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The Role of Competitive Advantage in Mediating the Effect of Market Orientation on Marketing Performance

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ABSTRACT: This study aims to explain the role of competitive advantage in mediating the influence of market orientation on marketing performance. The research was conducted in Denpasar, the number of samples are 50 respondents through non-probability sampling. Data were collected using questionnaire and analyzed by path analysis. The results show that market orientation has a significant positive effect on competitive advantage, market orientation has a significant positive effect on marketing performance, competitive advantage has a significant positive effect on marketing performance, and competitive advantage plays a significant positive role in mediating the effect of market orientation on marketing performance. The implication of this research is to advise managers of MSME Coffee Shops in Denpasar to always pay attention to the marketing performance by focusing on market orientation and always increasing competitive advantage.

Keywords - Market Orientation, Competitive Advantage, Marketing Performance.

I.

INTRODUCTION

The Indonesian economy is influenced by various sectors. Creative Industry is one of the strong factors that influence economic growth in a positive direction. At the end of 2018 the creative economy's contribution to the Indonesian economy is IDR 1,105 trillion and it is predicted that by the end of 2019 it will be IDR 1,200 trillion (Alexandri & Donie Aulia, 2019). This great influence is generated from various fields in the creative industry. One of these fields is the culinary industry. Based on data from the ministry of cooperatives and small and medium enterprises, 59.2 million MSMEs in Indonesia. This number should have been able to improve the Indonesian economy if business management is carried out optimally. In general, MSMEs doing business activities have not yet reached the level of managing a business. Low market understanding causes MSME products to get less market attention. As a result, the marketing performance of MSMEs is not focused and runs less optimally (Tambunan, 2019)

Marketing performance is a measure used to assess the achievement of marketing process activities carried out by a company (Dewi & Ekawati, 2017). Marketing performance is also a measure of the success of a company and is said to be an achievement of the company as a whole (Hajar & Sukaatmadja, 2016). It is in every business venture to prove the performance achieved with the standards of achievement that have been compiled and agreed upon in the organization. Standardization of performance measures is important as a guide to assess the performance of a business (Afiyati et al., 2019)

Market orientation is the most effective and efficient organizational culture in creating the necessary behavior to produce superior value for buyers, so that continuous superior business performance can be achieved (Tseng et al., 2019). Market orientation is a corporate culture that can lead a company to improve marketing performance. A company that makes market orientation an organizational culture based on external needs and market conditions in formulating strategies for the organization and determining the success of the company (Usvita, 2015)

The right strategy will create a competitive advantage. Competitive advantage is at the heart of marketing performance to face competition. Competitive advantage is defined as the benefit strategy of companies that collaborate to create a more effective competitive advantage in their market. When a company focuses on establishing a competitive advantage, the company will be able to face competition between its peers and can become a hallmark for a suitable market(Petricevic& Teece, 2019).

One type of MSME that is often encountered is a coffee shop. Coffee is a plantation commodity product that has high economic value among other plantation crops and plays an important role as a source of foreign exchange and is a source of income for not less than one and a half million coffee farmers in Indonesia. The culture of drinking coffee in Indonesia is currently a trend followed by young people, many young people are targeting coffee shop businesses to become promising business opportunities. Not only

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because of the massive production of coffee, now the coffee business is also becoming a trend and is starting to mushroom due to market needs and consumers who are starting to like coffee. The Center for Agricultural Data and Information Systems of the Ministry of Agriculture stated that in the future, Indonesian coffee consumption is predicted to continue to increase by an average of 8.22 percent per year.2018-2019 is the peak of coffee consumption in Indonesia, reaching 4.8 million bags of coffee beans. Related to the increasing coffee consumption in Indonesia, it is in line with the rise of coffee shops that offer many types of coffee for the public to enjoy. Today's consumers prefer the culture of drinking coffee in a coffee shop to the consumption of instant coffee. The number of coffee shops in Indonesia in August 2019 reached more than 2,950 outlets (Hafasnuddin et al., 2019).

Coffee shops are one of the MSME in Bali, especially Denpasar, which is a supporting factor for activities in the tourism sector because it provides a variety of coffee shops that are of interest to local people or tourists who come to Denpasar(Hidayat& Asmara, 2017). The Specialty Coffee Association of Indonesia (2018) stated that since 2016 the growth of coffee shops has continued to increase every year in big cities, especially in Denpasar. The variety of products offered, diverse consumer desires, and the increasing number of competitors make coffee shop owners need to be market-oriented and coffee shops are a trend nowadays means that more and more coffee shops are emerging, the more competition is getting tougher in the world of coffee culinary. One company can achieve success by conducting marketing activities in order to produce good and superior marketing performance.

