalty, market share and profitability capabilities [15]. Study, explains the success of marketing performance measured by the success of new products, sales growth and profit or profit gained annually. Marketing performance is a common factor for measuring the impact of a corporate strategy. Company strategy is always directed to produce marketing performance such as sales volume, market share and sales growth rate and financial performance [16]. Market share is a measure of marketing performance or operational performance that can differentiate between winners and losers [14]. If the company's market share increases, it means that the company can outperform its competitors, if the company's share model declines, then the company loses its competitors.

Competitive Advantages

The company is expected to have competitive advantage in order to compete with its competitors. Competitive advantage arises when a company has the ability to defend against competitors' strengths and retain customers, and can convince customers that the company's products offer more value, cheaper product examples, faster service, better products [17]. Competitive advantage comes from consumers by offering more value that competitors do not have. Value is more than expected value compared to the cost of a product/service, and must exceed what is owned by the consumer.

Competitive advantage is a strategy that can not be imitated by competitors. The concept of competitive advantage can not be understood by looking at a company as a whole, but must be from different activities undertaken by the company in designing, producing, marketing, delivering and supporting its products. Value chain analysis is more appropriate to examine competitive advantage than value added, because this analysis can know the value value owned by all activities, so it can be known from the source of the competitive advantage. The concept of competitive advantage of [18, 19] is a different competition in expertise and resource excellence. It broadly demonstrates what is being studied in the marketplace that is positional advantage based on the superior value of the client or the achievement of relatively lower cost and produces a profitable market and performance.

Product innovation

Innovation is defined as a breakthrough associated with new products [20]. Describes innovation as a concept of applying new ideas, products, or processes. While [21, 22] describes innovation as a company's mechanism of adaptation in a dynamic environment, therefore the company is required to be able to create new thinking thoughts, new ideas and offer innovative products as well as improved customer satisfactory service [20, 21]. There are two concepts of innovation include: (1) Keinovativan and (2) Capacity to innovate. Keinovativan is the idea of openness of new ideas as an aspect of corporate culture. Innovating capacity is a company's ability to use, apply new ideas, processes, or new products successfully. Keinovativan is a culture of a company. This keinovativan can be seen from how the attitude of a company to the existence of an innovation [22], provide a classical definition of innovation that is the concept of implementation of new ideas, products or processes.

Describe innovation as a practice, material considered new by the relevant adoption unit [20, 21]. In defines innovation as a successful implementation of a creative idea within an organization [23, 21]. Innovation as the rate of individual speed in adopting new ideas compared to other members in a system [21, 22]. The existence of similar products from competitors have a similar appearance is a factor driving the incidence of product innovation, usually competitor products appear without experiencing significant changes even tend to static. The situation becomes profitable, because the competition that arises with the emergence of competing products can be overcome by innovating the product [23]. Product innovation is something that can be seen from the functional progress of the product to bring the product one step ahead of the competitors product. If the product has the advantages seen as an added value for consumers. The development of new products and effective strategies becomes the determinant of the success and survival of the company. The development of new products requires effort, time, and capability including the magnitude of risk and the cost of failure. On the other hand, environmental changes quickly affect the learning process, this determines the efficiency in product innovation [20].

Innovation is a process of using new technology into a product so that the product has added value [23]. Innovation can be done on goods, services, or ideas received by someone as something new, so an idea has emerged in the past, but can be considered innovative for new-found customers [21]. Often people think that by innovating someone has made positive changes that lead to progress. The opinion is true, but the change is for some consumers something that is difficult to take for granted.
Market orientation

Market orientation is a pattern of values and beliefs that help individuals to understand organizational functions based on certain norms. According to [24] market orientation is defined as an effective and efficient corporate culture in creating the behavior necessary to create superior value for customers. Meanwhile, according to [25] market orientation not only makes reference choices real but also makes potential customers. The market orientation is divided into three dimensions: customer orientation, sharing of market information and coordination among functions within the company, whose decision will lead to long-term focus and increased profits [24].

Market orientation is something that is important to the company in line with increasing global competition and changes in customer needs where the company realizes that they must always deck with the market. Market orientation is a business culture in which the organization has a commitment to continue to be creative in creating superior value for customers. [26] define market orientation as the most effective organizational culture in creating important behaviors for superior value creation for buyers as well as performance in business. [24] describes market orientation as a process and activity related to customer creation and satisfaction by continually assessing customer needs and wants.

