

## MARKET ORIENTATION'S ROLE IN IMPROVING MARKETING PERFORMANCE THROUGH COMPETITIVE ADVANTAGE

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### ABSTRACT

*Marketing performance is an achievement measure gained from entirely marketing activities of the organization. The purpose of this study to analyses the aftereffect of market orientation on marketing performance through competitive advantage. Type of the study is explanatory research. Research samples are 82 palm oil distributors by using total sampling technique. Analysis in this study use Partial Least Square (PLS) analysis. Analysis result proved that Market Orientation has significant effect on competitive advantage however does not affected significant on Marketing performance, while competitive advantage has significant effect on marketing performance.*

**Keywords :** Market orientation, competitive advantage, marketing performance

### INTRODUCTION

Marketing performance is used as a tool to measure the success rate of overall performance, including the success of the strategy implemented, sales growth, and company profits. Performance is all systems related to the activities and results obtained. Almost all performance measurement methods pay attention to several aspects, namely the quantity of work, quality of work, timeliness, cooperation, and personal qualities.

Marketing performance is a measure of achievement obtained from the overall marketing activity process of an organization (Hartanty & Ratnawati, 2013). For this reason, in order for marketing performance to increase, it is necessary to apply the right strategy in order to have an advantage in competition, among others, through product uniqueness as a differentiator, quality products and competitive prices. Ferdinand (2014) said that marketing strategy is always directed through the company's ability to have an advantage in improving the company's marketing

performance. So that marketing performance can be maximized cannot be separated because of the factors that influence it, such as company creativity in marketing programs and market orientation.

Market orientation is the company's ability to study customers, competitors, and environmental forces to gain understanding of the market on an ongoing basis and to take action on prospective or bright markets (Sulistiyani, 2013). Uncles (2000) in Rokhman (2019) suggests that market orientation is a process and activity to attract and satisfy new customers by paying attention to customer needs and wants continuously. Market orientation will improve company performance.

Indonesian palm oil production shows recovery. Production in August 2020 has reached 4.2 million tons, which is the same as production in August 2019 although in total up to August it was 6.7% lower than 2019 production. The increase in production occurred not only because it followed the seasonal cycle but also because plants had shown a recovery after fertilization for the first semester of 2020 returns to normal. The export value of palm oil products in August was around US \$ 1.69 billion, lower than the export value in July which reached US \$ 1.86 billion. The export value was achieved at the average price of CPO in August of US \$ 703 / ton Cif Rott and in July of US \$ 659 / ton (Info Sawit, 2020b).

Several types of agricultural products from East Java (Jatim) recorded an increase in exports during the pandemic. These products are exported through Tanjung Perak Seaport and Juanda Airport as the main export gate not merely for East Java but also for eastern part of the country that do not have direct export facilities (Info Sawit, 2020a).

The Ministry of Agriculture, through Surabaya Agricultural Quarantine, noted a substantial upsurge in requests for export facilitation. In particular, the plantation sub-sector commodities such as coffee and palm oil, horticultural products and other food crops totaling 9,358 times. Compared to the January to March 2019 period which only recorded 6,325 times, there was an increase of 47.95% (Info Sawit, 2020a).

## **LITERATURE REVIEW**

### **Market Orientation**

Narver and Slater in Zainul et al (2016) define market orientation as the organizational culture that is most effective in creating important behaviors for the creation of superior value for buyers and business performance. According to Kohli in Rokhman (2019), market orientation is a corporate culture that can lead to improved marketing performance. Meanwhile, Slater in Rokhman (2019) defines market orientation as the most efficient and effective organizational culture to create the behavior necessary to build superior value or buyers and the superior performance shown to the company.

### **Competitive Advantage**

According to Porter (1990) competitive advantage is the heart of marketing performance to tackle competition. Competitive advantage is defined as the benefit strategy of companies collaborating to create a more effective competitive advantage in their market. This strategy must be designed to create a continuous competitive advantage so that the company can dominate both the old market and the new market.

## Marketing Performance

Marketing performance is the extent to which the company's achievements on the products produced, besides marketing performance is also a measure used to assess the achievement of the marketing process activities carried out by a company. Marketing performance related to customer growth is an increase in customer arrivals by repurchasing the products produced (Pardi, Suharyono, Imam, & Zainul, 2014).

