

Competitive Advantage as a Mediating Product Innovation and Social Media for The Marketing Performance of Micro Small Medium Economics (MSMES) In Surabaya

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Abstract

The majority of MSMEs in Surabaya, in practice, lack product innovation and use social media ads features to expand their market share. Innovations carried out by MSMEs have an important role in their sustainability in facing difficult situations and positions, for this reason, this study aims to examine the effect of product innovation and social media on marketing performance mediated by competitive advantage. The population of this research is MSMEs in Surabaya with a sample of 117 MSMEs, the sampling technique is non-probability sampling with purposive sampling the criteria are MSMEs that use social media ads and have more than 3 product variants. The analytical technique used is partial least square (PLS). The test results show that the hypothesis that explains product innovation and social media has a direct effect on marketing performance is acceptable. The hypothesis that explains the product and social media innovation on marketing performance mediated by competitive advantage are acceptable. The hypothesis that explains the product and social media innovation on competitive advantage are acceptable. These results show the importance of research on product innovation and social media that can boost the competitive advantage to expand market share.

Keywords

Msmes, Product Innovation, Ads Features, Competitive Advantage and Market Share.

1. Introduction

Social media in Indonesia was originally in the form of a mailing list or popularly called a millis. Along with the times, the media has transformed into private chat platforms such as messenger, MIRC, and yahoo messenger. Although initially used as a medium for sharing information or as a "pen pal" contact tool, mailis and messengers have developed into places for buying and selling transactions or product offerings (Amri and Nurkhalis 2019). In Indonesia, a popular mailing list to offer products is Kaskus or the Kaskus buying and selling transaction forum. With the rise of social media being used by many cybercrimes, there have been many cases of fraud such as items not being delivered and inappropriate, or fraudulent investments. After that, there were many improvements with the joint account feature moderation on social media, reporting of naughty sellers, then a rating system (Pangesti et al. 2021).

Nowadays, seller fraud can be suppressed, buyer satisfaction can increase, and social media is more widely used as billboards or promotional media (Ling et al. 2022). This condition is very beneficial for MSMEs because not all MSMEs have access to popular marketplaces, and they make more direct payments or cash on delivery. MSMEs are

currently using Instagram, Whatsapp Status, Telegram Status, TikTok Videos, Facebook Status, and Youtube to introduce their products or their business (Nadzira et al. 2020). Some have even used ads on these social media, so that their reach is not limited to just one area but has wider marketing (wide market share). One example of how to market MSMEs is with the standard feature of ads for several local products appearing in the area. its reach can reach more than 1500 - 4000 viewers in one day. at a cost of only 1 million per month (Jie et al., 2021). Much more effective than print media ads that charge a rate of 1-5 million per copy. Based on the information quoted in the news link, Data says that more than 50% of business actors use the ads feature in their market expansion strategy.

Source: <https://katadata.co.id/ekarina/berita/5efdb7a7bea69/survei-54-umkm-pakai-media-sosial-untuk-pacu-penjualan-saat-pandemi>.

The existence of social media also makes it easier for MSMEs to monitor competitors' products in terms of display prices, quality, and marketing methods, so if the MSME owners are able or proficient in utilizing this information, from there MSMEs can change or redesign their products so that they are more attractive from the results of product observations. that are of interest to their consumers and seek the impact of information that is similar to or different from that of its competitors to increase their competitiveness (Puspitasari et al. 2018). If MSMEs have a competitive advantage, MSME marketing performance will increase (Udriyah et al. 2019). In addition, consumers who have complaints can also provide feedback, either in the comment's column or private chat, or direct messages to the MSME's social media (Anwar et al. 2018).

The interaction of MSMEs as social media users with potential consumers or consumers allows them to ask questions anytime, anywhere, and at any time. this allows MSMEs to serve consumers 24 hours a day like big shops and social media knows no boundaries, consumers prefer MSME products to modern retail because MSME products are usually cheaper but have the functions and values that consumers need (Moghadamzadeh et al. 2020).

If MSMEs have the same or close opportunities, then MSMEs focus more on product innovation that they can learn or modify to increase their competitiveness and ability to innovate (Tajpour & Hosseini 2021). Likewise, MSMEs in Surabaya still have shortcomings in the process of adopting the ad feature on social media, which allows MSMEs to increase their value. the use of these features will have a better impact on MSMEs in terms of access, skills, and potential. An understanding of the effect of product innovation, social media, and competitive advantage on marketing performance needs to be done to guide MSMEs in the future.