Market orientation includes three behavioral components: customer orientation, competitor orientation and interference coordination. Both customer and competitor orientations are used to find information about buyers and competitors on targeted markets and propagate through business [26], whereas interfunctional coordination is based on customer and competitor information and consists of coordinated business ventures. Customer orientation is defined as an adequate understanding of customer buying targets with the goal of creating a superior value for buyers on an ongoing basis. Understanding here includes an understanding of the entire value chain of buyers, both current and future developments. This effort can be achieved through the process of seeking information about the customer [27]. Also stated that the corporate culture that emphasizes the importance of companies to pay attention to the market (market-oriented) will lead to the strengthening of the company's superior customer value [24, 25]. Market orientation indicators are customer orientation, competitor orientation, and market information [26, 28]. Customer orientation is the company's willingness to understand the needs and desires of its customers.

Technological orientation

Technological orientation as a strategy instrument, product-oriented technology development policy can be used for competition management, assuming that the higher the technology used the more innovative the product is produced and the more likely the offered product or service can be sold in a particular market [29]. Advances in information technology that has been popularized by the Internet has been able to replace the existence of transportation and accommodation without the constraints of space, time, and place [30]. Technology broadly describes “know-how”, but in more detail is defined as information needed in generating, selling a product/service.

Technology is not the same as science means in usage, technology is seen as a subset of science, because of the many difficulties found in describing science as a measurable resource[31]. The opinions expressed by [32] suggest that research by Damanpour and Madison on 375 senior entrepreneurs and IT Executives from the financial, health, IT, manufacturing and retail sectors has resulted in the conclusion that over 70% say that E-Business is believed to have an important role in the decision-making process, 61% say E-Business affects the re-engineering process and only 17% of IT management and 12% of senior entrepreneurs say that companies need a potential payback proof of E-Business applications. Competitive advantage through technological advantages is important to face competition in the business environment [17].

Influence between variables

The influence of market orientation on product innovation

Developed a special study on the effect of market orientation on product innovation. Luke and Ferrel examine the market orientation in three dimensions is the dimension of customer orientation, competitor orientation, and inter-functional orientation each affect product innovation in the manufacturing business in America [24, 25]. These three dimensions together have a significant and positive effect on the improvement of product innovation. Where customer orientation positively and positively affects new product-line innovations, competitor orientation influences new product innovations, and inter-functional orientation affects new product innovations. Concluded that market orientation positively influences SME performance improvement, in addition to newly developed (<3 years) SMEs in addition to market orientation, knowledge of entrepreneurship is a factor affecting SME performance [26, 27].

Market orientation is significantly related to firm performance[24]. While Han et al. in [25] stated that market orientation has positive but not significant effect on performance, but in his research it is stated that market orientation has significant effect to performance through innovation as intervening variable [21, 22]. The existence of gaps or research available online: http://saspjournals.com/siejbm
gaps that arise based on the results of research on market orientation and product innovation are different to the basis of this research is to test the effect of market orientation on product innovation [23] explains, inter-functional coordination can enhance communication and exchange between all organizational functions with respect to customers and competitors, and to inform current market trends. Based on the above description can be proposed hypothesis1: there is a positive and significant influence between market orientation on product innovation [21].

The influence of technology orientation on product innovation

Technologically-oriented companies mean companies use their technical knowledge to make technical solutions in answering and meeting the needs of their users [29,30]. Describes technology is one of the factors of success of new products, which by using advanced technology[31,32], the company can create more innovative products. The advantages of product differentiation have an enormous influence, especially in high-tech firms, indicating the existence of different advantages [29]. The application of new technology is one of the determinants of new product development. The technological superiority of a product can attract consumer buying interest in purchasing new product. With technology accelerating the development of new products, the company's ability to produce high technology and products with applied technology greatly affects the benefits of the product [30]. On the basis of the above description can be proposed second hypothesis H2: The higher the orientation to the technology the higher the development of product innovation [21,22].

The influence of product innovation on competitive advantage

Competitive advantage is the heart of corporate performance in the competitive market [21]. Competitive advantage basically grows from the value or benefits created by the company for the buyers more than the cost incurred to create it [22]. This value or benefit is paid by the buyer, and the superior value comes from offering a lower price than the competitor's price for equivalent benefits or offering unique benefits that exceed the price offered [23]. Defines competitive advantage as a benefit strategy of companies that collaborate to compete more effectively in a market place[22].

State there are two footholds to achieve competitive advantage that is the advantage of resources and position advantage[17]. Competitive advantage owned by the company will ultimately affect the company's market performance as measured through customer growth[18]. Describes competitive advantage as a unique organizational position against its competitors[18]. Competitive advantage comes from resources and capital. Resources are the strengths and weaknesses of marketing performance, while capital as a company's ability to manage resources to work together like a work team within a department. High and low marketing performance affect the high competitive advantage of the company. Competitive advantage can be created with the correct knowledge of the preceding variables as proposed by [18,19], say that are variables disconnected or lost between market orientation and marketing performance.