## Conceptual Framework

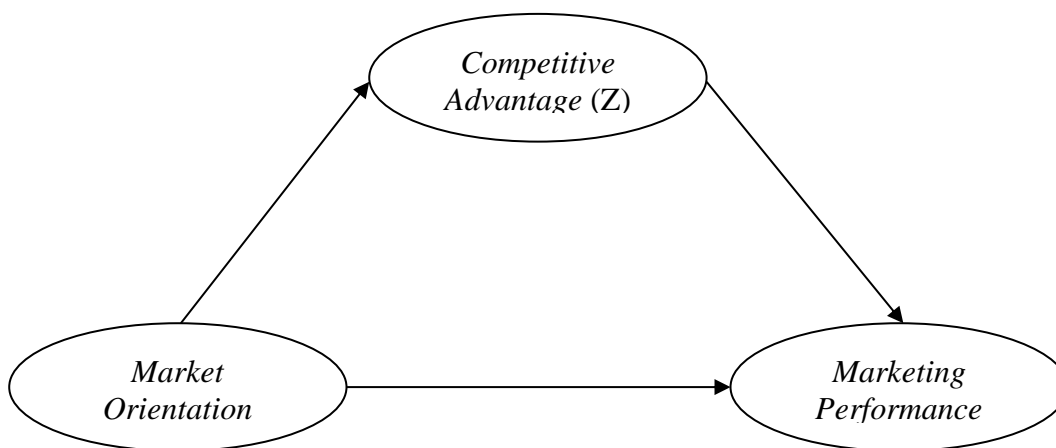


Figure 1. Research Model

Companies that have competence in the fields of marketing, manufacturing and innovation can make its as a source to achieve competitive advantage (Daengs, Istanti, Negoro, & Sanusi, 2020: 1419).

To find out the results of the data, the technique of data analysis is also used to test the hypotheses put forward by the researchers, because the analysis of the data collected to determine the effect of the independent variables on the related variables is used multiple linear statistical test. (Istanti, Sanusi, & Daeng GS, 2020: 113).

The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question (Soemantri & Daengs GS, 2020: 5).

Time management skills can facilitate the implementation of the work and plans outlined (Dewi, Daengs GS, Khusniyah, & Qomariah, 2020: 14).

Standard of the company demands regarding the results or output produced are intended to develop the company (Istanti, Negoro, & Daengs GS, 2021: 560).

## RESEARCH METHODS

### Research design

Research design that used is explanatory research. Explanatory research is managed with the aim to analyzing relationship between variables through hypothesis testing (Hedström 2004; Noor, 2008). The approach used is a quantitative method. According to Sugiyono (2016), quantitative

methods are data in the form of numbers or qualitative data ranking / assessments. Quantitative methods can be defined as a research method based on a positivist philosophy that is used to study a particular population or sample.

### **Population and Sample**

According to Sugiyono (2016), population is a generalization area consisting of objects / subjects that have certain qualities and characteristics that are determined by researchers to be studied and then draw conclusions. The population is the whole subject that is the focus of the study, and all members of the research subject who have similar characteristics (Nurgiyantoro, 2012). The population in this study were 82 oil palm distributors.

The sample is part of the number and characteristics of the population (Sugiyono, 2016). In this study, the sampling technique used was saturated sampling technique, namely the sampling technique when all members of the population were used as samples (Sugiyono, 2016). Thus, the sample used in this study was 82 oil palm distributors.

### **Definition of Operational Variables**

The operational definition is a concept or something that can be measured and can be seen in the behavioral dimensions, aspects or characteristics that the concept shows. The operational definitions of the variables in this study are:

#### **1. Exogenous Variables**

According to Sugiyono (2016), exogenous variables are regularly signified to as stimulus, predictor, and antecedent variables. Exogenous variables are often called independent variables, namely variables that influence or cause changes or the emergence of the dependent variable. The exogenous variable in this study is Market Orientation (X). Market orientation in this study is measured through several indicators that refer to (Zulfikar, 2018), namely:

- a. Customer orientation
- b. Competitor orientation
- c. Coordination between intra-company functions

#### **2. Intervening Variables**

According to Sugiyono (2016) intervening variables theoretically affect the correlation between the independent and dependent variables. This variable is a variable that occurs between the independent variable and the dependent variable. The intervening variable in this study is Competitive Advantage (Z). Competitive advantage in this study is measured through several indicators that refer to Hajar & Sukaatmadja (2016), namely:

- a. Competitive price
- b. Explore opportunities
- c. Competing threat defenses
- d. Flexibility
- e. Customer relations

#### **3. Endogenous Variables**

As said by Sugiyono (2016) endogenous variables are often signified as output variables, criteria, consequences, or dependent variables. The dependent variable is a variable that affects or

becomes a result of the independent variable. The endogenous variable in this study is Marketing Performance (Y). Marketing performance in this study is measured through several indicators that refer to Hajar & Sukaatmadja (2016), namely:

- a. Customer satisfaction
- b. Sales volume
- c. Customer growth
- d. Profitability

### **Types and Sources of Data**

Data sources of research are the subjects from which data can be obtained. Primary data is data obtained from the first source, either from individual, such as interviews result or the results of filling out questionnaires that are usually carried out by researchers (Umar, 2008). Primary data obtained from distributing questionnaires.