Dewi & Ekawati (2017)state that competitive advantage plays a positive role in mediating the influence of market orientation on marketing performance, Handoyo (2015)proves that competitive advantage is able to positively and significantly mediate between market orientation and marketing performance where competitive advantage is an intervening variable, this means that Competitive advantage acts as a mediating variable that is able to influence the relationship between market orientation and increased marketing performance. However, Setyawati & Abrilia (2013)states that market orientation does not have a positive and significant effect on performance and competitive advantage does not have a positive and significant effect on performance

Based on a pre-survey conducted at twenty coffee shops in Denpasar that had met the respondent's criteria, namely operating for at least six months at the time of this research and the price of local coffee processed in medium cup sizes was under Rp. 25,000. The question "are you pursuing a competitive advantage strategy and studying the targeted market orientation?" 20 respondents agreed. The question "is there any periodic customer growth, profitability, customer loyalty and marketing program after implementing a competitive advantage strategy and studying market orientation?" 15 respondents agreed, 5 respondents disagreed.

Based on the pre-survey results, it can be concluded that the coffee shop experiences customer growth, profitability, customer loyalty, and periodic marketing programs. The increase is due to the manager's strategy for a competitive advantage on the local coffee processing offered and the manager studying the market orientation that is targeted for sales of local processed coffee in coffee shops. It does not rule out that some coffee shops feel there is no increase in marketing performance in carrying out this strategy.

II. HYPHOTHESIS DEVELOPMENT

Utaminingsih (2016); Pertiwi & Siswoyo (2016); Putra & Rahanatha (2017)show that market orientation has a positive and significant effect on marketing performance. Efrata et al. (2019)suggest that market orientation has a significant positive effect on the company's marketing performance so that when market orientation increases, it will be in line with increased marketing performance.

H1: Market Orientation has a positive and significant effect on Marketing Performance.

Talaja et al. (2017)suggested a significant positive effect between market orientation and competitive advantage. Usvita (2015)who found that market orientation has a positive and significant effect on competitive advantage in MSME. This study explains that market orientation behavior in the form of high orientation towards competitors, search for market information, and customer orientation will increase the competitive advantage of MSME. This is in line with Sari & Yasa (2016); Prifti & Alimehmeti (2017), Afiyati et al. (2019). H2: Market Orientation has a positive and significant effect on Competitive Advantage.

Ejrami et al. (2016)stated that competitive advantage has an acceptable effect on marketing performance. Setyawati & Rosiana (2015)prove empirically that there is a positive influence between competitive advantage on business performance. Thus, the competitive advantage that the company has obtained can have a direct effect on improving business performance. This is in line withKaleka & Morgan (2017), Hajar & Sukaatmadja (2016), Nuryakin (2018), Arbawa & Wardoyo (2018)

H3: Competitive Advantage has a significant positive effect on Marketing Performance.

Dewi & Ekawati (2017)in accordance with Usvita (2015)state that competitive advantage positively and significantly mediates the effect of market orientation on marketing performance. Ibrahim & Mahmood (2016); Handoyo (2015); Kamboj & Rahman (2017)which states that competitive advantage significantly positively mediates the relationship between market orientation and marketing performance for the better. H4: Competitive Advantage has a positive and significant effect in mediating the influence of Market

III. METHODS

This research uses an associative quantitative approach and conducted in Denpasar. This location was chosen because teenagers in Denpasar often spend their spare time gathering at coffee shops and the high growth of the number of coffee shops in Denpasar. In addition, coffee shops in Denpasar meet the criteria of respondents who are suitable for research. The subjects in this study are the managers of 50 coffee shops located in Denpasar. The object of this research are market orientation, marketing performance and competitive advantage.