Measures of competitive advantage in [18] study suggest there are two footholds in achieving competitive advantage. The first advantage of resources consisting of a position advantage consisting of relatively low cost advantages and value excellence for customers. There are three indicators of competitive advantage: satisfaction, loyalty, and market share [17] explain competitive advantages measured from the Financial Performance and Market performance. In rapidly changing environmental conditions [18] explaining competitive advantage is determined by creativity and innovation that can satisfy customers' desires better than competitors [21]. Thus, product innovation conducted [21,22,23] by the company gives a positive influence on the company's competitive advantage. Therefore, the hypothesis proposed in this study is H3: The higher the level of product innovation the higher the competitive advantage of the company.

The Influence of Competitive Advantages on Marketing Performance

[18,19] stated that competitive advantage had a significant positive effect on marketing performance [24,25]. Obtained empirical evidence stating that there is a significant positive and supportive relationship about the relationship between competitive advantage to marketing performance[17, 13,14]. This means when the competitive advantage [21] rises then the marketing performance will rise and vice versa. Based on the underlying theory and the results of previous research, it can be formulated research hypothesis as follows:

H4: Competitive Advantage positively and significantly influence to Marketing Performance.

Based on the analysis of the above literature can be made empirical model in Figure 1 below:

Available online:  http://saspjournals.com/sjebm
RESEARCH METHODS
A survey of 2100 small and medium enterprises (SME) apparel in Central Java, Indonesia. Small and medium-sized businesses are selected because they are proven in Indonesia, clothing SMEs face an environment of uncertainty due to competition in this globalization era. One option in the manufacture of apparel is to distinguish that the product SMEs apparel remains competitive.

The population in this study is small and medium enterprises of apparel in Central Java Province amounted to 2100 people. The choice of salespeople in small and medium-sized garment enterprises as the population aims to provide an overview of the condition of the problems being faced by SMEs apparel. Sampling technique with purposive sampling method means the samples taken must meet the criteria - the criteria that have been set include: Sales force on SMEs apparel has been working for more than three years. This requirement is determined with the consideration that the salesperson understands the sales task well and has committed to the organization. Samples were taken as many as 232 respondents.

**Operationalization of variables**

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Concept</th>
<th>Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marketing performance</td>
<td>conditions of success and achievement achieved in a marketing a product or service produced a business.</td>
<td>- sales volume, - sales growth, - market share - income</td>
<td>Sugiyarti,Gita et.,al (2017)</td>
</tr>
<tr>
<td>2</td>
<td>Competitive Advantage</td>
<td>advantages over competitors in the offer more value to consumers, either through lower prices or by providing more benefits that support more pricing expensive.</td>
<td>-Product uniqueness -Competitive price. -Not easy to replace</td>
<td>Mc.Grath RG (2013)</td>
</tr>
<tr>
<td>3</td>
<td>Product Innovation</td>
<td>ability to develop and apply a creativity</td>
<td>-Product Development -Production -Position of Competition</td>
<td>Cooper, R. G., &amp; Edgett, S. J. (2009)</td>
</tr>
<tr>
<td>4</td>
<td>Market orientation</td>
<td>setting strategic customer goals and building an organization focused on customer service, providing a basis for in-focus competition, delivering services that meet the expectations of consumers, memenangkan suatu persaingan.</td>
<td>-The competitor's orientation. -Customer orientation -Coordination between functions</td>
<td>Rezart Prifi; Genc Alimehmeti. (2017)</td>
</tr>
<tr>
<td>5</td>
<td>Technological Orientation</td>
<td>technical knowledge as a technical solution in answering and meeting the needs of its users</td>
<td>-Speed On Technology -New Technology Development - New product</td>
<td>Salavou, H. (2005)</td>
</tr>
</tbody>
</table>
RESULTS AND DISCUSSION

Data analysis

Data analysis using AMOS version 5.0. The results of data processing seen in Table 1.

Table 2, after going through several stages of the test against the model hypothesis, the results indicate that this model corresponds to the data or fit of the data used in the study, as seen from the significance level (P) to the chi-square model of (55.47) TLI, CMIN / DF, GFI, AGFI and RMSEA indexes are within the expected range of values. Thus the full model hypothesis test shows that this model in accordance with the data or fit to the data used in the study.

Table 2: Goodness of Fit Index Modified Structural Equation Model

<table>
<thead>
<tr>
<th>No</th>
<th>Goodness of fit index</th>
<th>Cut of value</th>
<th>Results of analysis</th>
<th>Model evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>X² – Chi-Square</td>
<td>&lt; 126.57</td>
<td>112.47</td>
<td>Good</td>
</tr>
<tr>
<td>2</td>
<td>Significancy Probability</td>
<td>≥ 0.05</td>
<td>0.055</td>
<td>Good</td>
</tr>
<tr>
<td>3</td>
<td>CMIN / DF</td>
<td>≤ 2.00</td>
<td>1.911</td>
<td>Good</td>
</tr>
<tr>
<td>4</td>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.932</td>
<td>Good</td>
</tr>
<tr>
<td>5</td>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.933</td>
<td>Good</td>
</tr>
<tr>
<td>6</td>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.944</td>
<td>Good</td>
</tr>
<tr>
<td>7</td>
<td>TLI</td>
<td>≥ 0.95</td>
<td>0.999</td>
<td>Good</td>
</tr>
<tr>
<td>8</td>
<td>RMSEA</td>
<td>≥ 0.08</td>
<td>0.213</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: Primary data is processed, 2018

