

The Effect of Market Orientation on Marketing Performance Through Competitive Advantage as a Mediating Variable (In Sidoarjo Regency MSMEs)

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ABSTRACT

Objective: This study examines the effect of market orientation on marketing performance, with competitive advantage as a mediating variable, in the context of MSMEs in Sidoarjo Regency. Given the increasingly competitive business environment, MSMEs must leverage their resources and capabilities to achieve a sustainable competitive advantage and enhance marketing performance. **Method:** A quantitative research approach was employed, utilizing a survey questionnaire distributed to MSMEs in Sidoarjo Regency. The study applied a purposive sampling technique to select relevant respondents. Data analysis was conducted using Partial Least Squares (PLS) to assess both the measurement and structural models. **Results:** The findings indicate that market orientation has a significant and positive impact on marketing performance. Additionally, competitive advantage serves as a mediating factor, reinforcing the relationship between market orientation and marketing performance. The results highlight that MSMEs adopting market-oriented strategies can enhance their competitive advantage, ultimately leading to improved marketing performance. **Novelty:** This study contributes to the existing literature by providing empirical evidence on the mediating role of competitive advantage in the relationship between market orientation and marketing performance within the MSME sector in Sidoarjo Regency. The findings offer practical insights for MSME practitioners to strengthen their competitive strategies through market orientation.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a form of business that helps support the economy of Indonesian society. MSMEs are among the key players that hold an important and strategic role in regional and national economic development. The presence of MSMEs assists the government in creating new job opportunities and increasing foreign exchange through corporate taxes. MSMEs are one of the most crucial components of the national economy, as they can generate more productive labor through investment and technological advancements. Additionally, MSMEs are more flexible, which serves as an advantage compared to large corporations [1]. Therefore, MSMEs are considered highly influential in improving the living standards of Indonesian society and are a sector that deserves significant attention. The contribution of MSMEs to Indonesia's economy can be observed from the Gross Domestic Product (GDP) figures generated by MSMEs. GDP represents the total added value created by all business entities within a specific country or the total value of finished goods and services produced by all economic entities. MSMEs are on a positive trend, with their numbers

continuously increasing each year. This trend will have a positive impact on Indonesia's economy. The growth of MSME contributions to GDP from 2015 to 2021 can be seen in the following image.

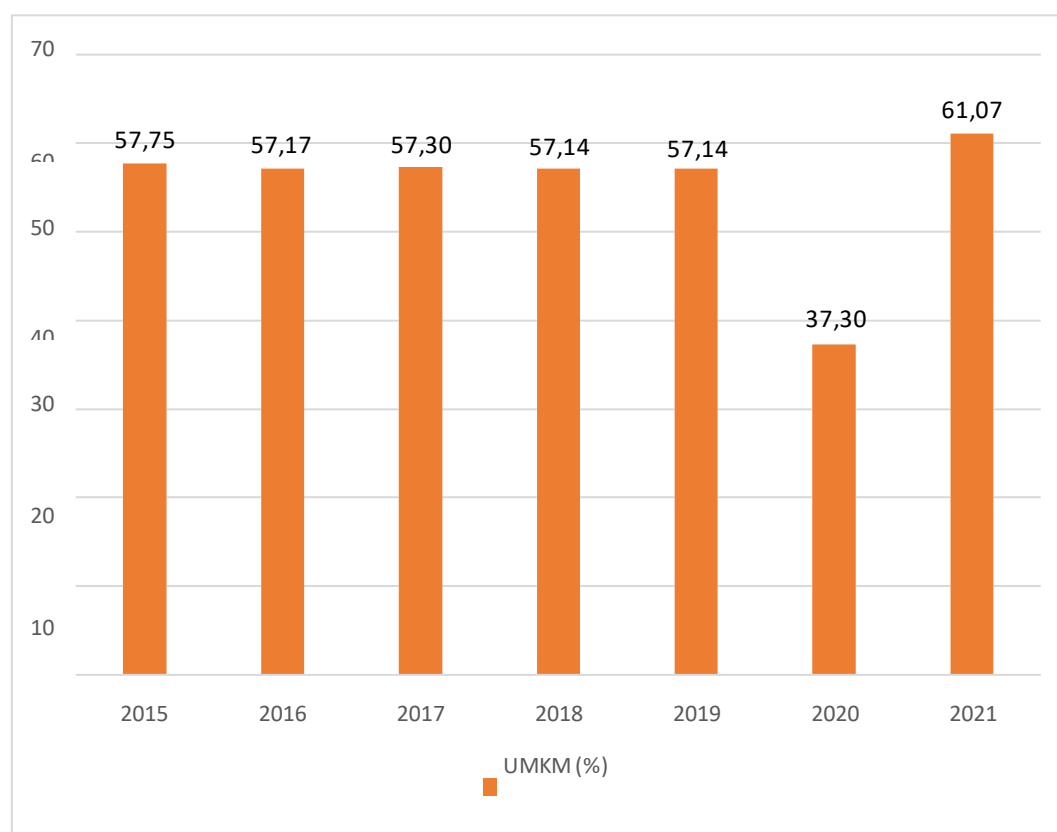


Figure 1. MSME Contribution to GDP Data for the Years 2015-2021

Based on Figure 1.1, it can be seen that the role of MSMEs in Gross Domestic Product (GDP) reached 61.07%. In 2020, it remained at 37.3%, the lowest since 2015; however, compared to the previous year, it decreased to 38.14%. According to data from the Ministry of Cooperatives and Small and Medium Enterprises (MSMEs) in 2021, the number of units in the MSME sector reached 64.2 million units, equivalent to 61.07% or IDR 8,573.89 trillion. This indicates that Indonesian MSMEs have great potential for further development to enhance their contribution to the economy.

