
RAYU : A COMPETITIVE STRATEGY MODEL OF WOODCRAFT BUSINESS IN SOLORAYA POST COVID-19 PANDEMIC

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ABSTRACT

Objective: The woodcraft business sector in Soloraya has promising opportunities, but currently, the number of businesses is decreasing due to the Covid-19 pandemic. This research aims to increase marketing performance through market orientation, product innovation, and competitive strategy. **Research Design & Methods:** This research uses a quantitative method by surveying 120 woodcraft enterprises in Soloraya. The sample was obtained by purposive sampling method with business's criteria it's more than 5 years exist in the industry and analyzed with the Structural Equation Model (SEM) using PLS to obtain comprehensive results. **Findings:** The results show that market orientation and product innovation significantly affect to increase the competitive strategy and marketing performance. Competitive strategy positive and strongly mediate the effect of market orientation and product innovation to increase marketing performance. **Implications & Recommendations:** Market orientation implements a marketing concept that can provide genuinely value to consumers. The competitive strategy is intended to maintain a level of gain and a sustainable position when facing competition. When increasing the competitive strategy, it needs to determining price, form, and quality so the competitors cannot be imitated perfectly. **Contribution & Value Added:** This competitive strategy model provides the enterprise with more significant opportunities to reach optimal marketing performance including expand market share and rise from adversity due to the Covid-19 pandemic. In addition, this model can be applied to other areas so this business type does not experience a shortage of supplies.

Keywords: competitive strategy; marketing performance; market orientation; product innovation; woodcraft.

JEL codes: M21, M31

Article type: research paper

INTRODUCTION

The development of technology, which is followed by an increasingly better work specialization system, is a condition which allows an increase in goods and services production needed to meet the consumers' lives needs. It's because the enterprise not only provide products for domestic market, but also try to reach market share in another countries. This situation makes every company strive to develop and maintain the company's position to achieve better market opportunities. Thus every company must develop its marketing activities so that the desired goals or objectives can be adequately achieved (Carbonell & Rodri, 2020). Customer dominance, rapid technological change, intense global competition, deregulation, and social change pose new challenges and opportunities in doing business. Analyzing various marketing theories is necessary to achieve high marketing performance in this situation. Improved performance and increased competitiveness of companies can

be done by developing an organizational culture focused on understanding market needs, wants, and market demands, namely market-oriented culture (Na et al., 2019).

The achievement of good performance is a contribution from the dynamics of the strategy, including commitment, carrying capacity, strong team management, ability to develop and maintain business continuity. Marketing performance can be influenced through a more market-oriented marketing management philosophy and product innovation to support the various marketing mix strategies implemented by the company (Fatonah & Haryanto, 2021). The ability of MSMEs to last a long time in the industry is clear evidence of stable marketing performance to maintain the stability of the Indonesian economy. However, the initiation directed at market orientation and product innovation is still lacking, this causes MSMEs to only stop at a stuck business level. This condition is very contradictory to the government program that emphasizes the resilience of MSMEs in advancing the economy but is not supported by various facilities and design thinking development that business objectives should influence increasing competitive strategy in the industry on market orientation and sustainable product innovation, so the marketing performance obtained is more significant (Kumbara & Afuan, 2020). The limited research on market orientation in MSMEs is due to (1) the larger company size will make it easier to observations and collect data, (2) larger companies have a long business age, so it allows researchers to conduct research using longitudinal analysis, (3) larger companies have a more complex organizational culture, so it is more interesting to study than small companies, and (4) larger companies have stronger financial resources to research than small companies. This condition causes small company's weaknesses in the marketing department and increases profitability (Lasmy et al., 2019).

The Woodcraft enterprise problems in Soloraya are market access, product innovation, capital, and the quality of human resources. A good understanding of customers will encourage entrepreneurs to understand the wants and needs of consumers correctly. By knowing the wants and needs of consumers, Woodcraft enterprises are required to provide good products or services for consumers. When Woodcraft enterprise can offer good products following consumer desires, consumers will undoubtedly buy these products. The woodcraft enterprises which drive a business with high market orientation principle will reach high marketing performance in product quality, service quality, product innovation, and cost determination (Adelsarbanlar & Khoshtinat, 2016). The woodcraft enterprises not only have a market orientation principle in reaching high marketing performance, but they also always attempt to innovate so that the competitors are difficult to follow. It is not enough for Micro, small and medium enterprises (MSME) to have a relative advantage, but the most important thing is a sustainable competitive advantage to a favorable situation. Micro, small and medium enterprises (MSME) must create high-competitive products that are regularly and continuously, good quality, and creative variations to reach better marketing performance, so they are not underrated than large companies (Alhadid & Qaddomi, 2016). The primary purpose of innovation is reach market demand and share as a competitive advantage to lead the industry. For Woodcraft enterprise, their success in innovating means being one step ahead of their competitors. This chance requires the Woodcraft enterprise expertise in recognizing their customers' tastes so that their innovations follow their customers' wishes.