1.1 Objectives

This study aims to examine the effect of product innovation and social media on marketing performance mediated by competitive advantage.

2. Literature Review

2.1 Innovation

Innovation according to Gault (2018) is the implementation of a new thing related to the product/service that is developed significantly through a certain form of process, including through the production or delivery process, and organizational and marketing processes. Meanwhile, according to Edwards-Schachter, (2018) Understanding is put forward as a process and result of the discovery of new things that contain value so that they can have a major impact on economic and technological development. Innovation is also described as the goal of human evolution which is described as creating the capacity for creativity.

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According to him, there are 10 kinds of innovations including:

1. Technological Innovation
2. Product Innovation
3. Process Innovation
4. Service Innovation
5. Business Model Innovation
6. Disruptive Innovation
7. Radical Innovation
8. Design-driven Innovation
9. Social Innovation
10. Responsible Innovation

2.2 Social Media

Social media is a link that can connect one individual to another through a website or application that is used in business and various other community needs. (Khorsheed et al. 2020). As a connecting tool, social media also plays an important role for companies to get various opportunities to connect between companies and prospective consumers, thus illustrating how important social media is for business activities. (Azmi et al. 2021).

The use of social media can make business activities more effective and efficient (Kartika 2021). For example, the role of social media in marketing products in recent years has shown a positive trend (Abbas et al. 2019). This is due to the role of technology in social media as an online marketer's business communication resulting in fewer costs and faster response times (Marpaung and Santoso 2019).

2.3 Competitive Advantage

Competitive advantage is a position of comparative advantage in an industrial market that causes companies to get better performance than other companies, so they are able to achieve profits in accordance with the company's plans, increase company shares, and customer satisfaction, and improve company sustainability (Dhameria et al. 2021). Competitive advantage is the company's ability to create and maintain a better position than competitors, the company's ability to create competitive advantage lies in the company's vision, mission, and resources to position the company to be superior to the company's competitors (Fatonah and Haryanto 2022). To implement a competitive advantage, the company must be able to integrate both internal and external resources (Aziz et al. 2022).

2.4 Marketing Performance

Marketing performance is something that is used by companies to measure the impact of sales strategies on products sold and marketed so that success can be measured on products marketed by the company. (Afif and Prasetyo 2021). Marketing performance is also a company's effort in identifying consumer needs for the products offered (Qurtubi et al. 2019).

Marketing performance is a concept that measures the success of marketed products so that they can create good company performance, the results of good marketing performance will be able to create an increase in sales volume and profits (Gunawan and Sulaeman 2020). Marketing performance is measured by the functions and results of the company's performance to create, build and maintain good relationships with customers (Yasa et al. 2020).

2.5 The Effect of Product Innovation (X1) on Competitive Advantage (X3)

Research on the effect of product innovation on competitive advantage is empirically proven in the following studies. According to Onileowo et al. (2021) innovation is an important strategy that distinguishes between products or services produced by the company and is able to maintain the resilience of competitive advantage, in this study also with good financial conditions, the relationship between innovation and competitive advantage has a positive impact on the ability to improve company performance. According to Khristianto et al. (2021) also revealed that market sensing and innovation have a substantive role in creating competitive advantage. Furthermore, research by YahiaMarzouk and Jin, (2022) found that innovation has an impact related to competitive advantage. So, the following hypothesis is proposed:

H1: Effect of Product Innovation on Competitive Advantage.

2.6 Effect of Product Innovation (X1) on Marketing Performance (Y)

Product innovation plays an important role in improving marketing performance, this is revealed in the research of Sugiyarti & Ardyan (2017) which results in product innovation having a positive effect on marketing performance. Likewise, as stated by Afriyie et al. (2020) where innovation has a positive effect on marketing performance in MSMEs. This is supported again in the research of Pramuki & Kusumawati (2021) where product innovation also has a significant positive effect on marketing performance. Then put forward the following hypothesis:

H2: Effect of Product Innovation on Marketing Performance.