According to the Minister of Cooperatives and Small and Medium Enterprises, Teten Masduki, based on data from the Ministry of Cooperatives and Small and Medium Enterprises in 2018, the number of MSME actors was 64.2 million or 99.99% of the total business actors in Indonesia [2]. The following presents data on the number of MSMEs in East Java Province.

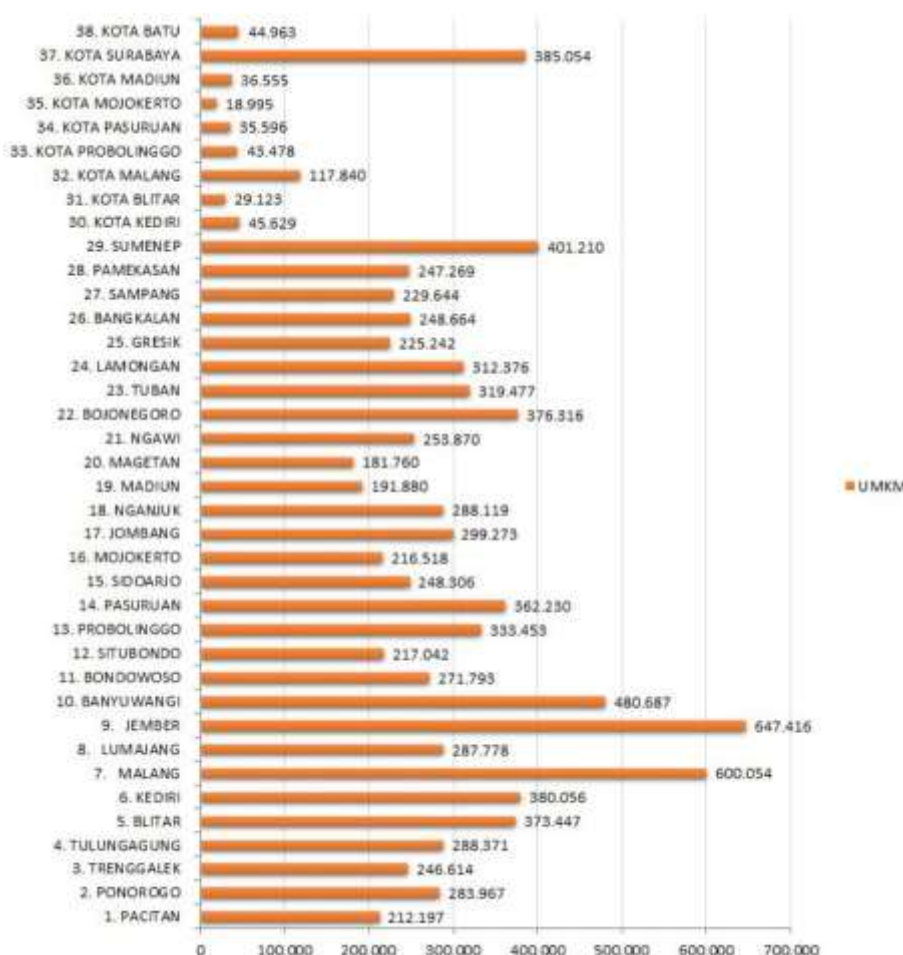


Figure 2. Data on the Number of MSMEs in East Java

Based on Figure 1.2, it can be seen that Jember City has the highest number of MSMEs, with a total of 647,416. Meanwhile, Sidoarjo Regency has 248,306 MSMEs. The selection of Sidoarjo Regency as the research location is due to its title as the "City of MSMEs in Indonesia." Sidoarjo Regency is one of the regions that serves as a national center for MSMEs, gaining nationwide recognition. This status is attributed to the success of Sidoarjo Regency in fostering cooperatives and MSMEs, earning it the designation as the City of MSMEs.

Sidoarjo Regency is one of the regencies in East Java Province with strong economic potential. The widespread presence of MSMEs across various areas has made Sidoarjo Regency known as the City of MSMEs in Indonesia [3]. Various types of businesses operating in the micro, small, and medium enterprise sectors contribute to the diversity of MSMEs in Sidoarjo Regency, making it an attractive sector for continuous development. The development of the MSME sector is essential in creating a productive and positive environment, allowing MSMEs to compete on both national and international levels [4]. The variety of MSME sectors in Sidoarjo Regency includes leather bag and sandal crafts, handicrafts, fashion, as well as food and beverages, which are highly sought after by business players. Below is a list of the types of MSME businesses found in Sidoarjo Regency.