### **Method of collecting data**

The data collection method is a systematic procedure with respect to the predetermined outline. The method used to obtain the required data is by using a questionnaire. The questionnaire is a list containing a set of questions compiled by the researcher to be filled in by respondents in the form of written questions to ask for information or answers and information needed (Sugiyono, 2016).

### **Data analysis technique**

The data analysis technique used in this study was Partial Least Square. According to Abdillah & Jogiyanto (2009) PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model. The measurement model is used to test the validity and reliability, while structural model is used to test the causality (hypothesis testing with predictive models). Furthermore, Abdillah & Jogiyanto (2009) stated that Partial Least Squares (PLS) analysis is a multivariate statistical technique that performs comparisons between multiple dependent variables and multiple independent variables. PLS is a variant-based SEM statistical method designed to solve multiple regression when specific problems occur in the data. According to Ghozali in Kalnadi (2013), PLS is a soft modeling method of analysis because it does not assume that the data must be measured at a certain scale, which means that the number of samples can be small (below 100 samples).

## **RESULTS OF HYPOTHESIS**

### **Inner Model Evaluation**

The inner model which is sometimes referred to as (inner relation, structural model and substantive theory) specifies the influence between the research variables (structural model).

#### **Inner Model Test or Structural Model Test**

The analysis result of the suitability level of the structural model that is built shows the conclusion that the overall model is "relevant" to explain the variables studied and their effects on each variable. For endogenous latent variables in the structural model which has  $R^2$  results of 0.67, it indicates that

the model is “good”,  $R^2$  is 0.33 indicating that the model is “moderate”,  $R^2$  is 0.19 indicating that the model is “weak” (Ghozali, 2012) . The PLS output is as explained below:

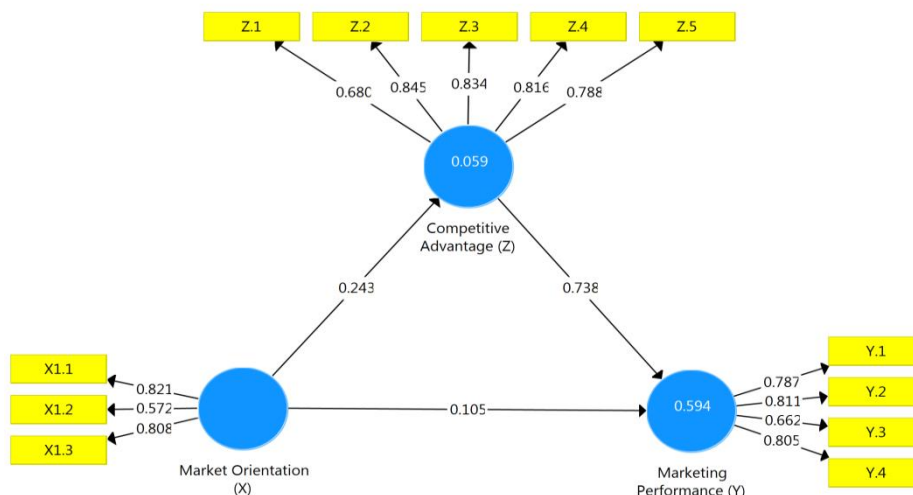
**Table 1. R-Square value**

	<i>R-Square</i>
<i>Market Orientation (X)</i>	
<i>Competitive Advantage (Z)</i>	0.059
<i>Marketing Performance (Y)</i>	0.594

The table above indicate that the Market Orientation variable affects Competitive Advanteg has a  $R^2$  value of 0.059 which means the model is "weak". Meanwhile, the Market Orientation and Competitive Advantage variables which affect Marketing Performance have an  $R^2$  of 0.594 which indicates a "moderate" model. Suitability of the structural model can be seen from  $Q^2$ , as follows:

$$\begin{aligned}
 Q^2 &= 1 - [(1 - R1)*(1 - R2)] \\
 &= 1 - [(1 - 0.059)*(1 - 0.594)] \\
 &= 1 - [(0.941)*(0.406)] \\
 &= 1 - [0.382] \\
 &= 0.618
 \end{aligned}$$

The result of  $Q^2$  calculation shows that the  $Q^2$  value is 0.618 which indicates that the  $Q^2$  value is in the "strong" category. According to Ghozali (2016), the value of  $Q^2$  can be used to measure how well the observed value is generated by the model and also its parameter estimates. So that the  $Q^2$  predictive value made by the model is considered to have predictive relevance.