2.7 Effect of Social Media (X2) on Competitive Advantage (X3)

Social media affects the competitive advantage of a company or organization. This statement is supported in the research of Fadhillah et al. (2021) where social media has a significant effect on competitive advantage. Likewise, Harini et al. (2022) where social media has a significant positive effect on competitive advantage. Therefore, the following hypothesis is proposed:

H3: Effect of Social Media on Competitive Advantage.

2.8 Effect of Social Media (X2) on Marketing Performance (Y)

The role of social media on the effect of increasing marketing performance is empirically proven in Kartika, (2021) social media has an important role in determining the strength of marketing performance.

H4: Social Media on Marketing Performance.

2.9 Effect of Competitive Advantage (X3) on Marketing Performance (Y)

Competitive advantage significantly affects marketing performance. This is evidenced in the research of Sukaatmadja et al. (2021) and also Ingsih et al. (2021) where competitive advantage has a significant positive effect on marketing performance. Then put forward the following hypothesis:

H5: Effect of Competitive Advantage on Marketing Performance.

2.10 Effect of Product Innovation (X1) on Marketing Performance (Y) Mediated by Competitive Advantage (X3)

Product innovation affects marketing performance mediated by competitive advantage. This statement is supported by research by Fadhillah et al. (2021) where it is stated that competitive advantage can mediate the effect of product innovation on marketing performance. This is supported by Dahana et al. (2021) where it is stated that product innovation has a significant positive impact on marketing performance through competitive advantage. Therefore, the proposed hypothesis is as follows:

H6: Effect of Product Innovation on Marketing Performance mediated by Competitive Advantage.

2.11 Effect of Social Media (X2) on Marketing Performance (Y) Mediated by Competitive Advantage (X3)

Social media in its development in assisting marketing performance allegedly requires a competitive advantage to give a better effect in MSME business. Previous research revealed that the use of e-commerce in this case as part of social media can improve marketing performance mediated by competitive advantage. Respatiningsih (2021) in his research stated that competitive advantage in mediating social media on marketing performance has a significant influence.

H7: The influence of social media on marketing performance mediated by competitive Advantage.

The flow of the relationship of all the variables of product innovation, social media, marketing performance, and competitive advantage is illustrated in the following Figure 1:

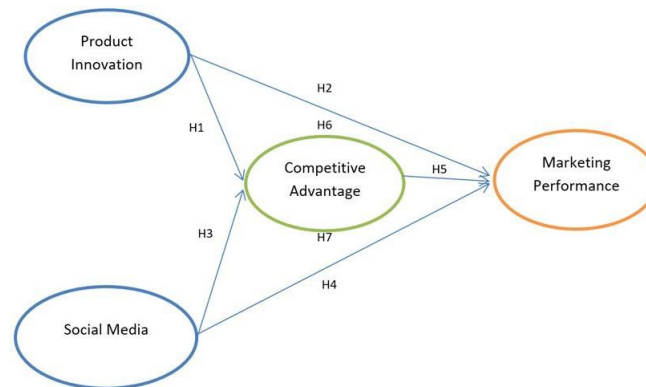


Figure 1. Conceptual Model

3. Methods

This study uses a quantitative approach. The type of research carried out is causality research, namely looking for and knowing the causal relationship between research variables. This study's population is business actors included in Small, Micro, and Medium Enterprises in the city of Surabaya. The sample used is 117 SMEs. The sampling technique used a non-probability sampling method with a purposive sampling technique with criteria, MSMEs used social media ads and had more than 3 product variants. This study used primary data types obtained directly from individual respondents who have both goods and services businesses in Surabaya. The instrument used for collecting data from respondents is a questionnaire with a Likert scale and processed using the PLS (Partial Least Square) technique.

3. Data Collection

The data used are primary data and secondary data. Primary data was obtained by using a questionnaire distributed to SMEs in goods and services in Surabaya. Questionnaires were distributed directly and also using google forms. Furthermore, secondary data was obtained from the documentation owned by MSMEs and data from the East Java statistical center.