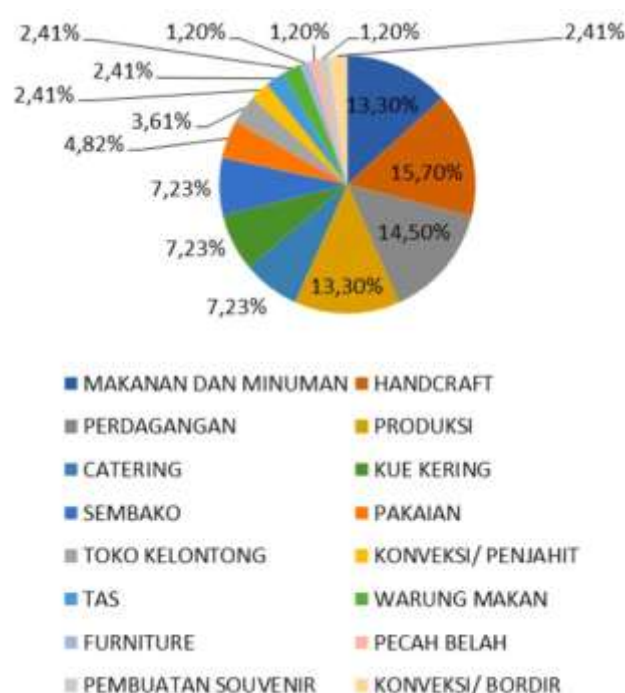


Figure 3. Types of MSME Businesses in Sidoarjo Regency

Based on Figure 1.3, it can be seen that MSMEs in Sidoarjo Regency are highly diverse. The handicraft sector has the highest percentage among other sectors, at 15.70%, followed by the trade sector at 14.50%. MSME entrepreneurs are required to keep up with technological advancements and current trends. Knowledge and skills in business development will have a positive impact on the MSME sector in Sidoarjo Regency.

The growth of MSMEs in various regions has created a highly competitive business environment. Therefore, marketing performance plays a crucial role in winning this competition. Micro, small, and medium entrepreneurs who operate a business must pay attention to marketing performance as a reflection of their business success in the market [5]. Marketing performance is an essential element of a business's overall performance, as business success can be evaluated through its marketing performance. To gain a competitive edge in an industry, a business's performance should be assessed based on all marketing activities and processes used to evaluate and measure marketing efforts as perceived by customers. Furthermore, marketing performance can be considered a concept used to measure how well a business's product performs in the market [6].

Marketing performance is a crucial factor for a business in measuring the impact of its business strategies. The strategies chosen by a business should be directed toward better market performance and financial outcomes. To enhance marketing performance, appropriate marketing methods and strategies are needed [7]. Therefore, businesses must measure and understand their marketing performance, as it serves as an evaluation and benchmark for assessing the impact of marketing strategies [8].

One of the core activities of marketing is selling products or services. The primary goal of marketing is to increase sales volume over time within a specific period, generating optimal revenue and profits. The role of marketing in achieving business goals can be observed through business profits, which depend on sales levels. If a business fails to meet its sales targets, the sales will be lower than planned, ultimately preventing the company from achieving its profit goals [9].

The success of marketing performance is determined by the extent to which MSMEs apply market orientation. Market orientation is a business perspective that focuses on the company's overall activities [10]. Market orientation contributes to improving marketing performance, as found in studies. Businesses that adopt market orientation gain an advantage in customer knowledge, which can serve as a competitive advantage [11].

The practical implementation of market orientation provides a competitive advantage based on innovation and market differentiation [10]. A company's market orientation can lead to external marketing success, such as improved business performance, financial outcomes, and customer satisfaction [12].

A business that performs better than competitors within the same industry by utilizing its assets and competencies demonstrates competitive advantage. One approach that businesses can use to navigate challenges and opportunities is the Resource-Based View (RBV) approach [13]. Through RBV, a business can build sustainable competitive advantage by leveraging heterogeneous resources. MSMEs that create competitive advantage will improve their organizational performance [10]. Competitive advantage contributes to enhancing marketing performance and creating effective marketing strategies [14]. Additionally, competitive advantage mediates the relationship between market orientation and business performance [15]. Competitive advantage also mediates the relationship between market orientation and marketing performance in export businesses [16].

To design a value proposition that offers more than competitors targeting the same market, a business must understand its customers and build strong relationships with them. This value proposition is also referred to as competitive advantage, where a business gains an edge over competitors by offering greater value [17]. Compared to what competitors provide, a business must understand both competitor and customer characteristics through situational analysis to gain the greatest competitive advantage. Lancaster & Massingham argue that competitive advantage is achieved through the application of competitive strategies aimed at establishing a favorable and sustainable market position within an industry. The goal of a business is to meet consumer expectations better than its competitors [18].

Parasuraman et al. note that a business failing to meet consumer expectations will suffer from a competitive disadvantage, causing customers to switch to alternatives. A business with competitive advantage differentiates itself from competitors, increasing customer interest in purchasing its products. This differentiation can enhance marketing

performance. Unique products or services distinguish a business from its competitors, leading to increased sales. In other words, a company's products must stand out to create value for customers. If a business wants to gain competitive advantage, it must exceed consumer expectations. Good service enhances customer loyalty, ensuring that customers remain with the business instead of seeking alternatives [19].

