



DOI: <https://doi.org/10.38035/gijtm.v2i2>

Received: June 19th, 2024, Revised: July 01st, 2024, Publish: July 11st, 2024

<https://creativecommons.org/licenses/by/4.0/>

The Influence of Product Orientation and Product Innovation on Competitive Advantage

Guntur Ade Saputra¹, Hapzi Ali², Yayan Hendayana³

¹Master of Management Students, Faculty of Economics and Business, Bhayangkara Jakarta Raya, gunturadesaputra.gas@gmail.com

²Lecturer the Faculty of Economics and Business, Bhayangkara Jakarta Raya University, Jakarta, Indonesia, hapzi.ali@gmail.com

³Lecturer the Faculty of Economics and Business, Bhayangkara Jakarta Raya University, Jakarta, Indonesia, yayan.hendayana@dsn.ubharajaya.ac.id

Corresponding Author: gunturadesaputra.gas@gmail.com¹

Abstract: The research aims to determine the relationship between market orientation and competitive advantage, to determine the relationship between product innovation and competitive advantage. The method used in this research is a literature study, by collecting shared information related to the variables discussed. Namely related to product innovation, market orientation, and competitive advantage. This data and information was obtained through electronic media and then analyzed to determine deeper relationships between variables. The results of this research reveal that market orientation has a positive and significant effect on competitive advantage, this means that the better the company is in responding to market orientation, the company's competitive power and advantage will increase. Product innovation has a positive and significant effect on competitive advantage. This means that the more innovative a company is in developing new products or services, the higher the level of competitiveness of the company.

Keyword: Market Orientation, Product Innovation, Competitive Advantage

INTRODUCTION

Today's global market has become increasingly dynamic and competitive, with companies competing for customer attention and preferences. In facing this intense competition, companies need to have an effective strategy to create sustainable competitive advantages. Competitive advantage is very important for companies because having an advantage means the company can beat competitors (J. Setiawan, 2023). Two key factors that are believed to have an important role in achieving competitive advantage are product orientation and product innovation.

Product orientation refers to a company's focus and deep understanding of the products they offer to the market. This involves a deep understanding of customer needs, preferences, and expectations, as well as the ability to produce products that meet or even exceed those

expectations. By having a strong product orientation, companies can develop relevant products and in demand by the market, strengthen their position in the market, and increase their competitive advantage (Nuvriasari & Sumiyarsih, 2023).

Product innovation is an important key to maintaining company relevance in a rapidly changing market (Harini et al., 2022). Product innovation includes not only the development of new products but also improvements to existing products to respond to changing market needs and demands. Companies that can innovate continuously in their products will have a significant advantage in attracting customer attention, maintaining their loyalty, and winning competition in the market. Although the importance of product orientation and product innovation in achieving competitive advantage has been widely recognized, there is still potential to further explore the relationship between these two factors and their impact on overall business performance. Therefore, this research aims to investigate the influence of product orientation and product innovation on competitive advantage in a competitive market context. Thus, the formulation of this research problem can be written as follows:

1. Is there an influence of market orientation on competitive advantage?
2. Is there an influence of marketing innovation on competitive advantage?

METHOD

This research uses a literature review method, which requires systematic exploration, evaluation, and analysis of related literature obtained from various scientific sources. This method examines elements related to competitive strategy, market orientation, and product innovation. This approach requires careful examination of diverse and reliable sources, allowing the author to form an argument based on existing theory and previous research. By involving a variety of reputable materials, the literature research method allows for a more in-depth exploration of the interconnected relationships between these factors.