Woodcraft enterprises must apply market orientation to recognize the market behaviour and competitor's behaviour to create competitive advantages that ultimately impact high marketing performance. The market orientation target is to reach a sustainable competitive advantage and the best marketing performance. The research by Udriyah et al. (2019) stated a positive and strong correlation between market orientation and competitive advantage. The research by Xiao et al. (2017) stated a positive but not significant effect from market orientation to competitive advantage. Ouma & Bett (2016) stated that unique competitive advantage strongly affects marketing performance. Research conducted by Putri & Suryana (2016) stated that competitive advantage positively affects marketing performance. Research conducted by Harjadi et al. (2020) shows that product innovation significantly affects the competitive advantage, which shows that MSMEs strive to follow trends by innovating to boost their product's competitive advantage. However, Puspaningrum (2017) states that

product innovation does not have a positive and significant effect on the competitive advantage of MSMEs.

Every woodcraft enterprise must understand what consumers want and environment changes in industries including the competitors. The Woodcraft enterprise should strive to minimize its weaknesses and maximize its strengths. Thus, Woodcraft enterprises must choose and determine strategies to face competition. In competing, marketing strategy has an essential role in avoiding losses. The marketing strategy expected by MSMEs is to increase their sales, profit, and market share. This result is relevant to Ogohi Daniel (2018) research which states that market orientation strongly affects marketing performance. In another research by Ejrami et al. (2016) states that positive influence of market orientation to raise marketing performance. Kamboj & Rahman (2017) state that market orientation is the main role for increasing other marketing resources effectiveness to raise marketing performance. However, this contrasts with research conducted by Fang et al. (2014), which states that market orientation does not affect marketing performance.

Creativity dominates the innovation implementation system. Product and process innovation form a distinct advantage, through two types of innovation. First, achieving the best marketing performance requires unique capabilities to implement the chosen strategy optimally. Second, sustainable innovation is necessary to create a strong competitive advantage in industry. Research conducted by Kiveu et al. (2019) shows that product innovation is success key to raise marketing performance. This conclusion is inversely proportional to Yadav et al. (2019) which states that sustainable product innovation has not significant effect because sometimes it can only significantly affects marketing performance through competitive strategy as an intervening variable.

Arifiani et al. (2021) prove that strong competitive advantage can mediate the effect of market orientation on marketing performance. Besides, Munck et al. (2020) states that competitive advantage can strongly mediate the effect of product innovation on marketing performance. However, another study from Herman et al. (2018) stated that competitive advantage could not mediate the effect of market orientation and product innovation on MSMEs performance.

From this background described, it is necessary to analyze the marketing performance improvement model based on market-orientation engagement and sustainable product innovation which mediating by strong competitive strategy in Soloraya woodcraft enterprises. The urgency of this research is to be an initiation for the government in increasing the competitiveness of woodcraft enterprises in Soloraya to innovate in developing customer-oriented businesses so they will be sustainable and contribute positively to regional economic development.

LITERATURE REVIEW

Marketing Performance

Marketing performance is how the company's achievements in the products produced. Besides, marketing performance is also a measure used to assess the achievements of the marketing process activities carried out by a company. Marketing performance related to customer growth increases customer arrivals by repurchasing the products produced. Marketing performance is directed to measure how sales volume increases and sales growth (Hinson et al., 2017). Marketing performance was marked by good sales growth from previous years, higher growth than competitors, and a broader market share than the previous year. Meanwhile, poor marketing performance is indicated by a decrease in sales compared to the previous year and competitors in the same industry. It is difficult to measure the effectiveness and efficiency of each marketing activity, decision or program, so marketing performance is more focused on the profitability and productivity of marketing decisions (Xiao et al., 2017). The marketing performance evaluation process uses five dimensions, namely (1) marketing culture, (2) marketing capabilities, (3) marketing processes, (4) market performance, and (5) financial performance (Buli, 2017).

Market Orientation

Market orientation has a high concern for others and is defined as a selling approach emphasizing the importance of satisfying consumers' needs. Therefore, customer orientation positively influences salesperson performance. Market orientation is the most effective and efficient organizational culture to create customer behaviour that can produce superior performance (Huhtala et al., 2014). Besides, market orientation is setting of strategic consumer targets and building an organization that focuses on customer service, providing a competitive basis that focuses inward, providing services that meet consumer expectations to win a competition. Companies that are successful in controlling the market are referred to as market drive firms, namely companies that always place customer orientation and competitor orientation in harmony, resulting in better marketing performance (Choi & Chen, 2020). Through market orientation, companies can assess the strategy for short term and long term. In the short term, the company must try to understand the strengths and weaknesses of existing competitors, while in the long term, what the company should do in the future in achieving marketing performance. Besides, market orientation as a process and activity related to customer creation and satisfaction by continuously assessing customer needs and wants (Abu Bakar & Ahmed, 2015).