4. Results and Discussion

The following Figure 2 are the results of the partial least squares analysis:

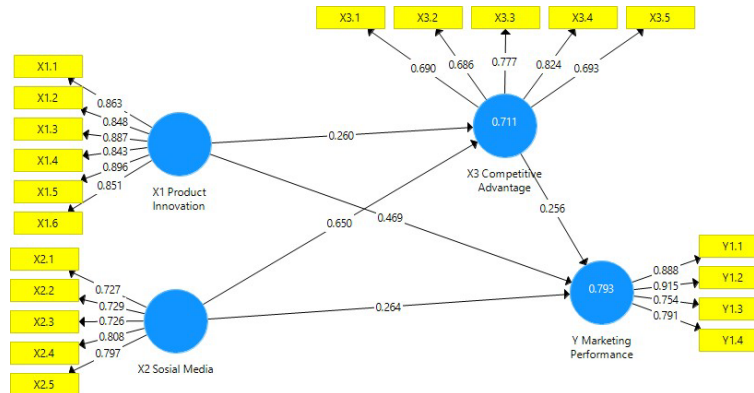


Figure 2. PLS Algorithm Testing

4.1 The goodness of Fit Outer Model Evaluation

Before testing the hypothesis to predict the relational relationship in the structural model, testing the measurement model must be done first to verify the indicators and latent variables that can be tested further. The test includes testing construct validity (convergent and discriminant) and constructs reliability. The information is as follows:

a. Convergent Validity Test (Convergent Validity)

A construct indicator is said to meet convergent validity if it has a loading value > 0.50 it is used to measure the latent variable. Here is the convergent validity test

Table 1. Convergent Validity

	X1 Product Innovation	X2 Social Media	X3 Competitive Advantage	Y Marketing Performance
X1.1	0.863			
X1.2	0.848			
X1.3	0.887			
X1.4	0.843			
X1.5	0.896			
X1.6	0.851			
X2.1		0.727		
X2.2		0.729		
X2.3		0.726		
X2.4		0.808		
X2.5		0.797		
X3.1			0.690	
X3.2			0.686	
X3.3			0.777	
X3.4			0.824	
X3.5			0.693	
Y1.1				0.888
Y1.2				0.915
Y1.3				0.754
Y1.4				0.791

Source: Appendix

Based on the results of the Table 1, it can be explained that the loading factor seen in the original sampling can be seen that all construct indicators of each variable have a loading factor greater than 0.50 thus the indicator can be declared valid as a measure of the latent variable.

b. Discriminant Validity Test (Discriminant Validity)

The discriminant validity of each variable in measuring the question item is shown by cross-loadings. The results of discriminant validity can be shown in the table below:

Table 2. Cross Loading Indicator Of Variable

	X1 Product Innovation	X2 Social Media	X3 Competitive Advantage	Y Marketing Performance
X1.1	0.863	0.487	0.526	0.648
X1.2	0.848	0.548	0.549	0.675
X1.3	0.887	0.565	0.595	0.703
X1.4	0.843	0.542	0.575	0.637
X1.5	0.896	0.616	0.627	0.772
X1.6	0.851	0.611	0.658	0.781
X2.1	0.450	0.727	0.599	0.523
X2.2	0.391	0.729	0.613	0.523
X2.3	0.498	0.726	0.555	0.588
X2.4	0.579	0.808	0.629	0.675
X2.5	0.543	0.797	0.705	0.637
X3.1	0.613	0.575	0.690	0.659
X3.2	0.481	0.513	0.686	0.478
X3.3	0.467	0.588	0.777	0.536
X3.4	0.472	0.703	0.824	0.622
X3.5	0.474	0.615	0.693	0.599
Y1.1	0.783	0.642	0.655	0.888
Y1.2	0.840	0.675	0.703	0.915
Y1.3	0.487	0.610	0.639	0.754
Y1.4	0.585	0.702	0.675	0.791

Source: Appendix

Based on Table 2, it can be interpreted that it is known that each indicator has a cross-loading (towards the dimensions or variables being measured) that is greater than the cross-loading value with other dimensions or variables. So that the indicator is said to be valid for measuring the appropriate dimensions or variables if the cross-loading value is > 0.50. Where if the indicator correlation value is higher to the construct itself than the indicator correlation to other constructs, it can be concluded that the latent construct predicts the indicators on each indicator better than other indicators.

c. Reliability Test

In this study, the authors use the alpha coefficient or Cronbach's alpha to measure the reliability or internal consistency between the questions in an instrument. Based on the test results, the measurement item is said to be reliable if it has an alpha coefficient value greater than 0.6.