RESULTS AND DISCUSSION

Competitive advantage

(Day & Wensley, 1988) defines competitive advantage as *source -> position -> performance*. This means that Day and Wesley define competitive advantage into 3 aspects, namely the first "*Sources of Advantage*" theory emphasizes how superior skills and resources can be transformed into sustainable and competitive positions of advantage in the market. Superior skills and resources, when strategically optimized, can result in a competitive advantage position in the marketplace. This position not only makes the company more efficient and responsive to market changes but also creates obstacles for competitors to imitate or reach the same level. The second is "*Positions of Advantage*" This theory emphasizes the importance of selecting and optimizing appropriate strategies to achieve and maintain competitive advantage in the market. The third is "*Performance Outcomes*" This theory highlights that although market share and profitability are popular measures for measuring competitive advantage, there are limitations to their use as leading indicators. It is also important to consider alternative measures such as customer satisfaction that can provide deeper insight into how a company's superior position is perceived by the market. In using market share as an indicator, companies must ensure that the share is obtained in a way that is difficult to imitate and in a stable market.

Another definition is explained by (Al-Rfou & Trawneh, 2010) "*Competitive advantage is defined as the ability of an organization to add more value to its customers than its rivals and thus attain a position of relative advantage, the challenge is to sustain any advantage once achieved*", The meaning of this statement is that competitive advantage is defined as the ability of an organization to add more value to its customers compared to its competitors so that the organization can achieve a better position relative to its competitors. The main challenge faced is how to maintain this advantage once it has been achieved. This definition is in line with that

explained by (Kurniawan & Yun, 2018) according to which competitive advantage is the ability of a company to provide more value to customers compared to its competitors. Furthermore (Chong & Ali, 2022) explained that competitive advantage is not only limited to fellow companies in existing industries, but also comes from customers, suppliers, substitute products, and potential new entrants.

From the definitions above, it can be concluded that competitive advantage is about how an organization can provide more value to customers than its competitors, achieve a better position in the market, and face challenges to maintain this advantage in the long term.

Market orientation

Market orientation according to (Aldas-Manzano et al., 2005) "*explained that market orientation is the focus of strategic planning for a business unit which must meet several demands in the form of all functions within the company being able to absorb all important information that influences purchasing, strategic decisions made inter-functionally and between divisions, and divisions and functions. carry out good coordination and have a sense of commitment in carrying out marketing activities*" he explained that a company must focus on collecting and understanding relevant market information, making coordinated strategic decisions between functions and divisions, and ensuring that all parts of the company are committed and collaborate in implementing marketing activities. This aims to ensure that companies can be more responsive to needs and changes in the market so that they can compete more effectively.

Another definition explained by (H. Setiawan, 2012) according that, market orientation is a company culture that can lead to increased marketing performance. Market orientation has three components, namely customer orientation, competitor orientation, and inter-functional coordination. Market orientation refers to the involvement of all parts of the company, is cross-functional, market information intelligence activities, identifying the needs of market players, especially consumers, suppliers, and competitors. (Alwi & Handayani, 2018).

From the definitions above, it can be concluded that market orientation is a company approach that focuses on collecting and understanding market information, making coordinated strategic decisions between functions and divisions, and ensuring that all parts of the company are committed and working together in carrying out marketing activities. This aims to increase the company's responsiveness to market needs and improve marketing performance.

Product Innovation

Innovation can be interpreted as a discovery that is different from what already exists or what was previously known (Hendayana et al., 2019). Meanwhile, products can generally be explained as Products that are anything offered by producers to consumers to fulfill their needs or desires. So product innovation is finding a product or something new to offer to consumers. This definition is almost in line with that explained by (Kotler, 2007), according to which product innovation is any good, service, or idea that is considered something new.

Furthermore (Haryono & Marniyati, 2017) explained that one form of product innovation is the existence of new products. New products include original products, improved products, modified products, and new brands developed through research and development efforts. There are 5 new product categories, including:

1. A truly new product, namely a new product as a result of innovation
2. create new markets.
3. New product line, namely a new product that allows a company to enter a previously existing market for the first time.
4. Additions to existing product lines, for example, can provide additional sizes, shapes, different contents, and so on.

5. Improvements are revisions to existing products. This can be done by adding new features or models, changing processing requirements/needs, and changing product elements.
6. Repositioning costs. New products that deliver the same performance at a lower cost.