**Figure 1. PLS Inner Model**

There is an exogenous variable in the inner model studied, namely Market Orientation, then the endogenous variable in the inner model studied is Marketing Performance, while the intervening



variable is Competitive Advantage. The results of the inner weight value in Figure 1 above show that the structural equation is obtained as follows:

$$Z = 0.243 X$$
$$Y = 0.105 X + 0.738 Z$$

### **Hypothesis test**

#### 1. Hypothesis 1

The testing result are proven to be true, this is known from the t statistical value of 2.514 which means greater than 1.96, this means that Market Orientation has a significant effect on Competitive Advantage. The direction of the correlation between two variables is positive, which means that the better the ability in terms of market orientation, the more competitive advantage will be increased by having a large effect of 0.243.

#### 2. Hypothesis 2

The testing result are unproven to be true, this is known from the t statistical value of 1.333 which means less than 1.96, this means that Market Orientation has no significant effect on Marketing Performance. However, the direction of the correlation between two variables is positive, which means that the better the marketing orientation is, the more marketing performance will be increased, but not significantly, with a large effect of 0.105.

#### 3. Hypothesis Test 3

The testing result are proven to be true, this is known from the t value of 13,921 which means greater than 1.96, this means that Competitive Advantage has a significant effect on Marketing Performance. The direction of the relationship between the two variables is positive, which means that there is a unidirectional correlation so that it means that the higher the competitive advantage, the more it can improve marketing performance by having a large effect of 0.738.

## **ANALYSIS AND DISCUSSION**

### **The Aftereffect of Market Orientation on Competitive Advantage**

Based on the research findings, it was found that Market Orientation has an effect on Competitive Advantage in Palm Oil Production, because the t statistical value is 2.514 which means it is greater than 1.96, which means that competitive advantage can be formed with a good market orientation. Means that the hypothesis which declares “market orientation has a significant effect on competitive advantage in palm oil production” is accepted.

From the hypothesis testing result, it is proven that a good market orientation will be able to affect the level of competitive advantage. By looking at these results, it can be interpreted that the better the company's ability to analyze the market, the more it will be able to increase the company's superiority in competing with competitors. This can be a reference for palm oil distributors who want to improve their ability to compete with competitors to be able to improve their ability to study customers, competitors, and environmental forces to gain understanding of the market.

Findings of this study are in line with the results conducted by Dewi & Ekawati (2017) who found in their research that market orientation has a positive and significant effect on competitive advantage. However, these results contradict the findings of Zainul et al., (2016) who found in their research that market orientation had no significant direct effect on competitive advantage.

### **The Aftereffect of Market Orientation on Marketing Performance**

Based on the research results, the results show that Market Orientation has no effect on Marketing Performance in Palm Oil Production, because the T statistical value is 1.333 which means less than 1.96, which means that marketing performance cannot necessarily be formed with a good market orientation. This means that the hypothesis which says "market orientation has a significant effect on marketing performance in palm oil production" is declared not accepted.

From the results of the tests conducted, it is said that the hypothesis is accepted and accepted. Even so, the direction of influence that occurs between the market orientation variable and marketing performance is positive. This indicates that the company's high ability to analyze the market will further improve marketing performance. So that this can be a reference for palm oil distributors to improve their performance in terms of marketing through increasing their ability to study customers, competitors and environmental forces as a form of increasing market orientation.

The results of this study do not support the findings of research conducted by Rokhman (2019) which proves that there is a direct and positive effect of market orientation on market performance.

### **The aftereffect of Competitive Advantage on Marketing Performance**

Based on the research results, it was found that Competitive Advantage has an effect on Marketing Performance in Palm Oil Production because the T statistical value is 13,921 which means it is greater than 1.96, which means that marketing performance can be formed with a high competitive advantage. This means that the hypothesis which says "competitive advantage has a significant effect on marketing performance on palm oil production", is accepted.

From the results of hypothesis testing, it is proven that the hypothesis is accepted. This indicates that a high competitive advantage will be able to affect the level of the company's marketing performance. This can be a reference for palm oil distributors who want to improve their performance in marketing, it is very necessary to pay attention to the extent to which the company is able to form product uniqueness as a differentiator, quality products and competitive prices to be an impetus in increasing the company's excellence in competing with competitors.

The findings in this study support the research conducted by Rokhman (2019) which proved in his research that competitive advantage has a significant positive effect on marketing performance. Likewise the findings of Dewi & Ekawati (2017) which prove in their research that competitive advantage has a positive and significant effect on marketing performance.

## **CONCLUSION**

1. Market Orientation affects the Competitive Advantage in Palm Oil Production
2. Market Orientation has no effect on Marketing Performance in Palm Oil Production
3. Competitive Advantage affects Marketing Performance in Palm Oil Production.



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