MARKET ORIENTATION AND PRODUCT INNOVATION AND THE EFFECT ON COMPETITIVE ADVANTAGE

(survey on Angklung craftsmen in Padasuka Bandung).

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Abstract

Market orientation is something that is important for the company in line with the increasing of global competition and the changes in customer requirements where companies realize that they must always be near to their market. The progress of the craftsmen entirely depends on the ability of the craftsmen to create and foster the competitiveness that can adjust to the changes that occur. In addition to market orientation, product innovation can also be used as a strategy to achieve competitive advantage.

The purpose of this study is to determine the market orientation; product innovation; Competitive advantage in SMEs Angklung Craftsmen in Padasuka Bandung; how great the influence of market orientation and product innovation for competitive advantage both simultaneously and partially on SMEs Angklung Craftsmen in Padasuka Bandung.

The method used in this research is descriptive method of verification. The unit of analysis of this study is all bamboo angklung craftsmen makers who exist in the area of Padasuka Bandung in 2013 amounted to 35 people in the making of bamboo angklung craftsmen in Padasuka Bandung region. The analysis is used to prove the hypothesis in this study is structural equation modeling (SEM)-based component or variance which is known as Partial Least Square (PLS).

The conclusion of this research is market orientation and product innovation altogether affects significantly either partially as well as simultaneously to competitive advantage in SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung.

Keywords: Market Orientation, Product Innovation and Competitive Advantage.

I. Introduction

The number of SMEs that stands today look over the needs of the existing development, as more see good prospects for the future. They should see that the legacy of ancestors should still be maintained. One is Angklung the traditional musical instrument which is an ancestral heritage that is common to the ears of the Indonesian people. This traditional musical instrument has been widely used by many people, there is no indication when angklung was used, but allegedly primitive forms have been used in Neolithic culture that flourished in the archipelago until the beginning of the modern calendar, so angklung is part of the pre-culture of Hinduism relics in the archipelago.

Angklung craftsmen who are placed in Padasuka Bandung have appeared in long time. The craftsmen there produce Angklung-angklung according to customer orders. Until now,

angklung craftsmen in Padasuka has increased, this is caused by a person's desire to see that the angklung is a business that has a value which is economical and good future prospects.

The high of desire and market demand is also felt by the angklung craftsmen in Padasuka, many needs and requests coming from the consumer makes little difficult for the craftsmen to fulfill due to lack of supply of raw materials availability. The level of competition is getting tighter in the angklung craftsmen due to the increase of new artists who want to jump in the same field so that the craftsmen possessed relevant strategies to changing environmental conditions. The progress of the craftsmen entirely depends on the ability of the craftsmen to create and foster the competitiveness that can adjust to the changes that occur.

Based on the results of the initial survey has been conducted to 30 respondents, the results obtained by the angklung produces 72% of respondents did not exceed 28% of consumer demand and the rest is produced exceeds consumer demand. 70% of respondents felt the difficulty in meeting consumer demand due to the lack of raw materials availability of producers to produce, while 30% were able to meet the needs of consumers 60% of respondents had difficulty in obtaining raw materials from suppliers because it is caused by unfavorable weather conditions in the supplier to take the raw material that is to be sent to the craftsmen and 40% answered "no". This is supported by the results of interviews with one of the artist, Mr.Kurnia, he said that still find it difficult to meet consumer demand due to the lack of raw materials availability.

Based on the results of the initial survey of 30 respondents where 70% of respondents the craftsmen do not use technology in the making of angklung because craftsmen can not use existing technology to make them easier in producing and 30% were already using the technology in the manufacture of their products .63% of respondents do not do innovation products in addition to producing their products are often made to compete with the other craftsmen for craftsmen was not willing to make an innovation in its products and the remaining 37% answered "yes" is to innovate products to assist them in competing with other craftsmen. The condition was supported by the results of interviews conducted with one of the angklung craftsmen that craftsmen have to innovate to increase the sales of their products, including the use of technology in the manufacture of angklung by the craftsmen to improve competitive advantage on a competitive basis.

Based on initial survey of 30 respondents 67% of respondents felt their product sales were hampered by existing competitors and the remaining 33% did not feel constrained on the sale of their products by the competitors 63% of respondents felt unable to compete with competitors who engaged in the same industry as craftsmen was not able to compete in the market with other artists and craftsmen 37% felt able to compete with the craftsmen engaged in the same industry. The condition was supported by the results of interviews conducted by one of the artists that angklung craftsmen can not compete with competitors due to the raw materials that are difficult so making it difficult for them in the products sales and the results of their work, and there are also many new artists who were involved in the same business field.

