The Influence Of Market Orientation, Product Innovation And Competitive Prices On Competitive Advantage And Marketing Performance Of Eco-Friendly Household Product Processing In The DKI Jakarta Area

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ABSTRACT

More and more people are turning to environmentally friendly products and services in Indonesia. DKI Jakarta has a large population and demand for eco-friendly household products is increasing. Katadata Insight Center survey shows food is the most purchased environmentally friendly item. Research method is an approach used to obtain scientific data with a specific purpose. In the context of this study, this research is included in the category of quantitative research. Quantitative research is a type of research that uses statistical procedures or other measurement methods to achieve research findings or results. By using quantitative methods, we can obtain the significance of group differences or relationships between the variables under study. Researchers are interested in the influence of market orientation, innovation and competitive prices on eco-Friendly household products. Firm Resources and Sustained Competitive Advantage.

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1. INTRODUCTION

In the business world, increasing the number of customers and retaining them as loyal customers can be considered as one of the indicators of business success. It deals with the effectiveness of marketing programs and strategies implemented. Marketing activities are not only related to transactions between companies and customers, but also involve efforts to build a closer relationship with customers by understanding their expectations.

In fierce business competition, companies must improve their marketing performance because the success of the product will have an impact on marketing performance. Marketing performance is a measure of company success measured in a certain period of time as a result of activities that have been planned and implemented to evaluate whether the strategy that has been designed and implemented is appropriate or not (Puspitasari, 2015).

In the face of fierce competition, companies must understand how to manage the resources they have. An important key to winning the competition lies in the company’s ability to create a competitive advantage. According to (Narver & Slater, 1990), competitive advantage can be achieved when a firm provides added value to customers that exceeds the value provided by its competitors.

In this regard, there are two general strategies that companies use, namely market orientation (Slater & Narver, 1994) and innovation (Han et al., 1998). According to (Jaworski & Kohli, 1993), market orientation is a corporate culture that can improve marketing performance. While product innovation is designed to meet market demand, so that innovative products can be used as a competitive advantage for companies (Han et al., 1998).

In the face of fierce competition, companies must also create competitive advantages through profitable strategies for companies that work together to compete effectively in the market (Dewi 2006, Djodjobo and Tawas, 2014). Competitive advantage is related to the way a company selects and implements generic strategies effectively.

According to Hartanti et al. (2013), to improve marketing performance, technical innovation and product innovation are important factors. This will have an impact on increasing sales volume, growing the number of customers, and the company’s ability to create profits for its owners.

Awareness of the importance of the environment is increasing in society. More and more people are turning to environmentally friendly products and services, including household products. In DKI Jakarta, as the capital city of Indonesia with a large population, the demand for eco-friendly household products is increasing.

The results of the Katadata Insight Center (KIC) survey "Katadata Consumer Survey on Sustainability" show food to be the most purchased environmentally friendly item. As many as 56.7% of respondents admitted buying food as an environmentally friendly product in the past year.

Other eco-friendly items purchased include 47.8% of household products, 37.4% of clothing, and 30.6% of health and cosmetics. Then as much as 19.2% from electronic products and 8.3% vehicles. Most respondents have awareness about the importance of environmental sustainability by using environmentally friendly products. As many as 62.9% have purchased sustainable or environmentally friendly products in the past year. Meanwhile, respondents who claimed to have never bought environmentally friendly goods were only 37.1%.

The highest reason why respondents choose environmentally friendly products is because they want to preserve the earth (60.5%) and are satisfied using environmentally friendly products (51.1%). The KIC survey was conducted on 3,631 consumers who make decisions in purchasing products or shopping. The survey was conducted online on respondents aged 17-60 years, on July 30 - August 1, 2021, covering almost all regions of Indonesia.
However, with the increase in demand, competition in the eco-friendly household product market is also getting tighter. To win this competition, household product processing companies need to have a competitive advantage and good marketing performance.

Market orientation is a strategic approach that focuses on consumer needs and wants. By having a good market orientation, companies can better understand consumer needs and develop products that are relevant to the market. In addition, product innovation is also very important in creating a competitive advantage. By producing innovative new products, companies can differentiate themselves from competitors and attract consumers.

In this study, researchers are interested in examining the influence of market orientation, product innovation and competitive prices on competitive advantage and marketing performance of eco-friendly household product processing companies in the DKI Jakarta area. By exploring these factors, it is expected to find effective strategies to increase the competitive advantage and marketing performance of companies in this industry.