Product Innovation

The product innovation developed will increase the company's ability to produce quality products. By producing a quality product, the company must be able to improve the product development capabilities that have been carried out so that the resulting product can continuously be developed or carried out with continuous innovation (Zou & Chen, 2020). Innovation does carry risks, but it is a process that can be profitable in the future because innovation is crucial in marketing because markets are constantly changing. Innovation plays an essential role in breaking barriers, increasing attention, and market support. By innovating, the company will be more successful in responding to its environment and developing capabilities to generate a competitive advantage and impact the company's overall performance (Falasca et al., 2017). Continuous innovation in a company is necessary to create a competitive advantage. Thus, innovation is an essential function of management because innovation will determine superior business performance. Innovation will become increasingly important as a tool for survival, growth, and increasingly fierce competition and environmental uncertainty. Two conceptions of innovation are (1) Innovativeness, the notion of openness to new ideas as an aspect of corporate culture; (2) The capacity to innovate, the company's ability to use or implement a new idea, process, product successfully (Carbonell & Rodri, 2020).

Competitive Strategy

The massive progress of region supports intense competition that increasing number of similar or same businesses will make it increasingly difficult to distinguish one product from another. This situation has resulted in many businesses not getting customers because business owners cannot optimize changes to seek opportunities. Therefore, companies must develop strategies used to achieve success in the competition. The key to winning a market competition lies in the company's ability to create a competitive advantage. Competitive advantage is the key to success because it is designed to gain company value (Alhadid & Qaddomi, 2016). The companies experience a competitive advantage when actions in an industry create economic value and several competing firms engage in similar actions. If a company chooses the right strategy, it will quickly create a competitive advantage in global market penetration, and a company is required to improve its existing capabilities, the capability in question is the ability to maintain its market share and even more win market share from competitors. The company or product must own competitive advantage to achieve performance and product success (Chen et al., 2021).

Previous Research

Research by Kumbara & Afuan (2020) argues a positive and significant relationship between market orientation and competitive advantage for SME manufacturing. Udriyah et al. (2019) states that statistical calculations of market orientation factors have a positive and significant effect on

competitive advantage for small-scale songket businesses. The research by Xiao et al. (2017) stated a positive but not significant relationship between market orientation and competitive advantage. The enterprise needs to find as much market information as possible to determine what consumers need things and what the market needs today. Consumer desires constantly change to follow the trends that become market tastes. It also needs to dig up information about the strategies carried out by competitors to predict and anticipate conditions that might occur in the market. By having much information about market conditions, customer needs, and strategies carried out by competitors, business owners can automatically plan a strategy that is right on target to have a higher competitive advantage.

H1: Market orientation has significant effect on competitive strategy.

Yadav et al. (2019) stated that product innovation could increase the competitive advantage of small and medium industries significantly. Research by Hinson et al. (2017) argues that product innovation has a positive and significant effect on competitive advantage in industry. But, Puspaningrum (2017) states that product innovation does not have a positive and significant effect on the competitive advantage of MSMEs. A firm's ability to combine and reconfigure resources effectively into complementary assets leads to the firm's dynamic capabilities and competitiveness. Another factor that explains the low explanatory power of innovation though significant in firm competitiveness is the nature of innovation implemented in the firm measured by the level of newness or novelty of an innovation. The nature/novelty of innovation is influenced by factors that include firm capabilities, competences, resources and networks.

H2: Product innovation has significant effect on competitive strategy.

Previous research by Carbonell & Rodri (2020) stated a positive and significant influence of market orientation on marketing performance. It can be said that companies that carry out market orientation well will improve the company's marketing performance. The results of Lasmy et al. (2019) emphasize that market orientation has a positive effect on the performance of MSMEs. However, Fang et al. (2014), which states that market orientation does not affect marketing performance. A superior role of networking in MSMEs strategy is highly dependent on their partners and the surrounding network. Therefore, market orientation is a phenomenon internal to a firm, but its locus is found in a network of firms. This situation reinforces the notion of a stronger market orientation-performance relationship by leveraging SMEs potential advantages of flexibility, adaptability, and closeness to their customer base into superior, individualized service.

H3: Market orientation has significant effect on marketing performance.

