



THE BUILDING OF MARKETING PERFORMANCE BASED ON PRODUCT INNOVATION AND COMPETITIVE ADVANTAGES OF BATIK CRAFTS

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Abstract

In the business world, competition is getting tighter. As the complexities and dynamics of the business environment intensify, companies begin to push to further strengthen their strategic bases with concepts such as customer focused or oriented cultures. community. There are several factors that can affect employee performance. The purpose of this study is to test the performance of marketing-based product innovation and competitive advantage.

This research is survey. Data collection techniques conducted in this study using questionnaires. The data used is the primary data from respondents' answers. Sampling technique in this research using random sampling, in this research the sample used is 110 batik industry. Methods of data analysis were tested with Structural Equation Modeling through Smart PLS (Partial Least Square) program.

The result of the research shows that the environmental uncertainty have positive and significant influence to the product innovation, the intensity of R & D influences positive and significant influence to product innovation, product innovation has positive and significant influence to marketing performance, product orientation has positive and significant influence to competitive advantage, influential positive and significant influence to competitive advantage, competitive advantage have positive and significant influence to marketing performance

Keywords: environmental uncertainty, product innovation, R & D intensity, product orientation, competitive advantage, customer orientation, marketing performance.

Introduction

In the business world, competition becomes increasingly tight, products and services become more homogeneous and the market becomes mature. It makes the company face an increasingly difficult situation in distinguishing itself with competitors. Too simple if a technical solution is used in the face of problems, it is not enough for a company to compete and build market share. Various value additions of services that begin before the actual transaction until after the transaction, are given in an effort to stay in the competition and create customer loyalty.

Esteben et.al (2002) writes that in order to produce superior value for customers efficiently and effectively a market-oriented company is required. Market orientation is defined as the organizational culture that employees need in order to always obtain information about the needs of customers, both current needs and potential needs that may arise in the future.

Increased market orientation in addition will affect the performance of the company through the level of customer satisfaction, can also increase the organizational commitment of employees. Employee engagement is essential in shaping quality customer service. In its



activities, employees play a role delivering the company's promises to customers, creating a good image of the company, handling complaints and solving customer problems, and promoting the company's products or services to customers.

According to Chang and Chen (1998) several published marketing studies have largely proven the effect of market orientation on business performance (eg Jaworski and Kohli, 1993, Slater and Naver, 1994). The market orientation itself is an implementation of marketing concepts that serve as the center of marketing principles. Kotler (1997) sees the concept of marketing as the center of activity of a modern organization. To be successful and able to survive in the midst of competition, the organization must know its intended market, have sufficient resources, be able to transform resources into attractive products or services and then be able to effectively distribute for public consumption.

Organizational culture is an interconnected process in which activities are carried out within the organization, each process is unique and accumulatively forms an organizational culture. The interaction of the culture component will create an overview of the values of each member of the organization (Stahl and Anderson, 1996).

The simplest level, there are at least three basic types of innovation, namely incremental, architectural, and radical (Gupta, 2007). Thus it can be explained by Gupta's opinion that there are three types of innovation consisting of development, design and novelty. The explanation as follows: 1) incremental innovation that can be interpreted as a simple change or adjustment in existing products, services, or processes. The main thrust of incremental innovation in many companies over the past few years has come from programs aimed at continuously improving

product output, cost reduction, and quality management; 2) architectural innovation that can be interpreted as an innovation that is the application of existing or emerging technologies to solve a problem that actually was not originally intended for it; 3) radical innovations that can be interpreted as innovations that can drastically change the ability to produce new products or processes that are different from before or never before.

While the types of innovation by White and Burton (2007) are 1) basic is innovation in the form of research and development. This innovation is used to gain new knowledge. That knowledge may be new to the form, or perhaps an innovation that was not previously known so that the research is carried out. Where basic research has the potential to provide useful research results such as the creation of new products or new ways of doing business; 2) applied is innovation in the form of new product development company after doing basic research hence will do applied research.

Product innovation within an enterprise is a fundamental requirement which in turn will create a competitive advantage. Thus innovation is an important function of management because innovation will determine a superior business performance. Innovation is becoming increasingly important as a tool for survival, not just growth but also in increasing competition and environmental uncertainty. Product innovation brings consequences to accept changes to the idea, process or utilization of technology that can bring about the change in output received as something new and unique. Therefore product innovation should be based on market orientation and technological orientation in harmony with marketing strategy and technology strategy of production process developed by company. Innovation is a process that



starts from a market stage based on an evaluation of customer needs, idea creation, process development or new product introduction.