Relevant Previous Research

No	Author	Previous Research	Equations of Research	Differences of Research
1.	(Noviani, 2020)	Product innovation influences competitive advantage	Using product innovation and competitive advantage variables	Does not use market orientation variables
2.	(Nurmali & Halolho, 2020)	Product innovation influences competitive advantage.	Using product innovation and competitive advantage variables	Does not use market orientation variables.
3.	(Nurseto, 2016)	Market orientation influences competitive advantage.	Using market orientation and competitive advantage variables.	Does not use product innovation variables
4.	(Haryono & Marniyati, 2017)	Market orientation and product innovation influence business performance..	Using variables Market orientation and product innovation.	Does not use competitive advantage variables
5.	(Haryono & Marniyati, 2017)	Market orientation influences competitive advantage.	Using market orientation and competitive advantage variables.	Does not use product innovation variables Orientasi pasar berpengaruh Terhadap keunggulan bersaing
6.	(Dwisakti et al., 2023)	Product innovation influences competitive advantage.	Using product innovation and competitive advantage variables.	Does not use market orientation variables

The Influence Of Market Orientation On Competitive Advantage

The influence of market orientation on competitive advantage is very significant in a business context. One of these is proven in research conducted by (Nurseto, 2016). The results of this research state that market orientation has a positive and significant effect on competitive advantage. By having a strong market orientation, companies can better understand customer needs, preferences, and expectations. This way, they can develop products or services that are more in line with what the market wants, giving them a competitive advantage. Market orientation allows companies to be more responsive to changes in the business environment, market trends, and customer preferences. By properly understanding the market, companies can quickly adapt their strategies, develop new products, or improve services according to market needs.

The results of this research are strengthened by several other studies such as (H. Setiawan, 2012), later (Nurseto, 2016), and (Handayani & Wati, 2020). Several studies reveal that market orientation influences competitive advantage.

Through good market orientation, companies can identify unfulfilled market opportunities or areas where they can excel compared to competitors. This allows them to design appropriate strategies to exploit these opportunities and gain a competitive advantage. By understanding the market and its competitors, companies can identify competitors' weaknesses and explore areas where they can excel. This allows them to develop more effective strategies to deal with competition and create a competitive advantage.

With a strong market orientation, it encourages innovation in product and service development. By understanding customer needs and desires, companies can create more innovative products and more attractive services, which can be a source of competitive advantage. So it can be said that the influence of market orientation on competitive advantage is very important in ensuring the long-term success of a company in a competitive market. By understanding the market well and being responsive to changes, companies can maintain a strong position and win the competition in the market.

The Influence Of Product Innovation On Competitive Advantage

Likewise, the influence of product innovation on competitive advantage is quite significant, this is proven by several studies such as those conducted by (Noviani, 2020). The results of this research state that product innovation influences competitive advantage. These results are reinforced by other research such as that conducted by (Nizam et al., 2020). The results of this research reveal that product innovation has a positive and significant effect on competitive advantage. This means that if the company is more innovative in finding new products or services, the higher the level of competitiveness of the company.

Through product innovation, it allows companies to create products that are unique and different from their competitors. By having better features or functions, or even completely new products, companies can attract customers' attention and differentiate themselves in the market. Innovation can certainly lead to improvements in product quality, whether in terms of durability, performance, or other aspects that make products more desirable to consumers. Higher quality can give a company a competitive advantage in meeting customer needs better than competitors.

Innovation in products can bring efficiencies in the production, distribution, or use of products. This can result in lower costs or increased efficiency, which in turn can result in more competitive prices or increased company profitability. Innovation allows companies to be more responsive to market changes, consumer trends, or new customer needs. By having innovative products, companies can more quickly adapt to market changes and maintain their relevance in the eyes of consumers.

This finding is strengthened by several other studies which reveal that product innovation has a positive and significant effect on competitive advantage. These include research conducted by (Nurmali & Halolho, 2020), (Nurussakinah et al., 2018), (Nugraha & Sukaatmadja, 2020), (Dwisakti et al., 2023).