The results of research by Harjadi et al. (2020) show a positive influence between product innovation and marketing performance because MSMEs that carry out product innovations will easier to improve their marketing performance. The results of research from Huhtala et al. (2014) also states that product innovation has a positive and significant effect on the performance of MSMEs because to get benefits from implementing strategies, they must go through adaptive innovation. In other research, Yadav et al. (2019) states that product innovation has a positive but not significant effect on marketing performance. An autonomy, proactiveness, competitive aggressiveness, and risk-taking directly and statistically significantly influence business performance. It can, therefore, be inferred based on the findings that product innovation has a direct relationship with business performance, but the overall contribution made by the four independent dimensions of product innovation on performance is outstanding. However, integrating product innovation can play a significant role in firms positive performance and expansion to international markets

H4: Product innovation has significant effect on marketing performance.

Research by Munck et al. (2020) argues that competitive advantage has a positive and significant effect on the success of new products including increasing profits and sales. Ogohi Daniel (2018) assert that competitive advantage positively affects business performance in small and medium enterprises because to improve business performance, they must first create competitive advantages. Competitive advantage is a value to the company from implementing its strategy to have more

significant cost savings and more value than its competitors. These advantages are one of the more strengthening corporate bargaining powers to consumers. SMEs players who have a competitive advantage will survive and win the competition in running their business activities. Excellence in creating quality products, unique products, and competitive prices will attract consumers to make purchases. If the company owns the competitive advantage, it will positively affect the performance of SMEs in obtaining profit. Competitive advantage can be the key to better organizational performance. This result implies that if a business has a competitive advantage, its brand endurance and product quality will be strong and survive.

H5: Competitive Strategy has significant effect on marketing performance.

Research by Herman et al. (2018) results prove that competitive advantage can mediate the relationship between market orientation and MSME performance. Furthermore, the results by Na et al. (2019) also show an influence of competitive advantage mediating the relationship between market orientation and marketing performance. Another research, Herman et al. (2018) stated that competitive advantage could not mediate the effect of market orientation and product innovation on the performance of MSMEs.

H6: Competitive Strategy can mediate the effect of market orientation on marketing performance.

Research by Kiveu et al. (2019) results prove that competitive advantage can mediate the relationship between product innovation and marketing performance. The results by Buli (2017) also show an influence of competitive advantage mediating relationship between product innovation and marketing performance. But, Herman et al. (2018) stated that competitive advantage could not mediate the effect of market orientation and product innovation on the performance of MSMEs.

H7: Competitive Strategy can mediate the effect of product innovation on marketing performance.

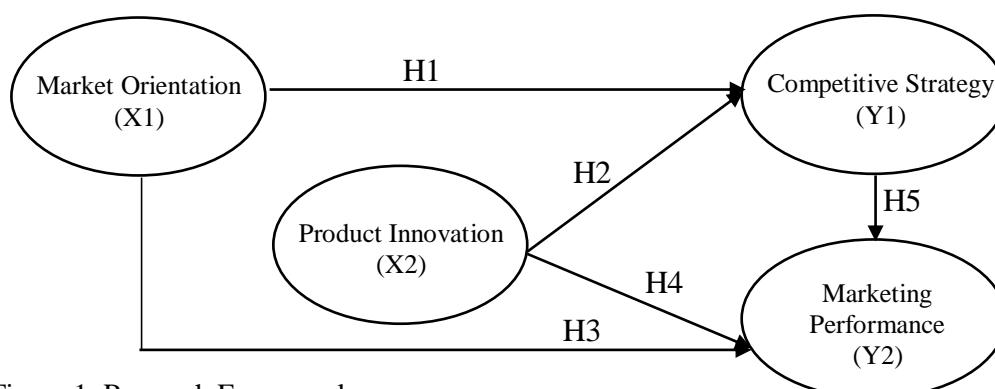


Figure 1. Research Framework

Source: Xiao et al. (2017)

METHODS

The research design used in this research is quantitatively based on the philosophy of positivism and is used to examine specific populations or samples with data analysis packaged in statistical form. The population in this study were all woodcraft enterprises in Soloraya with 120 enterprises as the sample. The sampling technique uses non-probability through snowballs, which carried out based on initial informants who then help advise the next respondent. There are four variables used in this study, namely Market Orientation (X1) and Product Innovation (X1) as independent variables, competitive strategy (Y1) as mediating variable, and marketing performance (Y2) as dependent variable. The operational definition of variables is broken down into empirical indicators (in Table 1).

The data collection method used a questionnaire. Data analysis uses a causality model with hypothesis testing through Partial Least Square (PLS) because it can be applied to small data scales and does not require many assumptions. Partial Least Square (PLS) can also be used for structural modeling with

reflective or formative indicators. The steps of data analysis are descriptive analysis, inferential analysis, evaluation of the goodness of fit of the PLS model.