Data collected through questionnaire distribution. The population in this study are the MSME coffee shop located in Denpasar. Determination of the sample using purposive sampling with criteria parameters, namely MSME Coffee shops located in Denpasar which were operating for more than six months at the time of the study and plots of local coffee in medium cups with prices below IDR 25,000. So 50 managers or coffee shop owners are selected as samples

IV. RESULTS AND DISCUSSION

In this study, the number of respondents are 50 owners and managers at the MSME Coffee Shop in Denpasar. Based on gender, men dominate (96%) because men are more into coffee drinking culture compared to women. Respondents aged 18-24 years dominate by 66 percent. Respondents with undergraduate degree dominate by58 percent.

The market orientation variable is considered very high, with a score between 4.08 and 4.62. The overall score of 4.42 indicates that the respondents' statements regarding indicators of market orientation are strongly agreed. The market orientation variable indicator which has the lowest score of 4.08 is "We always respond quickly to competitors' activities". The variable indicator that has the highest score with a value of 4.62 is "We are always fast in responding to customer needs". Overall competitive advantage is rated very good, scoring between 4.40 to 4.60. The overall score of 4.47 indicates that the respondents' statements regarding the indicators of competitive advantage are strongly agreed. Competitive advantage variable indicators which have the lowest score with 4.40, "We analyze prices that have product value and can compete with competitors' prices" and "We always try to maintain all forms of engagement between the company and customers, directly or indirectly". This shows that generally coffee shop managers in Denpasar analyze competitive prices and maintain all forms of bond between the company and customers very well. The variable indicator that has the highest score of 4.60 is "We are trying to build a unique brand or company characteristic." Marketing performance is considered very good, the score is between 4.12 to 4.42. An overall score of 4.28 indicates that the response to statements related to indicators of marketing performance is agree. Marketing performance variable indicator which has the lowest score with 4.12, "Our coffee shop profits increase periodically". The variable indicator that has the highest score with 4.42 is "So far we have succeeded in increasing the number of customers".

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	В	Std. Error	Beta		
Constant	1.456	0.518		2.810	0.007
Market Orientation (X)	0.683	0.117	0.645	5.848	0.000
R Square	0.416				
F Statistic	34.199				
F-test	0.000				

Table 1.The	Result of	Path /	Analysis	in	Structure 1
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Source: Primary data processed (2020)

Orientation on Marketing Performance.

Based on the results of the structure path analysis table 1, structural equation 1 can be formulated as follows: $Y1 = \beta 1X + e1$

Y1 = 0,645X + e1

This equation can be interpreted as $\beta 1$ 0.645 indicating that the market orientation variable has a positive effect on competitive advantage. The market orientation variable has a positive regression coefficient value with a t test significance value of less than 0.05, which means that the market orientation variable has a

significant positive effect on the competitive advantage variable. The total determination value (R Square) which determines the amount of influence of the independent variable on the dependent variable is 0.415 which means that 41.5 percent of competitive advantage is influenced by market orientation, while the remaining 68.5 percent is explained by other factors.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	В	Std. Error	Beta		
Constant	-0,019	0,445		-0,043	0,966
Market Orientation (X)	0,537	0,122	0,486	4,415	0,000
Competitive advantage (Y1)	0,433	0,115	0,414	3,761	0,000
R Square	0,667				
F Statistic	47,143				
F-test	0,000				

Table 2. Result of Path Analysis in Structure 2

Source: Primary data processed (2020)

Based on the results of the structure path analysis table 2, structural equation 2 can be formulated as follows: $Y2 = \beta 2X + \beta 3Y1 + e2$

Y2 = 0,486X + 0,414Y1 + e2

This equation can be interpreted as $\beta 2$ 0.486, indicating that market orientation variables have a positive effect on marketing performance. The next coefficient, which is $\beta 3$, has a value of 0.414, indicating that the competitive advantage variable has a positive effect on marketing performance. Market orientation and competitive advantage variables have a positive regression coefficient with a t test significance value of less than 0.05, which means that the market orientation and competitive advantage variables have a positive regression coefficient with a t test significance value of less than 0.05, which means that the market orientation and competitive advantage variables have a significant positive effect on the marketing performance variable. The total determination value (R Square) which determines the magnitude of the influence of market orientation and competitive advantage on marketing performance is 0.667 which means that 66.7 percent of marketing performance is influenced by market orientation and competitive advantage, while the remaining 43.3 percent is explained by other factors.Overall, the total coefficient of determination is 0.807, which means that 80.7 percent of the variation in marketing performance is influenced by variations in market orientation and competitive advantage and the remaining 19.3 percent is influenced by other factors that are not included in the research model.