Conceptual Framework

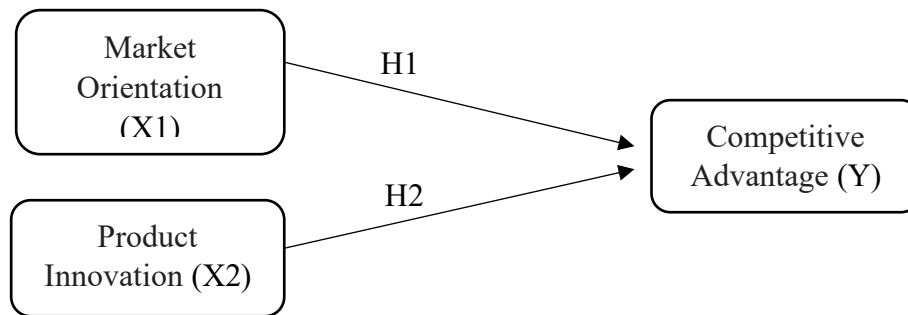


Figure 1 Framework

Based on the data above, it can be seen that market orientation and product innovation influence competitive advantage.

CONCLUSION

Based on the previous discussion, it can be concluded that the influence of market orientation on competitive advantage in business is very significant. Research (Nurseto, 2016) and other studies show that market orientation contributes positively and significantly to competitive advantage. Market orientation allows companies to better understand customer needs and preferences, respond quickly to market changes, identify market opportunities, and develop product and service innovations. Thus, companies can come up with effective strategies to overcome competition and maintain a strong position in the competitive market.

Then product innovation also applies the same thing where product innovation has a positive and significant effect on competitive advantage. This means that the more innovative a company is in developing new products or services, the higher the level of competitiveness of the company. Product innovation allows companies to create products that are unique and different from their competitors, improve product quality, produce efficiency in the production process, and make the company more responsive to market changes and customer needs. Overall, product innovation is an important factor that can increase a company's competitive advantage in a competitive market.

REFERENCES

- Aldas-Manzano, J., Küster, I., & Vila, N. (2005). Market Orientation And Innovation: An Inter-Relationship Analysis. *European Journal Of Innovation Management*, 8(4), 437–452. <https://doi.org/10.1108/14601060510627812>
- Al-Rfou, & Trawneh. (2010). To What Extent Can A Company Achieve A Competitive Advantage Through Job Development? *Kamla-Raj. J Soc Sci*, 23(3), 189–196.
- Alwi, T., & Handayani, E. (2018). Keunggulan Bersaing Ukm Yang Dipengaruhi Oleh Orientasi Pasar Dan Inovasi Produk. *Jurnal Pengembangan Wiraswasta*, 20(3), 193–202. <http://ejournal.stieipwija.ac.id/index.php/jpw>
- Chong, D., & Ali, H. (2022). Literature Review: Competitive Strategy, Competitive Advantages, And Marketing Performance On E-Commerce Shopee Indonesia. 3(2), 2715–419. <https://doi.org/10.31933/dijdbm.v3i2>
- Day, G. S., & Wensley, R. (1988). Assessing Advantage: A Framework For Diagnosing Competitive Superiority. *Journal Of Marketing*, 52(2), 1. <https://doi.org/10.2307/1251261>
- Dwisakti, V., Santoso, A., & Hartono, S. (2023). Analisis Strategi Harga Dan Inovasi Produk Terhadap Keunggulan Bersaing Usaha Sayuran Hidroponik Di Kabupaten Ponorogo. *Jimps: Jurnal Ilmiah Mahasiswa Pendidikan Sejarah*, 8(3), 2552–2560. <https://doi.org/10.24815/jimps.v8i3.25853>