Table 3 shows the reliability value of internal consistency, for the alpha coefficient of each variable in each variable, is declared reliable because it is greater than 0.6. Thus the measurement items in each variable are declared reliable and can then be used in research.

Table 3. Reliability Test Results

	Cronbach's Alpha
X1 Product Innovation	0.933
X2 Social Media	0.815
X3 Competitive Advantage	0.787
Y Marketing Performance	0.859

Source: Appendix

d. Average Variance Extracted (AVE)

It is expected that the AVE value is > 0.5, indicating that it has met the evaluation of convergent validity. The following are the results of the AVE test in Table 4.

Table 4. AVE Test Results

	Average Variance Extracted (AVE)
X1 Product Innovation	0.748
X2 Social Media	0.575
X3 Competitive Advantage	0.542
Y Marketing Performance	0.705

Source: Appendix

4.2 The goodness of Fit Inner Model Evaluation

The Goodness of Inner Model is used to determine the magnitude of the ability of endogenous variables to explain the diversity of exogenous variables. The results of the Goodness of Inner Model shown through R-Squares can be shown in the Table 5:

Table 5. R Square

	R Square	R Square Adjusted
X3 Competitive Advantage	0.711	0.706
Y Marketing Performance	0.793	0.788

Source: Appendix

4.3 Hypothesis test

Testing this hypothesis is used to determine the causality developed in the model, namely the effect of exogenous variables on endogenous variables. The significance test can be known through the T-statistic greater than the critical value (t-table 1.96) in the Table 6:

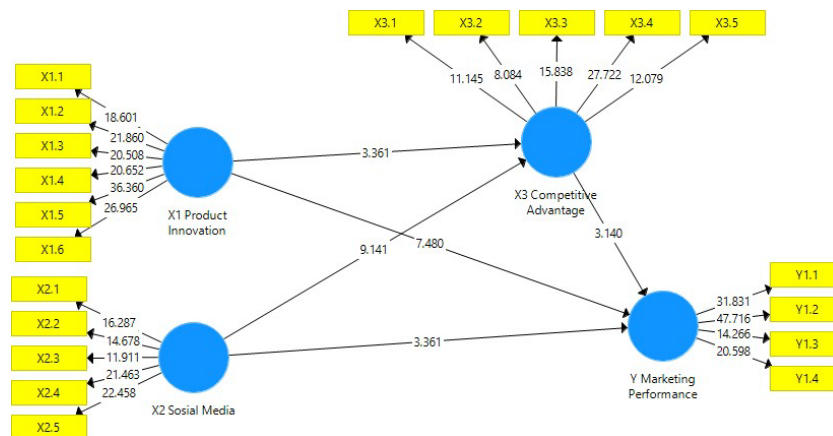


Figure 3. Bootstrapping

Table 6. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
X1 Product Innovation -> X3 Competitive Advantage	0.260	0.262	0.077	3.361	0.001
X1 Product Innovation -> Y Marketing Performance	0.469	0.469	0.063	7.480	0.000

X2 Social Media -> X3 Competitive Advantage	0.650	0.649	0.071	9.141	0.000
X2 Sosial Media -> Y Marketing Performance	0.264	0.264	0.079	3.361	0.001
X3 Competitive Advantage -> Y Marketing Performance	0.256	0.255	0.082	3.140	0.002

Indirect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 Product Innovation -> X3 Competitive Advantage -> Y Marketing Performance	0.067	0.067	0.031	2.166	0.031
X2 Sosial Media -> X3 Competitive Advantage -> Y Marketing Performance	0.167	0.166	0.055	3.011	0.003

Source: Appendix

4.4 Discussion

The Effect of Product Innovation (X1) on Competitive Advantage (X3)

Based on (table path coefficients) shows that Product Innovation (X1) in this study, proved to have a positive and significant effect on Competitive Advantage (X3). Innovations carried out by MSMEs encourage a good strength in dealing with competitors, business units that best understand market wants and needs will be preferred by customers so that these business units perform better in a market (Afriyie et al. 2020); Sugiyarti & Ardyan (2017); Pramuki & Kusumawati, (2021).