This study aims to understand how market orientation, product innovation and competitive prices can affect competitive advantage and marketing performance in the context of environmentally friendly processing of household products. Thus, this research will provide insight into effective marketing strategies in increasing competitive advantage and marketing performance of environmentally friendly household products in the DKI Jakarta area.

2. LITERATURE REVIEW

2.1 Competitive Advantage

Basically, every company that competes in an industrial environment has the desire to be superior to its competitors. Generally, companies implement this competitive strategy explicitly through the activities of various existing functional departments of the company. The basic thinking of creating a competitive strategy stem from developing a general formula for how the business will be developed, what exactly it aims for and what policies will be needed to achieve those goals.

The notion of competitive advantage itself has two different but interrelated meanings. The first understanding emphasizes excellence or superiority in terms of resources and expertise owned by the company. Companies with marketing, production and innovation skills can use them as resources to gain a competitive advantage.

With a good competitive position, the company actually has a strong source of capital to continue to compete with other companies (Groge and Vickery, 1994, pp. 669-670). Bharadwaj et al (1993, pp. 83-84) explained that competitive advantage is the result of implementing strategies that utilize various resources owned by the company. Unique skills and assets are considered a source of competitive advantage. Unique skills are a company's ability to motivate its employees to achieve competitive advantage.

The ability to properly develop employee skills will differentiate the company, and the implementation of human resources-based strategies will be difficult for competitors to replicate. At the same time, a unique asset or resource is the actual resource that a company needs in order to successfully execute its competitive strategy. Both of these resources should be directed to support the creation of a company that is high performing, low cost, and different from other companies.

A similar view is expressed by Porter (1990, p. 3), who explains that competitive advantage is central to marketing in response to competition. Competitive advantage is defined as a strategy that benefits businesses that collaborate to create a more effective competitive advantage in their markets. This strategy should be designed to create a sustainable competitive advantage so that the company can dominate both old and new markets.

Competitive advantage essentially arises from the value or benefits that the
company creates for buyers. Customers often like to buy products that have a higher value than what they want or expect. But the value will also be compared with the price offered. Product purchases will occur if the customer considers the price of the product in accordance with the value it offers. This is supported by the opinion of Styagraha (1994, p. 14) which states that competitive advantage is the ability of a business entity (company) to provide more value to its products than its competitors and this value does bring benefits to customers.

2.2 Market Orientation

Market orientation is important for companies in the context of increasing global competition and changing customer needs, where companies realize that they must remain relevant to your school's market. Market orientation is a corporate culture where the organization is committed to continuously innovating in creating superior value for customers. Narver and Slater (1990, p.21) identify market orientation as the organizational culture that is most effective in creating key behaviors that create superior buyer value as well as business performance.

While Uncles (2000, p.1) defines market orientation as a process and activity related to creating and satisfying customers by continuously assessing customer needs and wants. The implementation of market orientation will bring higher operational efficiency to the company. Narver and Slater (1990, pp. 21-22) argue that market orientation includes three behavioral components, namely customer orientation, competitor orientation, and coordination between functions.

Customer orientation and competitor orientation include all activities involved in gathering information about buyers and competitors in the target market and disseminating that information throughout the company, whereas cross-functional coordination is based on information about customers and competitors and involves coordinated business efforts. It is further explained that customer centricity is defined as a thorough understanding of customer purchase goals with the aim of continuing to create superior value for buyers. Understanding here includes understanding the entire buyer's value chain, both now and as it develops in the future. This effort can be achieved through the process of searching for customer information (Uncles, 2000, p.1).

With that information, the sales company will understand who its potential customers are, today and tomorrow, what they want today and tomorrow. Competitor orientation means that competitively oriented companies are often considered as companies that have a strategy in sharing information about competitors, how to respond to competitors’ actions, and also how to respond to competitors’ actions. Narver and Slater, 1990, p.21).

Competitor orientation can mean that salespeople will try to gather information about competitors and share that information with other functions within the company, for example the research, product research and development department, or discuss with company management the strengths of competitors and strategies to be implemented. (Ferdinand, 2000, p. 18). Narver and Slater (1990, p. 22) argue that competitive orientation means firms understand the short-term strengths and weaknesses, capabilities, and long-term strategies of potential competitors. This understanding includes whether competitors are using new technology to retain existing customers.