- Handayani, M. M., & Wati, L. P. V. I. P. (2020). Analisis Pengaruh Orientasi Pasar Inovasi Produk Sebagai Strategi Bersaing Serta Pengaruhnya Terhadap Kinerja Usaha (Studi Pada Usaha Kerajinan Kayu Di Desa Sebatu Gianyar). *Bisma: Jurnal Manajemen*, 6(2).
- Harini, S., Silaningsih, E., & Putri, M. E. (2022). Pengaruh Orientasi Pasar, Kreativitas Dan Inovasi Produk Terhadap Kinerja Pemasaran Umkm. *Jurnal Inspirasi Bisnis Dan Manajemen*, 6(1), 2579–9312. <https://Republika.Co.Id>
- Haryono, T., & Marniyati, S. (2017). Pengaruh Market Orientation, Inovasi Produk, Dan Kualitas Produk Terhadap Kinerja Bisnis Dalam Menciptakan Keunggulan Bersaing.
- Hendayana, Y., Ahman, E., & Mulyadi, H. (2019). The Effect Of Innovation On Business Competitiveness Of Small And Medium Enterprise In Indonesia.
- Kurniawan, & Yun, A. (2018). Pengaruh Kompetensi Kewirausahaan Dan Kelangkaan Usaha Terhadap Keunggulan Bersaing. *Jurnal Inspirasi Bisnis Dan Manajemen*, 2(1), 65–78. <http://Jurnal.Unswagati.Ac.Id/Index.Php/Jibma-vailableon-lineathttp://Jurnal-Unswagati.Ac.Id/Index.Php/Jibm>
- Kotler, P. (2007). *Manajemen Pemasaran* (12th Ed.). Pt. Indeks.
- Nizam, M. F., Mufidah, E., & Fibriyani, V. (2020). Pengaruh Orientasi Kewirausahaan Inovasi Produk Dan Keunggulan Bersaing Terhadap Pemasaran Umkm. *Jurnal Ema - Ekonomi Manajemen Akuntansi*, 52, 100–109.
- Noviani, L. (2020). Pengaruh Inovasi Produk, Kreativitas Produk, Dan Kualitas Produk Terhadap Keunggulan Bersaing (Studi Kasus Pada Kerajinan Tikar Eceng Gondok"Liar". *Jurnal Manajemen Dan Bisnis (Jumanis)*, 02(01), 2076–2086. <https://Doi.Org/10.47080>
- Nugraha, N. A. S., & Sukaatmadja, I. P. G. (2020). Orientasi Pasar, Strategi Diferensiasi, Dan Inovasi Produk Terhadap Keunggulan Bersaing Berpengaruh Pada Industri Endek. *E-Jurnal Manajemen Universitas Udayana*, 9(8), 3237. <https://Doi.Org/10.24843/Ejmunud.2020.V09.I08.P17>
- Nurmali, M., & Halolho, E. (2020). Pengaruh Inovasi Produk Dan Media Sosial Terhadap Keunggulan Bersaing Pada Café Rilek's Medan. *Jurnal Mutiara Manajemen*, 5(1), 62–72. <http://U.Lipi.Go.Id/1487664422>
- Nurseto, S. (2016). Pengaruh Orientasi Pasar Terhadap Keunggulan Bersaing Melalui Inovasi Pada Ukm Bidang Furniture Di Kota Semarang. *Jurnal Ilmu Sosial*, 13(1), 17–22. <https://Doi.Org/10.14710/Jis.13.1.2014.17-22>
- Nurussakinah, F., Supriyanto, A., & Faidah, A. N. (2018). Pengaruh Kualitas Produk Dan Inovasi Produk Terhadap Keunggulan Bersaing (Studi Pada Industri Sasirangan Di Wilayah Kota Banjarmasin). *Jtam Jurusan Manajemen Feb Ulm: Jimi*, 1(1), 39–54. <http://Feb.Jtam.Unlam.Ac.Id>
- Nuvriasari, A., & Sumiyarsih. (2023). Peran Orientasi Pasar, Orientasi Kewirausahaan Dan Strategi Bersaing Terhadap Peningkatan Kinerja Ukm. *Ekuitas: Jurnal Ekonomi Dan Keuangan*.
- Setiawan, H. (2012). Pengaruh Orientasi Pasar, Orientasi Teknologi Dan Inovasi Produk Terhadap Keunggulan Bersaing Usaha Songket Skala Kecil Di Kota Palembang.
- Setiawan, J. (2023). Analysis Of Competitive Advantage Factors: Marketing Information System, Digital Marketing And Market Orientation. *International Journal Of Advanced Multidisciplinary*, 2(3), 726–732. <https://Doi.Org/10.38035/Ijam.V2i3>