According to a study by Prihandono et al, market orientation has a positive and significant impact on marketing performance, with competitive advantage acting as a mediator [20]. These findings align with the study by Taufiq & Rokhman, which states that market orientation directly and positively affects marketing performance, and competitive advantage can mediate this effect. However, these findings contradict studies by Han et al. and Hatta, which suggest that market orientation does not determine marketing performance [21].

Narver & Slater state that although research on the relationship between market orientation and marketing performance has produced mixed results, studying the effect of market orientation on marketing performance remains an important topic for business strategy [16]. To prove that marketing performance is influenced by market orientation and competitive advantage, and based on the previously presented data, further research is needed to examine the impact of market orientation on marketing performance through competitive advantage.

RESEARCH METHOD

This study employs a quantitative approach using Partial Least Squares - Structural Equation Modeling (PLS-SEM) to analyze the relationships between the research variables. This method was chosen for its ability to simultaneously analyze structural models and map relationships among multiple endogenous variables. The study population consists of MSMEs in Sidoarjo Regency, with a total of 248,306 business units. The sample was determined using the purposive sampling technique and calculated using the Slovin formula, resulting in 100 respondents. The sample criteria include MSMEs that are still actively operating and have complete business data to support the study. Data collection was conducted through online questionnaire distribution, ensuring efficiency in terms of time and broader respondent reach. The research instrument consists of a 4-point Likert scale, which measures respondents' levels of agreement with the statements provided. The collected data were then processed using SmartPLS software to ensure the validity and reliability of the instruments used.

The research process began with a literature review to understand theories related to market orientation, competitive advantage, and marketing performance. This was followed by problem identification, focusing on the challenges faced by MSMEs in Sidoarjo Regency in improving their marketing performance. Data collection took place from April to May 2024, during which online questionnaires were distributed to MSME owners and managers. The collected data were analyzed using PLS-SEM, which included outer model (measurement model) testing and inner model (structural model) testing to

evaluate relationships between research variables. Path coefficient testing was conducted to assess the significance of direct effects between variables. Additionally, mediation effect testing was performed to measure the role of competitive advantage as a mediating variable between market orientation and marketing performance. The findings from this analysis serve as the basis for drawing conclusions and providing recommendations for MSMEs.

To ensure data validity and reliability, this study applied outer model testing, which includes convergent validity, discriminant validity, and composite reliability tests. The inner model test was conducted by evaluating R-square (R^2) and effect size (f^2) to determine the strength of relationships between research variables. Hypothesis testing was performed using the bootstrapping technique in SmartPLS software, where t-statistics and p-values were examined to determine the significance of relationships between variables. The data analysis results were interpreted based on previous literature to reinforce the research findings. Additionally, the study considers limitations that may affect the generalizability of the results, such as the limited sample size and the use of questionnaires as the sole data collection method. With this systematic approach, the study is expected to contribute to the understanding of the factors influencing marketing performance in MSMEs through market orientation and competitive advantage.

RESULTS AND DISCUSSION

Result

The results of this study show that the majority of respondents involved in the research are male (53%) and fall within the age range of under 25 years old (54%). In terms of the highest level of education attained, most respondents are bachelor's degree graduates (64%), while the most dominant business types are trade (34%) and culinary (32%). Most businesses have been established for less than three years (40%) and fall into the micro category based on their monthly sales turnover, which does not exceed IDR 300 million (67%). The majority of businesses also have fewer than four employees (53%), indicating that the enterprises studied are still in the early stages of development.

Descriptive analysis of the research variables shows that market orientation has an average score of 3.157, with the most agreed-upon statement by respondents being the drive to collect customer feedback (mean = 3.270). The competitive advantage variable has an average score of 3.020, with the statement regarding the uniqueness of products that cannot be imitated by competitors receiving the highest score (mean = 3.250). Meanwhile, marketing performance has an average score of 3.098, with the statement that business profits exceed the target achieving the highest mean score (mean = 3.190).

The validity and reliability tests show that all research indicators have outer loading values above 0.7 and meet the criteria for discriminant validity. The results of the R-square (R^2) test indicate that market orientation contributes to marketing performance by 50% and to competitive advantage by 56.6%, with the remainder being influenced by other variables outside this study. Additionally, competitive advantage is proven to play

a role as a partial mediator in the relationship between market orientation and marketing performance (t-statistic = 2.767, p-value = 0.006).

The hypothesis testing results indicate that:

1. Market orientation has a positive and significant effect on marketing performance ($\beta = 0.369$; $t = 2.845$; $p = 0.005$).
2. Market orientation has a positive and significant effect on competitive advantage ($\beta = 0.752$; $t = 13.104$; $p = 0.000$).
3. Competitive advantage has a positive and significant effect on marketing performance ($\beta = 0.386$; $t = 2.967$; $p = 0.003$).
4. Competitive advantage serves as a partial mediator in the relationship between market orientation and marketing performance.