Product innovation is absolute, so customers do not run, some of the simplest innovation practices start from: (1) packaging innovation, where the touch of renewal is done to the packaging aspect, but the same content, in order to increase attractiveness, visual will be quite competitive, when displayed in line with the competitors. Attractive packaging can also be an effective promotional element. (2) product innovation, by developing new products, either based on existing products or new products. Innovation is not only aimed to give birth to something new for existing customers, but also can be done to produce products targeted for other segments or new markets (new product for new market). (3) Innovation of places, ie places where we sell to be more attractive and 'catchy' (interesting view), we can see how Danone kiosks are scattered everywhere. In fact, even in supermarkets, all manufacturers racing and how to display the product.

Competitive advantage can be achieved when the ability of management and use creations and implement strategies to withstand the many advantages of impersonation, able to create barriers in the long term. Rumelt (1984); Mahoney and Pandian (1992); Bharawaj et al, (1993); Grant (1995)

Research Method

Data collection techniques conducted in this study using questionnaires. The data

used is the primary data from respondents' answers. Sampling technique in this research using random sampling, in this research the sample used is 110 batik industry. Data analysis methods were tested with structural equation modeling through Smart PLS (Partial Least Square) program.

Research modeling through SEM enables a researcher to answer dimensional research questions (example measure what indicators of a concept) and regressively (measure the influence or degree of relationship between the factors that have been identified in dimensions). Ferdinand (2015) states some of the reasons for using the SEM program as an analytical tool is that appropriate SEM is used for: confirms the nondimensionalization of the various indicators for a dimension, construct, concept or factor; examine the suitability or accuracy of a model based on empirical data being studied and testing the suitability of the model as well as the causality relationship between the factors constructed or observed in the research model.

Result and Discussion

Feasibility Model

Before the hypothesis testing, firstly done confirmatory factor analysis to see the indicators that can be used to form factors or constructs. Some indexes of conformity and cut-off value are used to test whether a model is accepted or rejected ie:

Table 1
Feasibility Model

Goodness of Fit Index	Cut off Value	Result	Status
X^2 Chi Square	Expected small	0,008	accepted
Significance Probability	≥ 0.05	0,143	accepted
RMSEA	≤ 0.08	0,01	accepted
CMIN/DF	≤ 2.00	0,873	accepted

Sources: primer data, 2018

The Goodness of Fit Index results show the value of the results that meet the requirements of the cut off value so it can be concluded that the model built in the study has met the requirements of Goodness of Fit Index (accepted)

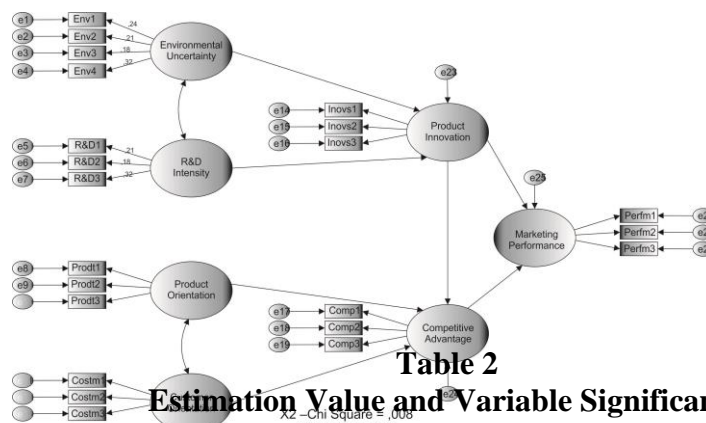


Table 2
Estimation Value and Variable Significance

			Estimate	S.E.	C.R.	P
Product innovation	< Environmental Uncertainty	0,331	,044	4,132	,011	
Product Innovation	< R & D Intensity	,209	,034	3,109	,013	
Competitive advantage	< Product orientation	,283	,017	3,620	,007	
Competitive advantage	< Customer orientation	,381	,021	3,979	,003	
Marketing Performance	< Product Innovation	,514	,036	5,509	,014	
Marketing Performance	< Competitive advantage	,421	,042	4,121	,031	

Sources: Primer data, 2018

The Influence of Environmental Uncertainty toward Product Innovation

The environmental uncertainty has a significant and positive impact toward the innovation of batik industrial products, as indicated by the estimated value of 33.1% with the value of t count (4.132 > 1.96) and P value (.011 < .05), so that the more risky environmental uncertainty which will have a positive effect on product innovation.