Table 1. Variables Operational Definition

| Variables | Operational Definition | Indicators |
|----------------------------|--|---|
| Market Orientation (X1) | Company's willingness to implement a market-oriented culture (Adelsarbanlar & Khoshtinat, 2016) | <ul style="list-style-type: none"> • Customer orientation • Competitor orientation • Business orientation |
| Product Innovation (X2) | The company's ability to create innovative products (Kiveu et al., 2019) | <ul style="list-style-type: none"> • Innovation Culture • Technique innovation • Variation innovation |
| Competitive Strategy (Y1) | Planned strategic steps or unplanned to be able to have a competitive advantage (Ejrami et al., 2016) | <ul style="list-style-type: none"> • Low-cost Strategy • Differentiation Strategy • Market-niche or focus strategy |
| Marketing Performance (Y2) | The results of the work achieved by the company both in terms of quality and quantity within a certain period (Yadav et al., 2019) | <ul style="list-style-type: none"> • Sales growth • Capital growth • Market growth • Profit growth |

FINDINGS

The data analysis technique used in this research was PLS with the SmartPLS program. The data processing results using PLS, then evaluate the structural equation model. In this evaluation, there are two essential evaluations, namely: 1) evaluation of the measurement model (outer model) to determine the validity and reliability of the indicators measuring latent variables, and 2) evaluation of the structural model (inner model) to determine the accuracy of the model. Before evaluating the model, it can be reaffirmed that the questionnaire as a data collection tool in this study is a valid and reliable instrument. Evaluation of the measurement model checks the validity and reliability of the indicators that measure the construct or latent variable. In this study, the four latent variables, namely: market orientation (X1), product innovation (X2), competitive strategy (Y1), and business performance (Y2) are measurement models with reflective indicators, so the evaluation of the measurement model is carried out by checking the convergent and discriminant validity of indicators, as well as composite reliability for indicator blocks.

Convergent validity aims to measure the validity of the indicator as a measure of the construct that can be seen on the outer loading (output SmartPLS). The indicator is considered valid if it has an outer loading value above 0.5 and a T-Statistic value above 1.96. Besides that, the outer loading value can determine the contribution of each indicator/indicator to the latent variable. The outer loading with the highest value shows that the indicator means the most substantial measure or the most important in the latent variable. As for the outer model inspection results, it can be seen that the outer loading of each indicator on a variable, as presented in Table 2 below.

Table 2. Outer Model Analysis

| Variables | Indicators | Outer Loading | T-Statistic |
|----------------------------|--------------------------|---------------|-------------|
| Market Orientation (X1) | Customer orientation | 0.783 | 14,740 |
| | Competitor orientation | 0.810 | 15,866 |
| | Business orientation | 0.844 | 27,048 |
| Product Innovation (X2) | Innovation Culture | 0.777 | 14,775 |
| | Technique innovation | 0.816 | 17,853 |
| | Variation innovation | 0.765 | 13,657 |
| Competitive Strategy (Y1) | Low-cost Strategy | 0.881 | 47,484 |
| | Differentiation Strategy | 0.845 | 23,361 |
| Marketing Performance (Y2) | Sales growth | 0.710 | 11,943 |
| | Capital growth | 0.835 | 22,782 |
| | Market growth | 0.832 | 25,089 |
| | Profit growth | 0.747 | 12,244 |

Source: Data processed, 2021

Based on Table 2, it can be seen that the three indicators measuring the market orientation variable (X1) have an outer loading value greater than 0.50 and the T-Statistic is above 1.96. This result means customer-oriented (X1.1), competitor-oriented (X1.2), and market-oriented (X1.3) are valid indicators as a measure of market orientation variable (X1). Meanwhile, the market-oriented indicator (X1.3) is the strongest indicator of the market-oriented variable (X1) because it has the most significant outer loading value (0.844). The evaluation results of the product innovation variable (X2) prove that the three indicators have an outer loading value greater than 0.50 and a T-Statistic above 1.96. These results indicate that the culture of innovation (X2.1), technical innovation (X2.2), and product innovation (X2.3) are valid indicators in reflecting the product innovation variable (X2). Other information indicates that product innovation (X2.3) is the strongest indicator reflecting the institution's value with an outer loading value of 0.816. In evaluating the competitive strategy variable (Y1), it appears that both indicators have an outer loading value above 0.50 and a T-Statistic which is well above 1.96. These results indicate that the strategy is low cost (Y1.1), differentiation strategy (Y1.2) is a valid indicator as a measure of the competitive strategy variable (Y1). Further examination shows that the differentiation strategy (Y1.1) is the strongest indicator reflecting marketing capability with an outer loading value of 0.845. The results of the examination of the marketing performance variable (Y2) show that all indicators have an outer loading value greater than 0.5 and a T-Statistic far above 1.96. This result gives a hint that sales growth (Y2.1), capital growth (Y2.2), market growth (Y2.3), and profit growth (Y2.4) are valid indicators to measure marketing performance (Y2). It was further stated that capital growth (Y2.2) is the strongest indicator reflecting marketing performance with an outer loading value of 0.835.