The Effect of Product Innovation (X1) on Marketing Performance (Y)

Good product innovation will improve marketing performance and the consistency of marketing performance itself. This refers to the path coefficients table which shows that Product Innovation (X1) in this study, proved to have a positive and significant effect on Marketing Performance (Y). When the market is in a saturated condition, it will result in a slowdown in economic activity which affects the sales performance of a business unit, therefore there is a need for product innovation to disperse market saturation so that it affects the increase in marketing performance (Fadhillah et al. 2021; Cicik Harini 2020).

Effect of Social Media (X2) on Competitive Advantage (X3)

The marketing ecosystem and business competition are the motives for leading a superior business process this competitive advantage is influenced by the existence of increasingly massive social media developments. The data above shows that Social Media (X2) in this study, proved to have a positive and significant effect on Competitive Advantage (X3). Social media is an important capital in dealing with competitors, with how social media becomes a means of facilitating resource efficiency so that it can increase the company's value in competition with competitors in its market (Kartika 2021).

Effect of Social Media (X2) on Marketing Performance (Y)

Social media is a means of expanding the marketing of MSME products, where a broad market will provide greater opportunities to achieve higher marketing performance. in line with the evidence in the path coefficients table that social media (X2) has been shown to have a positive and significant effect on marketing performance. When customers have broad and easy access to products owned by SMEs, they can stimulate purchases without any restrictions on place, time, and distance. this is a way for MSMEs to improve their marketing performance through a strategy of exploring the market potential that has not stagnated (Sukaatmadja et al. 2021; Ingsih et al. 2021).

The Effect of Competitive Advantage (X3) on Marketing Performance (Y)

The potential for failure in marketing performance, of course, can occur. However, this can be overcome by strengthening the advantage to lead to increasingly competitive competition. Based on the table (path coefficients) shows that Competitive Advantage (X3) in this study, proved to have a positive and significant effect on Marketing Performance (Y). Improving the performance of business unit marketing requires a strategy on how to be more valuable than competitors. MSMEs that can lead the market have a greater chance of achieving better marketing performance than those who only do business with conventional strategies (Fadhillah et al. 2021).

The Effect of Product Innovation (X1) on Marketing Performance (Y) Mediated by Competitive Advantage (X3)

The role of the Competitive Advantage Variable is very important to support the involvement of the Product Innovation variable role that can create good marketing performance. From the data obtained information that Product Innovation (X1) on Marketing Performance (X3) mediated by Competitive Advantage (X3) in this study, proved to have an effect positive and significant. The intensity of competition that occurs in the market encourages MSMEs to increase product innovation to attract more customers. This potential will be easier if the MSME has a competitive advantage (Dahana et al. 2021).

Effect of Social Media (X3) on Marketing Performance (Y) Mediated by Competitive Advantage (X3)

The role of social media on marketing performance is very strong. Not only that, good social media will be able to create a competitive advantage which will also have an impact on marketing performance. Reflected from the data above Social Media (X3) on marketing performance mediated by Competitive Advantage (X3) in this study, proved to have a positive and significant effect on Competitive Advantage (X3). The use of social media to improve marketing performance will have higher benefits if it is regulated in line with a competitive advantage strategy. This will have the impact of expanding the marketing portion of an MSME product (Respatinings 2021).

5. Conclusion

Product Innovation (X1) has contributed to competitive advantage (compete) (X3) and Marketing Performance (Y1). This means that Product Innovation can encourage a business to have strong competitiveness and have good and consistent marketing performance. On the other hand, the role of social media has a very large contribution to competitive advantage (X3) and marketing performance (Y). This implies that social media encourages MSME business actors to strengthen their competitiveness and also their marketing performance. Likewise, Competitive Advantage (X3) has an impact on Marketing Performance (Y), meaning that strong competitiveness will have an impact on consistent and more developed marketing performance. And lastly, Product Innovation (X1), and Social Media (X2) mediated by Competitive Advantage (X3) have a contributing role in realizing Marketing Performance (Y). This means that good and effective marketing performance can be influenced by good Product Innovation, adequate Social Media, and strong competitiveness.

Suggestions to MSME business actors, it is hoped that they can increase the uniqueness of the products in each of their outlets. The company feels the need to make packaging designs that are more unique and different so that MSME products are easily recognized among other brands 2. MSME actors are expected to further improve digital literacy with social media to survive in the face of very tight competition in the era of digitalization, so that good marketing performance can awaken.

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