Based on the findings of this study, it can be concluded that MSMEs that implement market orientation can enhance competitive advantage, which ultimately has a positive impact on marketing performance. Therefore, efforts to improve market orientation and competitive strategy are key factors in strengthening the marketing performance of MSMEs in Sidoarjo Regency.

Discussion

After going through several stages of research, testing, and data processing on the collected data, the results indicate that the independent variable has a significant effect on the dependent variable.

The Influence of Market Orientation on Marketing Performance

Based on the results of the research conducted, it can be concluded that market orientation has a positive and significant influence on marketing performance. This is evident from the t-statistic and p-value in Table 5.19, where the t-statistic value is $2.845 > 1.96$, and the p-value is $0.005 < 0.05$. The positive and significant relationship between market orientation and marketing performance means that market orientation, which consists of customer orientation, competitor orientation, and inter-functional coordination, must be carefully considered by business owners in their efforts to improve the marketing performance of MSMEs in Sidoarjo Regency.

The findings of this study are in line with previous research conducted by Prihandono et al, which found that market orientation positively and significantly influences marketing performance. A better business understanding of market needs and demand is essential for market orientation, which in turn impacts marketing performance. Similarly, Fatikha et al stated that market orientation has a significant effect on marketing performance. Companies with a high level of market orientation tend to achieve a higher level of marketing performance [22].

From the Resources-Based View (RBV) perspective, market orientation is considered an intangible resource possessed by a company in the form of knowledge. Market orientation reflects a company's understanding of its markets, making it a valuable resource that can be utilized to improve its marketing performance. The primary contributing factor in shaping market orientation among MSMEs in Sidoarjo Regency,

based on the mean value, is customer orientation. This is evident from how MSMEs in Sidoarjo Regency constantly strive to understand their customers' needs and desires, allowing them to continuously grow and develop. Customer orientation is not only about understanding customers' needs and wants in terms of products and services but also about providing excellent customer service, ensuring positive customer experiences, and building strong relationships.

Market orientation, which represents a deep understanding of consumer needs and market demand, along with competitor awareness and effective internal coordination, has a positive impact on the marketing performance of MSMEs in Sidoarjo Regency. Market-oriented MSMEs in Sidoarjo are more customer-focused, where business owners tend to listen to customer feedback and use this information to improve their products and services. They also seek to build stronger relationships with customers, which in turn enhances customer retention and encourages repeat purchases, ultimately increasing revenue and profitability.

Overall, most respondents in this study have been running their businesses for less than three years and have fewer than four employees, as they are still in the early stages of establishing their MSMEs. Although these businesses are still small and new, they tend to be highly responsive to customer needs. In smaller businesses, individual employees may have closer relationships with customers and be more focused on meeting their needs. This can lead to the development of more effective marketing campaigns, products, and services, which ultimately enhances marketing performance.

By implementing market orientation effectively, MSMEs in Sidoarjo Regency can significantly improve their marketing performance and achieve long-term success.

The Influence of Market Orientation on Competitive Advantage

Based on the research findings, it can be concluded that market orientation has a positive and significant influence on competitive advantage. This is evident from the t-statistic and p-value in Table 5.19, with a t-statistic value of $13.104 > 1.96$ and a p-value of $0.000 < 0.05$. The positive and significant results between market orientation and marketing performance indicate that market orientation, which consists of customer orientation, competitor orientation, and inter-functional coordination, should be carefully considered by business actors in their efforts to enhance the competitive advantage of MSMEs in Sidoarjo Regency.

These research findings align with previous studies conducted by Putera et al, which found a positive and significant relationship between market orientation and competitive advantage [23]. The higher the market orientation, the higher the level of competitive advantage. This is also in line with the research conducted by Mazaira et al, which stated that market orientation affects competitive advantage and yielded positive and significant results. This also indicates that the market orientation implemented by a company directly influences the creation of competitive advantage [11].

From the perspective of the Resource-Based View, market orientation is one of a company's intangible resources in the form of knowledge that can generate competitive

advantage. The Resource-Based View Theory in organizations focuses on internal factors that influence organizational performance to achieve competitive advantage (Sutrisno, 2019). When MSMEs in Sidoarjo Regency focus on market orientation, they can determine how to create products that align with consumer needs and desires. Therefore, high competitive advantage is not only derived from pricing but also product differentiation. Market orientation provides an opportunity for MSMEs in Sidoarjo Regency to enhance their business appeal to consumers.

The primary contribution to market orientation formation among MSMEs in Sidoarjo Regency, based on the mean value, is customer orientation. This is evident from MSMEs in Sidoarjo Regency, which always strive to better understand their customers' needs and desires, allowing them to grow and develop continuously. The customer orientation applied by MSMEs in Sidoarjo Regency can increase customer satisfaction and loyalty, boost sales and profits, and create an advantage over competitors.

Market-oriented MSMEs in Sidoarjo Regency are more proactive in identifying both existing and new opportunities. Business actors tend to continuously monitor market trends and seek ways to reach potential new customers. Market-oriented MSMEs in Sidoarjo Regency are more efficient in utilizing their available resources. Market orientation emphasizes that consumer needs and desires are an essential part of the marketing process, leading to the competitive advantage of MSMEs in Sidoarjo Regency. Business actors tend to focus on marketing activities that generate high returns on investment.