The discriminant validity is carried out by comparing the value of the square root of average variance extracted (AVE) of each latent variable with the correlation between other latent variables in the model. The stipulation is that if the square root of average variance extracted (AVE) of the latent variable is greater than the correlation coefficient of the latent variable, it indicates that the variable indicators have good discriminant validity. The recommended AVE value is more significant than 0.50. The discriminant validity test can be seen in Table 3 below.

Table 3. Discriminant Validity Analysis

| Variables | AVE |
|----------------------------|-------|
| Market Orientation (X1) | 0.915 |
| Product Innovation (X2) | 0.787 |
| Competitive Strategy (Y1) | 0.905 |
| Marketing Performance (Y2) | 0.930 |

Source: Data processed, 2021

Based on Table 3 shows that all variables have an AVE value above 0.5. In addition, it appears that the value of the square root of average variance extracted (AVE) of each variable is mainly above the value of the correlation coefficient between variables. Thus, the results obtained indicate that the discriminant validity of the research model is quite good and can be accepted for further analysis. Composite reliability aims to evaluate the value of reliability between the indicator blocks of the constructs that form it. Composite reliability results are good if they have a value above 0.70. The composite reliability value in the measurement model can be presented in Table 4 below.

Table 4. Composite Reliability Analysis

| Variables | Composite Reliability |
|----------------------------|-----------------------|
| Market Orientation (X1) | 0.853 |
| Product Innovation (X2) | 0.830 |
| Competitive Strategy (Y1) | 0.854 |
| Marketing Performance (Y2) | 0.863 |

Source: Data processed, 2021

Based on Table 4, it can be seen that the composite reliability value of the four latent variables has been above 0.70, so it can be said that the reliable indicator block measures the variables. Based on the results of the evaluation of convergent, discriminant validity, and composite reliability, it can be concluded that the indicators as a measure of the latent variable are valid and reliable measures.

Furthermore, an internal model analysis was conducted to determine this study's goodness of fit model.

Evaluation of the Structural Model (Inner Model)

The structural model is evaluated by considering the Q2 predictive relevance model, which measures how the model generates the observed values. Q2 is based on the coefficient of determination of all dependent variables. The magnitude of Q2 has a value with a range of $0 < Q2 < 1$, the closer the value to 1, the better the model. This structural model has one intervening variable and one dependent variables, including competitive strategy (Y1) and business performance (Y2). The coefficient of determination (R2) of each dependent variable can be presented in Table 5 below.

Table 5. Goodness of Fit Analysis

| Structural Model | Dependent Variables | R ² |
|------------------|--|----------------|
| 1 | Competitive Strategy (Y1) | 0.859 |
| 2 | Marketing Performance (Y2) | 0.908 |
| Calculation | $Q^2 = 1 - [(1 - R1^2)(1 - R2^2)]$ $Q^2 = 1 - [(1 - 0.859)(1 - 0.908)] = 0.987$ | |

Source: Data processed, 2021

Based on Table 5 above, the evaluation results of the structural model obtained a Q2 value of 0.987. Thus, the results of this evaluation provide evidence that the structural model has good goodness of fit model. This result can be interpreted that the information contained in the data is 98.7 percent can be explained by the model, while the remaining 1.3 percent is explained by errors and other variables not included in the model. The results of hypothesis testing by sorting for direct and indirect effects. In the following sections, the results of the direct influence test and the mediating variable test are described respectively.

Direct Effect Testing Result

The results of path coefficient on each path for direct effects can be presented in Table 6 below.

Table 6. Direct Effect Test

| Relationship Between Variables | Path Coefficient (Bootstrapping) | T-Statistic |
|---|----------------------------------|-------------|
| Market Orientation (X1) => Competitive Strategy (Y1) | 0.492 | 4.985 |
| Product Innovation (X2) => Competitive Strategy (Y1) | 0.455 | 3.980 |
| Market Orientation (X1) => Marketing Performance (Y2) | 0.336 | 3.172 |
| Product Innovation (X2) => Marketing Performance (Y2) | 0.402 | 3.606 |
| Competitive Strategy (Y1) => Marketing Performance (Y2) | 0.252 | 1,926 |