2.3 Product Innovation

The similarity of appearance with similar products of competitors becomes a determining factor in product innovation. Often competing products perform without significant changes and even tend to be static. This situation can be advantageous because the competition generated by the emergence of competing products can be overcome by implementing product innovation. Product innovation is something that can be considered as an advancement in the functioning of a product, perhaps even further than competing products. If the product has benefits that are considered as added value for consumers.
Developing new products and more effective strategies often determines the success and survival of a business, but it is no easy task. New product development requires effort, time and skill, which poses significant risks and costs of failure. Song and Parry (1997, p.64) explain that the competitive advantage of a product is one of the factors that determine the success of a new product (so that an innovative product has an advantage over other similar competing products).

It is also consistent with Cooper’s (2000, p. 38) view that the benefits of new products are critical in a highly competitive global marketplace. This advantage cannot be separated from product development innovations that create it to have a market advantage and then superior to its competitors. Wahyono (2002, pp. 28-29) explained that continuous innovation in business is a fundamental need which in turn will lead to the creation of competitive advantage. Classically, the term innovation can be understood as a breakthrough associated with a new product. But along with development, the notion of innovation also includes the adoption of new ideas or processes.

Innovation is also seen as a mechanism that allows a company to adapt to its dynamic environment. Changes in the business environment require companies to be able to create new thoughts, ideas and produce innovative products. Thus, innovation is becoming increasingly important, not only as a tool to maintain the existence of the company but also to excel in the competition. Gatignon and Xuereb (1997, p. 71) highlight three characteristics of innovation, namely product excellence, product cost, and product reliability. Innovative products can fail simply because they lack a unique design or lack of anticipation of customer wants and needs. Product innovation must be able to provide added value compared to similar products (superior products) so as to provide an advantage for the company over its competitors. Lukas and Ferrell (2000, p.240) explain there are several indicators of product innovation, namely:

The research of Droge and Vickery (1994, p. 687) suggests that products can be used as a source of competitive advantage. Companies that can design their products according to customer wishes will be able to survive in competition because their products are always in demand by customers. Similar research results were also conveyed by Bharadwaj et al (1993, p. 89) stated that the company’s ability to continue to innovate products will keep the product relevant to customer wants and needs.

2.4 Marketing Performance

Marketing performance is a measure of results obtained from the overall marketing process activities of a company or organization. In addition, marketing performance can also be considered as a concept used to measure the level of market performance achieved by a product produced by a company. Ferdinand (2000, p.23) states that marketing performance is a factor commonly used to measure the impact of strategies implemented by companies.

The company’s strategy is always aimed at producing good marketing performance (such as sales and sales growth) as well as good financial performance. Furthermore, Ferdinand also argues that good marketing effectiveness is reflected in three main values: revenue value, sales growth rate, and market share. Wahyono (2002, p. 28) explains that revenue growth will depend on the number of customers whose average consumption is known to be fixed. The selling value indicates how many rupees or how many units of the product the company successfully sold to consumers or customers.

The higher the sales value, the more successful the company is in selling its products. While market share shows the extent to which processed products are able to dominate the market of similar products compared to their competitors. The results of Li’s (2000, p. 313) research found a positive influence between competitive advantage and performance as measured by sales volume.
2.5 Competitive Price

Price is the amount of money that consumers must pay to obtain a product/service (Kotler & Armstrong, 2012). Prices are included in one of the marketing mix activities. Price is the amount paid by consumers for a product or service or the amount of exchange rate given by consumers for the benefits of owning or using the product/service (Simamora, 2000). Price according to (Yazid, 2001) is defined as a sum of money paid by buyers to sellers to obtain a number of goods or services. According to (Cravens, 1996), price has many advantages, one of which is as a strategic tool in business and marketing. The company adopts a pricing approach to achieve its goals of increasing sales, maintaining market share, maintaining price stability, obtaining maximum profits, and others.

In the business world, competition is measured by comparing the selling price of the same product between competing companies. A company should set a price close to that of its competitors if it is its main competitor. A company may change its price in response to prices set by its competitors. Pricing is important because it affects the operational control of a company. Inaccurate pricing can lead to price wars. Price wars occur when lower prices become very attractive to consumers who previously had no purchasing power and begin to enter the market. As prices continue to fall, the market expands, attracting more producers, mostly small, to offer cheaper prices (Cateora & Graham, 2007). Companies need to understand that consumers want a fair price, where they feel the sacrifice in the form of cost is proportional to the benefits obtained from the product. Companies must set competitive prices that are considered appropriate by potential customers because they are in accordance with product benefits and affordable, and are expected to compete with the prices of other companies’ products. Through competitive pricing, a product will gain value in the eyes of consumers which will be an important factor in influencing market share.