Overall, the respondents in this study have had their businesses for less than three years and employ fewer than four workers, as they are mostly still in the early stages of MSME development. Smaller businesses may be more agile and capable of adapting to market changes more quickly than larger businesses. This allows business actors to capitalize on new opportunities and respond to threats more effectively, which can also enhance their competitive advantage. By implementing market orientation effectively, MSMEs in Sidoarjo Regency can improve their competitive advantage and outperform competitors in the same industry.

The Influence of Competitive Advantage on Marketing Performance

Based on the research findings, it can be concluded that competitive advantage has a positive and significant influence on marketing performance. This is evident from the t-statistic and p-value in Table 5.19, with a t-statistic value of $2.967 > 1.96$ and a p-value of $0.003 < 0.05$, thus confirming the acceptance of the third hypothesis. The positive and significant relationship between competitive advantage and marketing performance indicates that competitive advantage, which consists of price, quality, and differentiation, should be carefully considered by business actors in their efforts to enhance the marketing performance of MSMEs in Sidoarjo Regency.

These research findings align with previous studies conducted by Suherman, which found a positive and significant relationship between competitive advantage and marketing performance. Simultaneously, competitive advantage influences marketing

performance, indicating that the better the competitive advantage, the higher the marketing performance. This is consistent with the research conducted by Yasa et al, who stated in their journal that competitive advantage has a positive and significant impact on achieving marketing performance. This means that a higher competitive advantage leads to greater marketing performance [24].

From the perspective of the Resource-Based View, competitive advantage is valuable, rare, and can be effectively utilized to improve marketing performance. Competitive advantage is the result of strategically utilizing a company's resources. It is demonstrated through warm customer responses, efforts to differentiate from competitors, and superior product quality. Competitive advantage is an essential aspect of business processes that can serve as a differentiator from other competitors. When competitive advantage is achieved, it can stimulate business processes efficiently and effectively. However, continuous efforts are required to enhance every aspect of the business to create superior service and product quality for consumers.

Companies with competitive advantage can distinguish themselves from similar competitors, increasing customer interest in purchasing their products or services. This can enhance a company's marketing performance. Products or services that differ from competitors can boost company sales. The primary contributor to competitive advantage formation among MSMEs in Sidoarjo Regency, based on the mean value, is differentiation. This is evident from MSMEs in Sidoarjo Regency, which continuously strive to stand out from their competitors and attract customers through differentiation.

Differentiation is one of the strategies used to set a business apart from competitors and create added value for customers. The research findings show that despite operating on a micro, small, and medium scale, business actors are quite aware of the importance of providing quality and added value to their offered products. By implementing differentiation, MSMEs in Sidoarjo Regency can establish their own unique identity in terms of both products and services, ensuring they remain memorable to customers. MSMEs in Sidoarjo Regency that have already implemented differentiation can expand their market reach and increase their market share.

The majority of business actors are under 25 years old and hold a bachelor's degree. Although they are relatively young, this does not mean they lack the necessary knowledge and insight into business management. Most of them have completed a bachelor's degree, equipping them with sufficient knowledge and skills, especially if their academic background supports business, making it easier for them to identify opportunities and ensuring they are not entirely clueless when running a business. By effectively implementing competitive advantage, it can serve as a strong driver of marketing performance, leading to increased market acquisition and a stronger market position. The application of competitive advantage can also enable MSMEs in Sidoarjo Regency to enhance their marketing performance and outperform competitors in the same industry.

Competitive Advantage Can Mediate the Influence of Market Orientation on Marketing Performance

Based on the research findings, it can be concluded that competitive advantage has a significant influence in mediating the effect of market orientation on marketing performance. This is evident from the t-statistic and p-value in Table 5.19, with a t-statistic value of $2.767 > 1.96$ and a p-value of $0.006 < 0.05$. The positive and significant relationship between market orientation and marketing performance through competitive advantage indicates that the market orientation implemented by MSME actors, considering competitive advantage formed from price, quality, and differentiation, should be carefully observed in efforts to improve the marketing performance of MSMEs in Sidoarjo Regency.

These research findings align with previous studies conducted by Prihandono et al, which found that competitive advantage plays a significant role in mediating the effect of market orientation on marketing performance. The higher the market orientation towards competitive advantage, the higher the marketing performance [25]. This is in line with the research conducted by Puspaningrum [10], who stated in her journal that competitive advantage mediates the relationship between market orientation and marketing performance. Competitive advantage partially has a positive and significant effect on marketing performance, indicating that the greater the competitive advantage, the higher the marketing performance. These findings reinforce previous research proving that competitive advantage influences the mediation of the effect of market orientation on marketing performance.

According to Barney, companies need to develop a set of resources that add positive value, are unique, difficult to imitate, and irreplaceable (assets, capabilities, competencies, organizational processes, information, and knowledge). The Resource-Based View focuses on internal resources and capabilities as sources of competitive advantage. Market orientation emphasizes understanding and fulfilling customer needs through continuous market intelligence gathering and customer feedback. By understanding customer needs, MSMEs in Sidoarjo Regency can identify valuable resources and capabilities that attract customers. This may involve developing unique product features, providing superior customer service, or establishing a strong brand image.