From the phenomenon that has been described above, the authors are interested in doing farther research with the title **"THE EFFECT OF MARKET ORIENTATION ON PRODUCT INNOVATION AND COMPETITIVE ADVANTAGE IN THE SMEs ANGKLUNG CRAFTSMEN PADASUKA BANDUNG"**

II. Purpose of the Study

Based on the above background, the research problem formulation is as follows:

1. To determine market orientation in SMEs Angklung Craftsmen in Padasuka Bandung

2. To determine product innovation in SMEs Angklung Craftsmen in Padasuka Bandung

3. To find competitive advantage in SMEs Angklung Craftsmen in Padasuka Bandung

4. To find out how great the influence of market orientation and product innovation for competitive advantage both simultaneously and partially on SMEs Angklung Craftsmen in Padasuka Bandung

III. Literature Study

Market Orientation

Market orientation is an important thing for the company in line with the increasing global competition and changes in customer requirements where companies realize that they must always be close to the market. Market orientation is a cultural organization whose values helped to grow the company to follow the market so as to offer greater value to customers, which was the key to corporate action (Slater & Narver, 1994, craven and Piercy, 2006, zou et al; 2009, 2010).

Product innovation

Product innovation is an important element in a company, including companies engaged in the culinary business. Any updates in terms of products of the company will determine the purchasing decisions of consumers, and will increase the sales figures of the company and led to the company's competitiveness in the industry undertaken by the company. Definition of the notion of product innovation by Crawford and De Benedetto (2009:9) product innovation is "innovation used in the overall operation of the company in which a new product created and marketed including innovation processes in all functional / usefulness". Similarly, in (Kusumo, 2006:22) defines innovation as a mechanism to adapt the company in a dynamic environment, therefore the company is required to create new thoughts, new ideas and offer innovative products and outstanding service improvement customers.

Competitive Advantage

The more dynamic and diapsar competition requires companies to be able to develop its strategic capabilities through the creation and delivery of superior customer value for its customers so ultimately become a competitive advantage.
According to Porter (1994) in Supayardi (2003:146), "competitive advantage can not be understood by looking at a firm as a whole, but must be from the competitive advantage of

the origin, the different activities undertaken by the company in designing, producing, marketing, delivering and supporting its products ".

IV. Conceptual Framework

The Relation between Market orientation with Competitive Advantage

Companies that will win the competition to achieve competitive advantage is a company that can deliver superior value to customers. Superior value can be created if the company understands very well who their customers are, what their needs are and how to satisfy them better than competitors.

Thus the company will have a competitive advantage that will be difficult for competitors to grab market share, because of that is "required market orientation is the implementation of the marketing concept for creating the competitive advantage" by Kohli and Jaworski (1990) in Muniya Alteza (2004: 63).

The Relation between Product inovation with Competitive Advantage

Innovation is a corporate mechanism to adapt in a dynamic environment, therefore the company is required to create the assessment as well as new ideas and offer innovative products. The emergence of innovation or product innovation is one that can be used as a competitive advantage of the company, according to Gana (2003) in Bagasse Prakosa (2005: 40) "companies doing innovation is seen as a source of sustainable competitive advantage".

Competitive advantage is a value that can be created by companies for consumers is continuously "Competitive advantage can be seen from the accuracy of the company in providing product and market response to consumer complaints such as product quality, customer needs, market entrepreneurs and the innovation of new products continuously" Aditya Helmi (2004: 311) in Gianjar Suendro (2010: 13).

The Relation between Market Orientation and Product Innovation With Competitive Advantage

To achieve competitive advantage then the company's strategic capabilities should be become vital, strategic capability is defined as a knowledge system which consists of a set of skills and behaviors that are complementary and embodied in the organizational processes that enable a business, anticipate the changing conditions and respond to market needs.

To be able to become a source of competitive advantage then it should have the capability of some properties that provide superior value to customers, it is difficult to replicate and can be used for various applications, note the strategic capabilities such as "market orientation which also need to be supported by innovation or product innovation and learning within the organization in order to create competitive advantage "by Day and Wensley (1988) in Muniya Alteza (2004: 62).

According to the framework described above, the research paradigm can be described as follows:

