

# THE INFLUENCE OF PRICE, PROMOTION METHOD AND PRODUCT INNOVATION ON COMPETITIVE ADVANTAGE (Case Study of MSMEs Wood Carving Craft in Mas Village, Gianyar Regency)

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**ABSTRACT:** MSMEs carry out marketing and innovation as driver of economic growth and the main component to build a competitive advantage. Innovation is part of a frame work that connects all aspects of company culture with the ability to innovate in order to improve company performance. This research aims to determine the influence of price, promotional method, and product innovation on the achievement of competitive advantage. The research method used is associative with quantitative approaches. The data used in this research was collected by distributing questionnaires to 60 respondents, namely entrepreneurs who were selected using a census sample technique, where all the population used as samples. The research instrument was tested using validity and reliability tests. The analysis technique used was multiple linear regression with SPSS. Based on the result of the analysis found that price, promotion method, and product innovation each has positive and significant influence on competitive advantage.

**KEYWORDS:** *Price, Promotion Method, Product Innovation, Competitive Advantage.*

## I. INTRODUCTION

Mas Village has been known for a long time with various advantages they have such as wood carving businesses. The craftsmen in this village produce various works of art, especially sculptures or traditional masks. Domestic and foreign tourists are always amazed and appreciate those wood carving works. The results of wood carving in this village have so many deep meanings and uses, such as statues that are commonly used in various ritual activities by Hindu people on the island of Bali. The imagination in woodcarving is often abstract and contains philosophical depth about the creator. Innovation is the introduction of something new, precisely it's the practical implementation of ideas that result in the introduction of new goods or services, or improvement in offering goods or services. Innovation is an idea, practice, or object that is considered as something new by each individual or others (Setiawan, 2018). The changes in promotional methods and technological development in the current era has made MSMEs and wood carving craftsmen in Mas Village lost many visitors and currently empty. Data published by the Central Statistics Agency of Gianyar Regency in 2018 states that the decline in sales of wood carving crafts from 2015 to 2018 has decreased significantly. In 2015, there were sales of IDR379.811.000, while there was a decrease of 25 percent in 2016 to IDR 321.775.000, a decrease of 18 percent occurred in 2017 to IDR 281.990.000 and the last decrease of 14 percent occurred in 2018 to IDR 243.228.000. This was stated by MSME entrepreneurs and wood craftsmen through a short interview that they were only waiting for buyers to come to their workshops. The advances in information technology discourage potential buyers from visiting workshops. Today's buyers prefer to see these products online, because they feel it's way easier and more effective for them to see the products they want through website or social media . The use of online media as a platform to promote the products for MSME entrepreneurs is currently very necessary. Many regions in Indonesia (such as in Jepara, Yogyakarta, and Banten) to various countries in the world (such as Korea and Japan) are currently using online media as their marketing method so that their products can be seen and bought not only in their own country but also overseas. Price is one of the marketing mix variables. Price is not only useful for products or distribution, but also promotions that carry a very absolute function for marketing to reach target markets or to attract buyers. Price means a sale value of goods or services for the buyer and for the seller. For consumers price means a cost

or a sacrifice of something.

Previous research conducted by Setiawan (2018), Dewi (2016), and Taan (2016) found that innovation has a positive and significant influence on competitive advantage. Different from those studies, Sherlin (2016) found that product innovation did not have a significant influence on competitive advantage in Batik Kerinci (SM Industry). The research conducted by Bowo (2015) showed that price perception of consumer has a positive influence on consumer purchasing decisions at Tip-Top Ciputat. Mariana (2015) found that price partially and significantly influence the purchase decision of Amplang in UD Sinar Rejeki. The purpose of this study is to explain the influence of price, promotional method, and product innovation on competitive advantage.

A competitive price means where the price is considered feasible by potential customers, which indicates that a price matches the quality of the product and the price can compete with the other price of products from other companies. Basically, customer wants a price that is fair and compatible with the product or service. Companies must take competitive pricing decisions where customers will feel the money that they have spent match the quality of the product or service they get. In addition, together with making competitive pricing decisions, companies will be able to compete with the prices of products or services from other companies. Through competitive prices, a company will get more value which will be a competitive advantage for the company itself. The result of research conducted by Jusuf (2017) and Taan (2016) show that competitive advantage can be influenced by price. The hypothesis arranged as follows:

**H1: Price has a positive influence on competitive advantage.**

The types of promotion are divided into four, namely advertising, sales promotion, personal selling, and publicity. Personal selling is a marketing trick used to communicate information about a product or service directly to consumers (face to face). Personal selling is run by an individual who represents a company to customers by carrying out one or more activities, such as finding potential customers, communicating, selling, serving, gathering information, and building relationships (Kotler, 2016: 149).