Market research conducted by MSMEs in Sidoarjo Regency to understand customer needs can guide investments in R&D, leading to the creation of innovative products or services that are difficult for competitors to imitate. Understanding customer needs enables MSMEs in Sidoarjo Regency to effectively utilize VRIN resources (Valuable, Rare, Inimitable, and Non-substitutable) in their marketing strategies, making them difficult to replace. Competitive advantage occurs when a company possesses resources and capabilities that cannot be easily imitated or substituted by competitors, resulting in superior marketing performance. The Resource-Based View perspective shows that market orientation is a key driver of competitive advantage for MSMEs in Sidoarjo Regency. By understanding customer needs and effectively utilizing their

internal resources, MSMEs can develop a VRIN resource base that leads to superior marketing performance.

Market orientation is an essential strategy for MSMEs in Sidoarjo Regency, given the increasing competition and changing customer needs. The achievement of customer value creation through marketed products contributes to competitive advantage, which is implemented through the uniqueness of marketed products, the quality of produced goods, and competitive pricing. If MSMEs in Sidoarjo Regency can achieve competitive advantage, they can improve their marketing performance, as evidenced by the creation of new products, increased sales growth, and annual profit growth. The primary contributor to competitive advantage formation among MSMEs in Sidoarjo Regency, based on the mean value, is differentiation. This is reflected in MSMEs in Sidoarjo Regency, which consistently strive to stand out from their competitors and attract customers through differentiation.

The ability of MSMEs in Sidoarjo Regency to create competitive advantage can drive improved marketing performance. MSMEs in Sidoarjo Regency must also be capable of innovation and market leadership in developing products that meet consumer needs. This effort represents one way to create competitive advantage in business, which can be implemented by MSMEs in Sidoarjo Regency. The majority of business actors are under 25 years old and hold a bachelor's degree. Younger business owners may be more willing to take risks and adapt to new trends and technologies. This can translate into a more proactive approach to market orientation by embracing innovative strategies to meet evolving customer demands.

The influence of age on market orientation may vary depending on industry norms and expectations. In some industries, experience and established relationships may be highly valued, while in others, agility and innovation may be more critical. Younger business owners with a willingness to innovate may adopt market orientation strategies that disrupt the industry, leading to competitive advantage and better marketing performance. The awareness of business owners to pursue higher education also helps in developing adaptability and innovation skills. Adaptability and innovation are essential capabilities for MSMEs in Sidoarjo Regency to survive and grow in a dynamic market. By improving these capabilities, MSMEs in Sidoarjo Regency can enhance their competitiveness, achieve sustainable growth, and establish a strong competitive advantage.

From the perspective of direct and indirect effects, the direct relationship between market orientation and marketing performance is stronger than the relationship between market orientation and marketing performance through competitive advantage. Although not as substantial as the direct effect, the presence of a mediator – competitive advantage – can add value to MSMEs in Sidoarjo Regency if implemented based on customer needs and desires, thereby enhancing marketing performance in terms of sales volume, customer growth, and profit achievement. One way to increase competitive advantage for MSMEs is by participating in training programs. Various types of training

can be attended by MSME actors, including marketing management, business and financial management, operational management, branding strategies, public speaking, and business negotiation skills. By effectively implementing market orientation, MSMEs in Sidoarjo Regency can achieve superior market competition, leading to improved performance in terms of product sales, revenue, and profitability.

Managerial Implications

Based on the findings of this study, it can be observed that market orientation and competitive advantage contribute significantly to the improvement of a company's marketing performance. The managerial implications that can be implemented by management in efforts to enhance marketing performance include:

Managerial Implications of Market Orientation

Market orientation emphasizes the importance of understanding and meeting customer needs. Market-oriented businesses focus on customers as the center of decision-making. Market orientation is important for SMEs in Sidoarjo Regency to improve their marketing performance. The results of the research conducted are expected to provide considerations for SMEs in Sidoarjo Regency in making improvements and enhancing aspects and marketing performance supported by a good level of market orientation, thereby achieving the goals set by SMEs in Sidoarjo Regency. The evaluation results for the implications conducted by the researcher are based on the lowest mean value in the market orientation variable, specifically the statement item X3 "I regularly monitor the marketing efforts of business competitors."

Understanding the strategies and marketing efforts of competitors is one of the important steps taken by some MSME actors in Sidoarjo Regency to anticipate competitor movements, identify opportunities, and develop superior strategies. The managerial implication of market orientation is that MSME actors in Sidoarjo Regency can better monitor the marketing efforts of their business competitors, especially in similar industries, from all aspects of marketing. But based on the mean value of item statement X3, there are several aspects that need to be improved in order to be enhanced because the SMEs in Sidoarjo Regency are still considered low in competitor orientation. Therefore, a review of the monitoring process of competitors' marketing efforts is necessary to avoid falling behind in the midst of intense competition.