The measurement results have met the criteria of goodness of fit. Furthermore, based on the fit model then tested five proposed hypotheses. Regression coefficient values of causality relationship and t value arithmetic seen in CR value (critical ratio), as follows:

Table 3: SEM analysis results and hypothesis testing

<table>
<thead>
<tr>
<th>Regression Weights: (Group number 1 - Default model)</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation &lt;--- Product Innovation</td>
<td>.207</td>
<td>.261</td>
<td>3.331</td>
<td>.012</td>
</tr>
<tr>
<td>Technological orientation &lt;--- Product Innovation</td>
<td>.875</td>
<td>.311</td>
<td>2.471</td>
<td>.011</td>
</tr>
<tr>
<td>Product Innovation &lt;--- Competitive advantage</td>
<td>.401</td>
<td>.314</td>
<td>3.212</td>
<td>.015</td>
</tr>
<tr>
<td>Competitive advantage &lt;--- Marketing performance</td>
<td>.233</td>
<td>.387</td>
<td>3.164</td>
<td>.031</td>
</tr>
</tbody>
</table>

Hypothesis testing

H1: There is a significant influence between market orientation on product innovation. This is indicated on the parameter estimation of 0.207 with the value of CR = 3.331 or C.R > 2.00 with a significance level of 0.05 (5%), also proved probability value <0.05. Thus hypothesis 1 is acceptable. This is in line with the study [24,25,26] finding that market orientation has a positive and significant effect on product innovation. This means the findings of this research is to conduct a survey of consumers every 3 months, asking directly to consumers every purchase can create product development such as: the addition of models, adapting the trend model on apparel, plain clothes modern design.

H2: There is a significant influence between technological orientation towards product innovation. This is shown in the parameter estimation of 0.875 with the value of CR = 2.471 or C.R > 2.00 with significance level of 0.05 (5%), also proved probability value <0.05. Thus hypothesis 2 is accepted. This is in line with research [29,31,33] finding that technological orientation has a positive and significant effect on product innovation. The findings of this research are the use of electric sewing machine, the use of obras machine, the use of button making machine, the use of the latest machine, the rejuvenation of the old machine; can create product development such as: addition of model, adapt model trend on cloth, plain cloth modern design.

H3: There is a significant effect of product innovation on competitive advantage. This is shown in the parameter estimation 0401 with the value of CR = 3.212 or C.R > 2.00 with significance level of 0.05 (5%), also proved probability value <0.05. Thus hypothesis 3 is accepted. This is in line with the study [18,19,20] found that product innovation has a positive and significant impact on competitive advantage. The findings of this research mean by creating product development such as: addition of model, adapt model trend on cloth, plain cloth modern design hence company can create design always follow trend, non-fade cloth, improve art level on product nicely.

H4: There is a significant influence of competitive advantage over marketing performance. This is shown in the parameter estimation of 0.233 with the value of CR = 3.164 or C.R > 2.00 with a
significance level of 0.05 (5%), also proved probability value <0.05. Thus hypothesis 4 is accepted. This is in line with the study [24,25] meaning that if the company is able to create product development such as: model addition, adapting trend model on cloth, plain cloth modern design it will increase customer growth per month up to 10% s/d 30%.

Theoretical Implications

Based on the research model that has been tested through Structural Equation Modeling analysis tool, it can reinforce theoretical concepts and provide empirical support to findings from previous research.

The literatures discussing market orientation and technological orientation in product innovation have been strengthened by theoretical concepts and empirical support on causality between variables affecting product innovation. Then product innovation has an effect on competitive advantage that can improve marketing performance.

Managerial Implications

First, the biggest indicator of its role in market orientation is customer orientation. Therefore, companies need to focus on customer orientation, premises can know what the consumer wants, the desired product or consumer needs, so the company can produce goods that really needed.

Secondly, technological orientation will affect product innovation through 3 indicators where the indicators that give the greatest influence of new technology development can be achieved through training with the cooperation with the producers because to save cost and give benefit and not disrupt the running of company production process.

Third, product innovation can be created through market orientation and technological orientation. Based on this, the company needs to create new products that are able to give the biggest contribution to product innovation.

Fourth, product excellence gives specific advantages to each product through stitching, modeling, color, or design. Fifth, increased sales growth means the product has been able to meet market demand so that sales increase over time.

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