In setting competitive prices, the company must offer a price that is equal to or close to the price of its competitors, but if the quality offered is lower than the quality of its competitors, then the company must set a lower price than its competitors (M. Suyanto, 2007). According to a study (Sudhir K & Debabrata, Talukdar, 2004), consumers tend to hesitate to buy cheap products because they doubt the quality of the product. Therefore, it can be concluded that price can indicate the quality of a product where consumers perceive that a high price usually means good quality. Various drivers of competitive strategies are applied by companies to gain competitive advantage. There may come a time when companies that believe they have no competitive advantage will combine price and quality to gain a competitive advantage. Situations like this force them to try to increase the value they provide to consumers by lowering prices, improving quality, or both. Based on the understanding of experts and previous research, it can be concluded that the price index is the right price for consumers, the right price with the quality offered, and price comparison with other competitors.

3. METHODS

This research will refer to a quantitative approach with a cross-sectional research design that emphasizes the influence of key variables on the competitive advantage and marketing performance of eco-friendly household products in the DKI Jakarta area. In its endeavor to gather precise information, this study will utilize a structured questionnaire distributed among several companies involved in the production of environmentally friendly household products. Through meticulous sampling techniques, the research will evaluate the extent to which market orientation, product innovation, and competitive pricing
Contribute to the competitive advantage and marketing performance in this sector.

Regression analysis will serve as the primary foundation to test and measure the significance and impact of independent variables—market orientation, product innovation, and competitive pricing—on dependent variables such as competitive advantage and marketing performance. By examining the interrelationship between these variables, this research aims to provide an in-depth understanding of the driving factors behind the success of companies in the eco-friendly household product industry in the DKI Jakarta area.

This research not only adopts statistical approaches to analyze data but also considers ethical aspects involving respondent privacy and confidentiality. By obtaining permission and adhering to research ethics standards, this study is expected to make a valuable contribution in broadening the understanding of the dynamics of the eco-friendly household product market while considering practical implications for companies to enhance their strategies in achieving competitive advantages in the market.

4. RESULTS AND DISCUSSION

In this study, questionnaires or questionnaires have been widely and thoroughly distributed in various areas of Jakarta, ranging from East Jakarta, West Jakarta, South Jakarta, North Jakarta, Central Jakarta, and the Thousand Islands where we use various online platforms and social media such as Instagram, Twitter, Facebook, and also use WhatsApp. The requirements of respondents in this study are all the wider community domiciled in the DKI Jakarta area and also at least at least have sold or produced environmentally friendly products. Respondents who have been obtained through the purposive sampling method that have the above requirements are as many as 100 respondents who have met the requirements. All respondents who are sellers or produce environmentally friendly products will be immediately submitted and if those who have never had experience in selling or producing environmentally friendly will not be counted in this study.

4.1 Outer Loading Factor

After reviewing the data of this study, the first step is to test the results of the study using the SEM-PLS method, an external model measurement method that shows the accuracy of the indicators used in the definition. or describe each relevant variable. Methods include taking measurements as part of checking the validity and reliability of the data obtained.

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4.2 Competitive Price against Competitive Advantage

Based on various tests that have been carried out in this study, it illustrates that there is no significant direct influence between competitive price variables and competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.836 which shows a non-positive value in line with the positive influence relationship between the two variables.

4.3 Competitive Price against Marketing Performance

Based on various tests that have been carried out in this study, it illustrates that there is a significant positive influence between competitive price variables and competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.042 which shows a non-positive value in line with the positive influence relationship between the two variables.

4.4 Product Innovation towards Competitive Advantage

Based on various tests that have been carried out in this study, it illustrates that there is a significant positive influence between competitive price variables and competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.067 which shows a non-positive value in line with the positive influence relationship between the two variables.

4.5 Product Innovation to Marketing Performance

Based on various tests that have been carried out in this study, it illustrates that there is no direct insignificant effect between competitive price variables and competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.042 which shows a non-positive value in line with the positive influence relationship between the two variables.

4.6 Competitive Advantage over Marketing Performance

Based on various tests that have been carried out in this study, it illustrates that there is a significant positive influence between competitive price variables and
competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.021 which shows a non-positive value in line with the positive influence relationship between the two variables.

4.7 Market Orientation towards Competitive Advantage

Based on various tests that have been carried out in this study, it illustrates that there is a significant positive influence between competitive price variables and competitive advantages in the processing of environmentally friendly household products. This result is based on the results of the path coefficient that appears that the original sample has a value of 0.000 which shows a non-positive value in line with the positive influence relationship between the two variables.

3.1 Market Orientation towards Marketing Performance

Based on various tests that have been carried out in this study, it illustrates that there is no insignificant positive influence

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