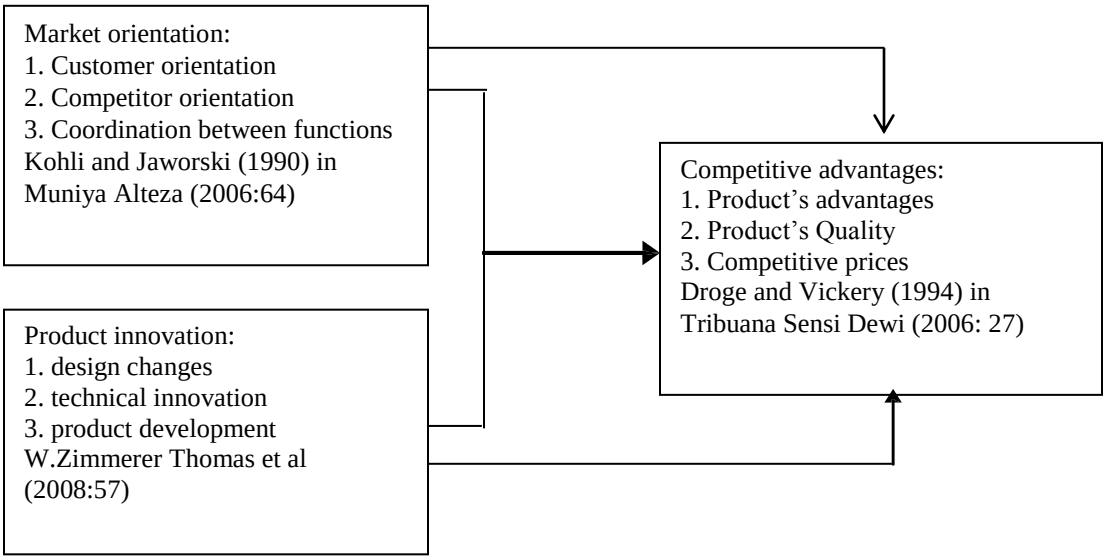


Figure 1 Paradigm Research

V. Research Hypotheses

Main hypothesis:
There is influence between market orientation and product innovation for competitive advantage.

Sub hypothesis:
1. There is the influence of market orientation againsts competitive advantage.
2. There is influence between product inovation againsts competitive advantage

VI. Methods

The analysis which is used to prove the hypothesis in this study is structural equation modeling (SEM)-based on component or variance which is known as Partial Least Square (PLS). The population in this study was all bamboo angklung craftsmen makers in the area of the Padasuka Bandung in 2013 amounted to 35 people in the making of bamboo angklung craftsmen in Bandung Padasuka region.

Structural equation form as follows:
Sub Path First Structure equation: **KP = 1.1 SAPM γ ζ + 1**
Structure Sub Second Line equation: **KWP = γ SAPM 2.1 2.1 + KP + ζ β 2**

VII. Result

Based on other research models, the path diagram of the three variables can be described as follows:

4.1.2.1 Market Orientation of SMEs Sentra Craftsmen Bamboo Angklung Maker

The percentage of respondents in the total score of the markets variable orientation at 84.65 was among the interval 84-100. It can be concluded that the orientation of the SMEs market centers Sentra bamboo angklung craftsmen makers in Bandung Padasuka has been very high. As viewed according to an indicator, the percentage of respondents score on most of the indicators is included in the very high category.

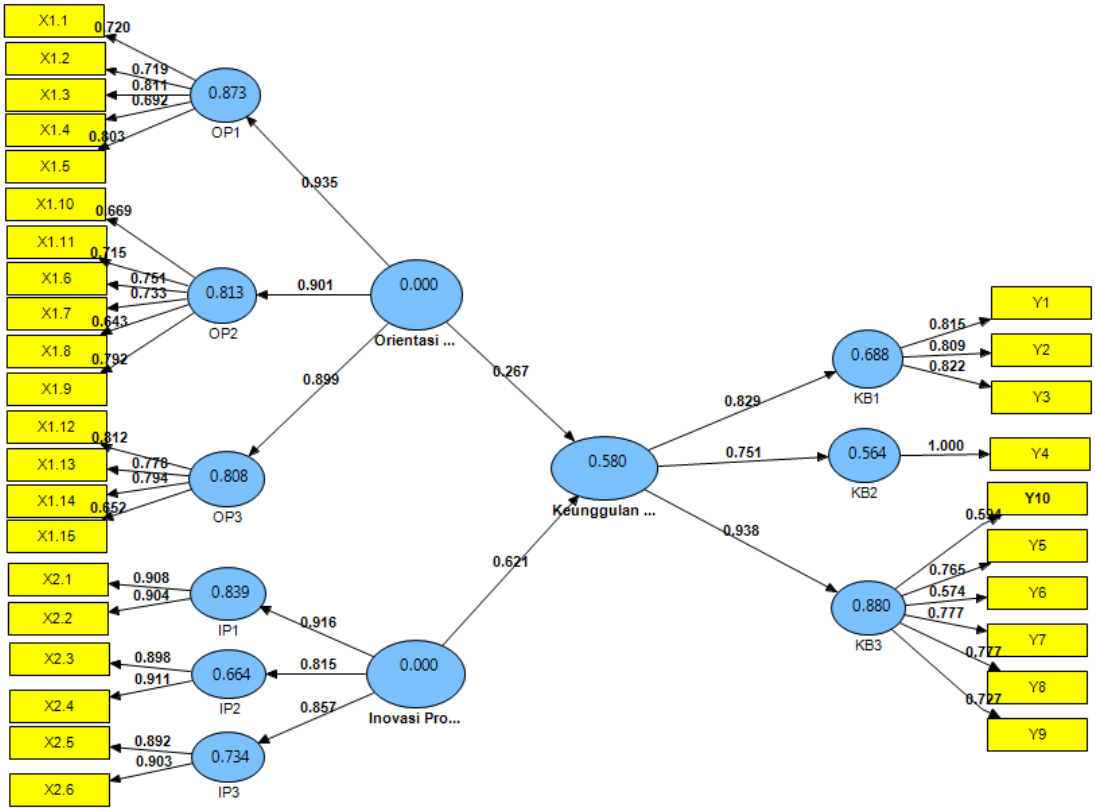
4.1.2.2 Entrepreneur Product Innovation of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka

Product innovation in SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka is already high. As viewed according to an indicator, it appears that the percentage of respondents score on most of the indicators is also included in the high category. Only indicator of the additional type level of angklung is still included in the 'enough' category.

4.1.2.3 Competitive Advantage of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka

Competitive advantage centers of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka are already high. As viewed according to an indicator, it appears that the percentage of respondents score on most of the indicators is included in the 'enough' category.

7.1. The Effect of Market Orientation and Innovation Center against The Competitive Advantage of SMEs Sentra Angklung Bamboo Craftsmen Makers In Bandung Padasuka



7.2. Line Diagram of The Influence of Market Orientation and Innovation Center against The Competitive Advantage of SMEs Bamboo Angklung Craftsmen Makers In Bandung Padasuka (Sandardized Coefficient)

So the total effect of "market orientation" against the competitive advantage = 7.1% + 6.2% = **13.3**% with a positive direction, it means that 13.3% the increase of the competitive advantage in SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka can be explained or caused by "market orientation".

❖ The influence of "product innovation" for competitive advantage is calculated as follows:

- The direct effect "product innovation" for competitive advantage = $(\gamma_{1.2})^2$ = (0,621) × (0,621) = 0,385 **(38, 5 %)**
- Indirect effect "product innovation" for competitive advantage because of its relationship with market orientation = $\gamma_{1.2} \times \phi_{1.2} \times \gamma_{1.1}$ = (0,621) × (0,371) × (0,267) = 0,062 **(6, 2 %)**.

So the total effect of "product innovation" for competitive advantage = 38.5% + 6.2% = 44.7% with a positive direction, it means that 44.7% the increase of the competitive advantage in SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka can be explained or caused by a "product innovation".

Between the two independent variables, innovative products provide the greatest influence on the competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka than market orientation.

1) The Effect of Market Orientation and Product Innovation Altogether againsts Competitive Advantage

Fcount value (22.070) is greater than the F table (3.295) then the error rate of 5% so it was decided to reject Ho and Ha accepted. So based on the test results it can be concluded that the market orientation and product innovation altogether affects significantly on the competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung.

2) The Effect of Market Orientation againsts Partial Competitive Advantage Hypothesis:

Tcount value market orientation variable (2.610) is greater than tcritical (1.96). Because the value of tcount is greater than tcritical, then the error rate of 5% so it was decided to reject Ho and Ha received. So based on the test results it can be concluded that the market orientation of the partial affects on the competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung. The market orientation directly influences of 7.1% of the competitive advantage. Then indirectly because of its association with product innovation affects of 6.2% so that the total effect of market orientation on the competitive advantage of 13.3 percent.

3) Effect of Partial Product Innovation Against Competitive Advantage

Tcount value product innovation variable (5.212) is greater than tcritical (1.96). Because the value of tcount is greater than tcritical, then the error rate of 5% so it was decided to reject Ho and Ha received. So based on the test results it can be concluded that the partial product innovations affects the competitive advantage in SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung. The product innovation directly influences of 38.5% of the competitive advantage. Then indirectly because of its relationship with the market orientation of an impact of 6.2% so that the total effect of product innovation for competitive advantage is at 44.7 percent.

VIII. Conclusion and Suggestion

1. SMEs market orientation of Sentra bamboo angklung craftsmen makers in Bandung Padasuka has been very high. As viewed according to an indicator, it appears that the percentage of respondents score on most of the indicators is included in the very high category.
2. Product innovation of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka has been very high. As viewed according to an indicator, it appears that the percentage of respondents score most of the indicators is also included in the high category. Only the indicator of the level of additional types of angklung is still included in the 'enough' category.
3. Competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Bandung Padasuka has been high. As viewed accprding to an indicator, it appears that the percentage of respondents score on most of the indicators is included in the 'enough' category.
4. Market orientation and product innovation altogether effects significantly on the competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung.
5. Partial market orientation affects competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung. Market orientation directly impacts the competitive advantage. Then indirectly because of its association with product innovation impact the competitive advantage.
6. Product innovation partially effect on the competitive advantage of SMEs Sentra bamboo angklung craftsmen makers in Padasuka Bandung.