The Influence of R & D Intensity toward Product Innovation

The intensity of R & D has a significant and positive impact on the innovation of batik industry products, this is indicated by

the estimated value of 20.9% with the value of t (3.109 > 1.96) and P value (0.013 < .05), so the intensity of R & and quality that will have a positive impact on product innovation.

The Influence of Product Innovation on Marketing Performance

Product innovation has a significant and positive impact on the marketing performance of batik industry, this is indicated by the estimated value of 51.4% with t count (5.509 > 1.96) and P value (.014 < .05), so if product innovation is done well will have a positive effect on marketing performance.

The Influence of Product Orientation toward Competitive Advantage



The product orientation has a significant and positive effect on the competitive advantage of batik industry, this is shown by the estimated value of 28.3% with the t count ($3.620 > 1.96$) and P value ($.007 < .05$), so if product orientation can run well will have a positive impact on competitive advantage

The Influence of Customer Orientation toward Competitive Advantages

The customer orientation has a significant and positive influence on the competitive advantage of batik industry, it is indicated by the estimated value of 38,1% with the t count ($3.979 > 1.96$) and P value ($.003 < .05$), so that if customer orientation can run well will have a positive impact on competitive advantage.

The Influence of Competitive Advantage toward Marketing Performance

The competitive advantage has a significant and positive influence on the marketing performance of batik industry, it is indicated by the estimated value of 42.1% with the value of t ($4.123 > 1.96$) and P value ($0.031 < 0.05$), so if the batik industry has an advantage competing quality will have a positive impact on marketing performance.

Discussion

The complexities and dynamics of the business environment intensify, companies are increasingly pushing to further strengthen their strategic basis with concepts like customer focused or oriented culture to gain access to their markets profitably and ensure sustainable growth (Deshpande, Farley and Webster, 1993).

Market orientation is an effective and efficient organizational culture needed to create superior value for buyers and superior performance for the company. Therefore, the main dimensions of market orientation are customer orientation and competitor orientation. The ability to apply

these two orientations, let alone combined with the third orientation as stated (Slater and Narver, 1994) example inter functional coordination within the company will increase the company's resistance to competitors while increasing customer satisfaction.

The market orientation not only understands the concept of consumer orientation, but also the concept of competitive orientation. Competitive influences play an important role in corporate strategy and specifically in innovation and performance strategies. In addition, the commercial performance of an innovation is strongly associated with research and development of new products (Gatignon and Xuereb, 1997).

The hope that a high market-oriented culture can have a significant effect on the profitability of the company has also been proven in the findings presented by Pelham (1997). In the study, market-oriented culture has been proven to generate high profitability because it has high quality and high product reliability, which is possible to develop a premium pricing strategy. In addition, the company can also achieve a high market share with lower final price level because the company is able to increase efficiency especially in the development of new products. Textile is one product that is very dynamic because the model follows the tastes of consumers. Therefore, sales volumes and profits easily change along with price changes, models and other special uniqueness. Careful management in developing market orientations that affect business performance will greatly determine the survival of the company (Narver and Slater, 1994).

The company's goal of product innovation is to maintain the company's survival because existing products are vulnerable to changing consumer needs and tastes, technology, shorter product life



cycles and increased domestic and overseas competition. So that the product innovation should be done through market research so that the products produced can be in accordance with the tastes and needs of consumers. As for Rogers and Shoemaker (1972), product innovation is a new idea that is different from pre-existing ones. Thus, innovation is the application of an idea or discovery that is the concept of an idea.

Conclusion

This research is structured as an attempt to conduct a more in-depth study of how to build a marketing performance model based on product innovation and competitive advantage in the batik industry show that: environmental uncertainty has a significant and positive impact toward product innovation; R & D intensity has a significant and positive impact toward product innovation; product innovation has a significant and positive impact toward marketing performance; product Orientation has a significant and positive impact toward competitive advantage; customer orientation has a significant and positive impact toward competitive advantage; competitive advantage has a significant and positive impact on marketing performance

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