The direct effect of the market orientation variable on competitive advantage is 0.645. The direct effect of the market orientation variable on marketing performance is 0.486 and the direct effect of the competitive advantage variable on marketing performance is 0.414. The indirect effect of market orientation variables on marketing performance through competitive advantage is 0.267. So that the total effect of market orientation variables on these results that the effect of market orientation on marketing performance through competitive advantage is 0.753 and it can be concluded based on these results that the effect of market orientation on marketing performance through competitive advantage has a greater value than the direct effect of market orientation on marketing performance without going through the competitive advantage variable of 0.486.

The effect of market orientation on marketing performance has a positive beta value of 0.486 and a significance of 0.000. The significance value of 0.000 <0.05 states that H1 is accepted so that it can be concluded that market orientation has a significant positive effect on marketing performance. This means that the increasing market orientation will increase the results of marketing performance at MSME Coffee Shops in Denpasar and vice versa.when a business makes improvements to market orientation, the resulting marketing performance will be optimal and experience a consistent increase.

The effect of market orientation on competitive advantage has a positive beta value of 0.645 and a significance of 0.000. The significance value of 0.000 < 0.05 states that H1 is accepted so that it can be concluded that market orientation has a significant positive effect on competitive advantage. This means that the increasing market orientation, the competitive advantage at MSME Coffee Shop in Denpasar will increase and vice versa. When a business makes improvements to market orientation, especially in relation to the orientation of competitors, the competitive advantage will increase.

The effect of competitive advantage on marketing performance gets a positive beta value of 0.414 and a significance of 0.000. The significance value of 0.000 < 0.05 states that H1 is accepted so that it can be concluded that competitive advantage has a significant positive effect on marketing performance. This means that the more efforts to make competitive advantages, the results of marketing performance at the MSME Coffee Shop in Denpasar will increase and vice versa. When a business makes improvements or focuses on creating a competitive advantage, it will lead to good and optimal marketing performance.

The role of competitive advantage in mediating the effect of market orientation on marketing performance received an initial positive beta value of 0.486. After the existence of a competitive advantage as a mediating variable, the value of the effect of market orientation on marketing performance increases to 0.753. This increase shows that competitive advantage is able to mediate the effect of market orientation on the marketing performance of MSME Coffee Shops in Denpasar. The results of the sobel test that have been carried out reinforce these results with a z coefficient of 3.1319> 1.96 which means that competitive advantage has a positive and significant effect in mediating the effect of market orientation on marketing performance. When a business is market-oriented it will lead to an increase in competitive advantage, an increase in competitive advantage will marketing performance.

The results of the study imply that competitive advantage must be carried out in an appropriate market orientation analysis so that there will be an increase in competitive advantage. In achieving optimal and good marketing performance, it requires a focus or analysis of market orientation and good competitive advantage, so that overall a good competitive advantage will affect the implications of the influence of market orientation on marketing performance towards optimal improvement.

V. CONCLUSION

Market orientation has a positive and significant effect on competitive advantage at the MSME Coffee Shop in Denpasar, this means that the higher the market orientation carried out by the company, the better the resulting competitive advantage will be. Market orientation has a positive and significant effect on marketing performance at MSME Coffee Shops in Denpasar, this means that the higher the market orientation carried out by the company will be in line with the increase in optimal marketing performance. Competitive advantage has a positive and significant effect on marketing performance at the MSME Coffee Shop in Denpasar, this means that when the company creates a competitive advantage properly it will be in line with the resulting increase in marketing performance. Competitive advantage is able to mediate the influence of market orientation on marketing performance at MSME Coffee Shops in Denpasar, this means that when the company creates a good competitive advantage, the company will experience an increase in the resulting influence of market orientation on marketing performance.

Managers must further improve market orientation, especially in terms of responding quickly to competitors 'activities in order to be able to analyze the strategies that must be applied to balance or be better than competitors' strategies. Managers in running the company must be able to analyze the value of the product so that the price set is not only able to compete on a nominal basis but also can compete on product value. MSME Coffee Shop managers must focus on market orientation strategies and competitive advantage so that the resulting marketing performance can be better.

Suggestions that can be given for further research are expected to be able to examine other variables or different models and expand the scope of research that is not only limited to the MSME Coffee Shop in Denpasar in order to provide a better view and the benefits of research can be felt in general.

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