Source: Data processed, 2021

Based on Table 6 can be determined the results of hypothesis testing, which are described in the following description: 1) Market Orientation (X1) is proven to have a positive and significant effect on competitive strategy (Y1). This result is indicated by a positive path coefficient of 0.492 with T-statistic = 4.992 (T-statistic > 1.96) so that hypothesis-1 (H1): market orientation has a positive and significant effect on competitive strategy can be proven. Based on the results obtained, it can be interpreted that the better the market orientation, the better the competitive strategy; 2) Product innovation (X2) has a positive and significant effect on competitive strategy (Y1). This result is indicated by a positive path coefficient of 0.455 with T-statistic = 3.980 (T-statistic > 1.96). These results indicate that hypothesis-2 (H2): product innovation positively affects competitive strategy proven empirically. Based on these results, it can be stated that the better product innovation, the competitive strategy will increase; 3) Market orientation (X1) has a positive and significant effect on marketing performance (Y2). This result is indicated by the positive path coefficient of 0.336 with T-statistic = 3.172 (T-statistic > 1.96), so hypothesis-3 (H3): market orientation has a positive and significant effect on marketing performance can be proven. Thus it can be stated that the increase in market orientation has improved marketing performance significantly; 4) Product innovation (X2) has a positive and significant effect on business performance (Y2). This result is indicated by the path

coefficient, which is 0.402 with T-statistic = 3.606 (T-statistic > 1.96). These results indicate that hypothesis-4 (H4): product innovation has empirically proven positive and significant effect on marketing performance. These results can be interpreted that the increasing product innovation affects the increase in marketing performance; 5) Competitive strategy (Y1) has a positive and significant effect on marketing performance (Y2). This result is indicated by a positive path coefficient of 0.352 but not significant with T-statistic = 3.217 (T-statistic > 1.96). These results indicate that hypothesis-5 (H5): competitive strategy has a positive and significant effect on marketing performance. Following these results, it can be stated that the higher the marketing strategy owned by the woodcraft enterprise will improve marketing performance.

Indirect Effects through Mediation Variables

Based on hypothesis result, the mediating role of competitive strategy (Y1) on indirect effect of market orientation (X1) and product innovation (X2) on marketing performance (Y2) will be examined. Based on the results of the analysis carried out, an image of the research model according to the PLS analysis can be presented as follows (Figure 2).

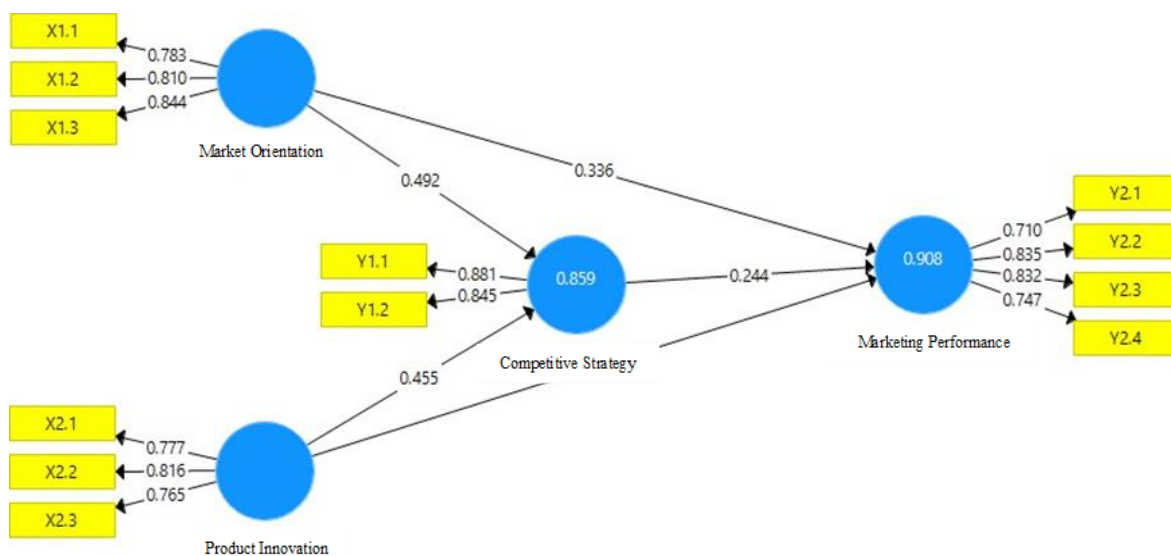


Figure 2. Full Model (PLS Bootstrapping)

Source: The authors

The indirect effect testing result can be presented in Table 7 below.