In companies, promotion is one of the foundations for the company to achieve competitive advantage. Competent and professional entrepreneurs can add more value to the company compared to other competitors. Apart from selling their products, entrepreneurs are also able to create long-term relationships with their consumers. The uniqueness of each entrepreneur creates things that are not easy for competitors to imitate. Previous research conducted by Taan (2016) and Peter (2015) show that promotional method can be used to influence and achieve competitive advantage. The hypothesis arranged as follows: H2: Promotional method has a positive influence on competitive advantage. The hypothesis arranged as follows:

**H2: Promotional method has a positive influence on competitive advantage.**

Product innovation is a new product or service that is introduced to the market. In addition, continuous innovation within a company is a market necessity which in turn will lead to competitive advantages. Barhadwaj (2016: 114) states that the company's capability to innovate its products will keep the next product in accordance with customer requests and needs. Besides, in the competitive market, we really need to develop product innovation in order to be different from other competitors and finally have competitive advantages in the market. The results of research by Taan (2016) and Gita (2015) show that competitive advantage can be influenced by product innovation. The hypothesis arranged as follows:

**H3: Product innovation has positive influence on competitive advantage.**

## II. RESEARCH METHOD

This research type is associative research and using quantitative approach. This research was conducted in Mas Village, Gianyar Regency, Bali. The data used in this study collected using a questionnaire. The sample used were 60 people which selected by saturated or census sample technique. The data analysis technique used is multiple linear regression.

## III. RESULTS AND DISCUSSIONS

### 3.1 Multiple Linear Regression Test

TABLE I.  
MULTIPLE LINEAR REGRESSION

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.774	.984		-1.802	.077
Price	.327	.053	.406	6.174	.000
Promotion Method	.304	.037	.513	8.136	.000
Product Innovation	.418	.049	.555	8.561	.000

Sources: processed data (2020).

The result of table 1 shows that multiple regression equation can be written as follows:

$$Y = -1.774 + 0.327 X_1 + 0.304 X_2 + 0.418 X_3 + 0 + e$$

### 3.2 Discussion

#### 3.2.1 The Influence of Price on Competitive Advantage

Based on table 1, This study result found that the influence of price on competitive advantage is positive and significant. This indicated by the value of significance ( $0.000 < 0.05$ ) and the regression coefficient (0.327 which is positive), so that hypothesis 1 in this study is supported. This means the increasing of price will increase the competitive advantage.

This result is supported by other finding of Lenggogeni (2016) which states that price plays an important role in consumer purchase decision, especially for products which distributed in poor countries where most consumers have high price sensitivity. The company must set the right price of its product that is relevant and achievable by the potential market.

#### 3.2.2 The Influence of Promotion Method on Competitive Advantage

Based on table 1, This study result found that the influence of promotion method on competitive advantage is positive and significant. This indicated by the value of significance ( $0.000 < 0.05$ ) and the regression coefficient (0.304 which is positive), so that hypothesis 2 in this study is supported. This means that the increasing of promotion method will increase the competitive advantage. This result is supported by Buchari (2016: 388) who states that promotion is a business that is carried out by marketers through communication with potential consumers. If the promotional activities implemented correctly, it can influence on how and where consumers will spend their money. The main purpose of promotion is to provide information that attracts consumers' attention and then increase the sales. "The purpose of promotion is to get attention, teach, remind, persuade, and convince consumers."

#### 3.2.3 The Influence of Product Innovation on Competitive Advantage

Based on table 1, This study result found that the influence of product innovation on competitive advantage is positive and significant. This indicated by the value of significance ( $0.000 < 0.05$ ) and the regression coefficient (0.418 which is positive), so that hypothesis 3 in this study is supported. This means that the increasing of product innovation will increase the competitive advantage.

This is in accordance with Kotler (2016: 307) which states that with new products or what is meant by original products, product improvements, modify products and new brands of development companies through their own research and development efforts, they can achieve the competitive advantage. Currently, the products offered by each company are increasingly diverse with their respective benefits. This causes consumers to be more selective in choosing the appropriate product. Therefore, companies compete to innovate products to attract consumers, keep their consumers to stay loyal and to maintain the company sustainability. According to Hubeis (2017) innovation is needed by companies to survive, or become more competitive.

#### 3.2.4 Simultaneous Influence of Price, Promotion Method, Product Innovation on Competitive Advantage

Based on the hypothesis testing shown on the table above, it can be seen that the significance value is 0.000 F-table 2.16, so that hypothesis 4 in this study is supported. This means that prices, promotion methods, product innovation simultaneously influence the achievement of competitive advantage, which indicates that the increasing of a price, promotional methods, and product innovation, will also increase competitive advantage. This is in accordance with Kotler (2016: 348) which states that by paying attention to price, promotional method and product innovation, the company will experience a very rapid increase because those supporting factors can represent any required achievement.

## IV. CONCLUSIONS AND SUGGESTIONS

The result shows that competitive advantage can be influenced by price. This means that a good price determination really affects the level of competitive advantage in order to increase sells of wood crafts by craftsmen in Mas Village, Gianyar Regency. Another variable that can influence competitive advantage is promotion method. This means that the right promotional method (both online and offline) at certain moments or at certain times determines the level of competitive advantage of the craftsmen in Mas Village, Gianyar Regency. Competitive advantage also can be influenced by product innovation. This means that the innovation of a product will make huge differences between products of a company to other companies, and product innovation will directly increase the competitive advantage of the craftsmen in Mas Village, Gianyar Regency.

As for the suggestions that can be given, it is necessary for the MSMEs of Wood Carving Craft, in Mas Village, Gianyar Regency to pay attention to adjust the price with the quality of wood carving. The thing about the promotion method that needs to be done is that MSMEs of Wood Carving Craft can carry out unique promotions by direct selling. Things about product innovation need to be considered is that entrepreneurs of MSMEs of Wood Carving Craft can focus on making products that can be more useful than products that have been sold before.

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