Table 7. Indirect Effect Testing Result

| Relationship Between Variables | Path Coefficient (Bootstrapping) | T-Statistic | Result |
|---|----------------------------------|-------------|------------------|
| Market Orientation (X1) => Competitive Strategy (Y1) => Marketing Performance (Y2) | 0.327 | 3.172 | Mediation proven |
| Product Innovation (X2) => Competitive Strategy (Y1) => Marketing Performance (Y2) | 0.435 | 3.606 | Mediation proven |

Source: Data processed, 2021

Based on the results in Table 7 above, it can be stated that competitive strategy (Y1) can significantly mediate the indirect effect of market orientation (X1) on marketing performance (Y2). This result is shown that was carried out with a positive path coefficient of 0.327 with T-statistic = 3.172 (T-statistic > 1.96). These results indicate that competitive strategy can mediate the influence of market orientation on marketing performance. Following these results, a more creative, innovative, and adaptive marketing strategy of the woodcraft enterprise based on a good market orientation can improve higher marketing performance. Furthermore, competitive strategy (Y1) is also able to mediate positively and significantly on the indirect effect of product innovation (X2) on marketing performance (Y2). This result is shown the positive path coefficient is 0.435 with T-statistic = 3.606

(T-statistic > 1.96). These results indicate that competitive strategy can mediate the influence of product innovation on marketing performance. Following these results, it can be stated that the more comprehensive the marketing strategy of the woodcraft business based on good product innovation has the opportunity to be able to improve higher marketing performance.

DISCUSSION

The results of hypothesis testing indicate that market orientation has a positive and significant effect on competitive strategy. This result means that the better the market orientation of the woodcraft business owner, the better the competitive strategy will be. The findings of this study illustrate that market orientation which tends to be carried out through customer-oriented, competitor-oriented, and market-oriented can improve competitive strategies in general. It can be explained that woodcraft entrepreneurs need market orientation in order to be able to increase marketing capabilities to achieve a highly competitive strategy and achieve the desired marketing target. The results of data analysis show that product innovation has a positive and significant effect on competitive strategy. This result means that product innovation is measured by three indicators: innovation culture, technical innovation, and product innovation, and has a positive and significant effect on competitive strategy. Product innovation has a positive and significant impact on competitive strategies. This research implies that the better and the increased product innovation, the competitive strategy of the woodcraft business will increase. These results explain that woodcraft entrepreneurs need product innovation to achieve a highly competitive strategy. The results of data analysis show that market orientation as measured by three indicators, customer-oriented, competitor-oriented, and market-oriented has a positive and significant effect on marketing performance. The results of data analysis show that product innovation has a positive and significant effect on marketing performance. Product innovation owned by woodcraft entrepreneurs is seen from the direct benefits of woodcraft owners and has a positive and significant impact on marketing performance. This result implies that the size of the resulting marketing performance depends on product innovation. The results of data analysis show that competitive strategy has a positive and significant effect on marketing performance. This result indicates that the competitive strategy of woodcraft enterprises has a positive and significant impact on marketing performance, so the size of the marketing performance is determined by the competitive strategy applied.

CONCLUSION

Based on the analysis and discussion results, it can be concluded that market orientation and product innovation positively affect competitive strategy and marketing performance. Competitive strategy can also significantly mediate the effect of market orientation and product innovation on marketing performance. Product innovation affects marketing performance so the company is emphasized to maintain the product quality that have been trusted and offer new variations which are more attractive. This research implies that speed capacity of internet which is more easily accessible can be more intensively utilized as a source of available information so that woodcraft products can be known more widely. The marketing performance implications of this research are as follows. First, increased product innovation needs customers' responses, link customer information with service development, increase customer orientation that says the understanding of customer demands is important as a competitive factor, rapid coordination of differences between service and user, share values and experience information between service and user, and a functional coordination method between service and user. Marketing performance through market orientation has to make continuous efforts to identify user's potential desires, reflect desires that users are unable to express in development, make efforts to find opportunities in the attribute that users have difficulty expressing, and generate market information through concerns about new trends in the service that users may prefer. Furthermore, marketing performance should systematically measure user satisfaction, either rapidly reestablish or adjust strategies when the market changes, and actively respond to market information by rapidly performing strategic alternatives according to environmental changes. Second, to increase communication innovation, marketing performance needs to understand and competitors' strategies,

attach great importance to competitors' strengths and weaknesses, increase competitive orientation by reflecting competitors' strategic behavior, share values, and experience information. Marketing performance should freely share information that measures user satisfaction systematically and regularly, either rapidly reestablish or adjust strategies when the market changes, and actively respond to market information that requires prompt execution of strategic alternatives according to environmental changes. Through these implications, it has been suggested that the detailed application of the market orientation, product innovation, and competitive advantage to measure marketing performance can be the driving force that can create new value, a sustainable competitive advantage, and performance in combination with marketing innovation characteristics.

The limitation of this research is not including market characteristics and the research area used only Soloraya. The future research is necessary to expand variables related to marketing innovation of sharing economy business to the aspects of cost, sales, and distribution. Accordingly, research that includes distinguishing factors of marketing performance is necessary to identify more valid and differentiated influences.

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