Competitor orientation is one of the important strategies that must be possessed and implemented by SMEs in Sidoarjo Regency to survive and thrive. SMEs in Sidoarjo Regency must strive to gather information, analyze the strengths and weaknesses of competitors, and utilize the obtained information to develop effective business strategies. By understanding the strategies and activities of competitors, SMEs in Sidoarjo Regency can identify market opportunities, develop product differentiation, set competitive and profitable prices, and improve marketing strategies.

SMEs, despite their limited resources, can still implement competitor orientation through several simple methods in their business, such as conducting online research. In today's modern era, business owners can use and leverage the internet to search for information about competitors, such as social media, websites, and news articles. SMEs

in Sidoarjo Regency can also conduct direct observations by visiting competitors' stores to observe their products or services, prices, and marketing strategies. Talking and conducting Q&A sessions with customers can be one way for UMKM Kabupaten Sidoarjo to learn about their experiences with competitors' products and services. Participating in industry exhibitions and fairs is also one of the opportunities for business owners to meet competitors and learn about the latest trends in the related industry.

Competitor orientation is one of the important strategies that can be undertaken by SMEs in Sidoarjo Regency to understand market competition and develop a competitive advantage. With the resources they possess, SMEs in Sidoarjo Regency can gather information about competitors, analyze their strengths and weaknesses, and utilize this information to win the competition, leading to an improvement in the marketing performance of SMEs in Sidoarjo Regency. UMKM Kabupaten Sidoarjo should also focus on market orientation to create unique products at appropriate prices. The research results show that market orientation has an impact on competitive advantage and marketing performance. This indicates that market orientation, implemented in terms of customer orientation, competitor orientation, and inter-functional coordination, can enhance the marketing performance of SMEs in Sidoarjo Regency.

Managerial Implications of Competitive Advantage

Competitive advantage consists of the factors that enable a business to outperform its competitors through its unique characteristics and resources. Competitive advantage is crucial for MSMEs in Sidoarjo Regency to enhance their marketing performance. The research findings are expected to serve as a consideration for MSMEs in Sidoarjo Regency in making improvements and increasing marketing performance, supported by a strong level of competitive advantage, so that they can achieve their established goals. The evaluation results for managerial implications are based on the lowest mean value in the competitive advantage variable, specifically for statement item Z1: "The price of the products offered by my business is affordable." Affordable pricing does not necessarily mean sacrificing product quality but is also related to building strong and mutually beneficial relationships with customers.

The managerial implication of market orientation is that MSME actors in Sidoarjo Regency should strive to offer the best price for their products or services by considering various factors such as the value provided and competitive pricing to compete with similar competitors. However, based on the mean value of statement item Z1, there are several aspects that need improvement because MSMEs in Sidoarjo Regency are still rated low in terms of pricing. Therefore, a review of the pricing strategy is necessary to ensure profitability for both sellers and buyers.

Price is one of the critical factors influencing consumer purchasing decisions and the profitability of MSMEs in Sidoarjo Regency. Therefore, it is essential for business owners to apply appropriate pricing strategies through several approaches, such as cost-based pricing, value-based pricing, competitor-based pricing, penetration pricing, and price skimming. In setting prices, MSMEs in Sidoarjo Regency can conduct market

research to understand how much customers are willing to pay. Business owners must also calculate an effective and efficient Cost of Goods Sold (COGS) to ensure that the selling price covers production costs and generates profit.

When determining selling prices, business owners should also analyze the prices offered by competitors. With changing market demands and production costs, MSMEs in Sidoarjo Regency must strive to adjust their selling prices to remain competitive in an increasingly intense market. Product positioning should also be a key consideration for business owners, ensuring that their prices align with the target market and product positioning.

Setting product prices is a complex process that requires careful consideration of multiple factors. Business owners must select an appropriate pricing method and evaluate all relevant aspects before finalizing their product prices. Additionally, the uniqueness of the product offered can also be an important factor in determining an appropriate selling price. With the right pricing strategy, business owners can increase profitability, attract customers, and build a strong brand image.

The research findings indicate that competitive advantage influences marketing performance and mediates the effect of market orientation on marketing performance. This demonstrates that competitive advantage, when effectively implemented in terms of price, quality, and differentiation, can enhance the marketing performance of MSMEs in Sidoarjo Regency.

CONCLUSION

Fundamental Finding : This study demonstrates that Market Orientation significantly influences Marketing Performance through Competitive Advantage as a mediating variable in UMKM Kabupaten Sidoarjo. The fundamental finding is that a strong market orientation enhances competitive advantage, which in turn improves marketing performance, emphasizing the critical role of strategic market adaptation in sustaining business growth. **Implications** : The findings suggest that UMKM in Kabupaten Sidoarjo should prioritize market orientation and competitive advantage to optimize marketing performance. Implementing customer-focused strategies, continuously monitoring market trends, and developing unique value propositions will enable UMKM to achieve sustained competitive advantages and drive higher performance outcomes. **Limitations** : This study is limited by its focus on a specific geographical area (UMKM Kabupaten Sidoarjo) and the cross-sectional nature of the data, which may not fully capture the long-term effects of market orientation on competitive advantage and marketing performance. **Future Research** : Future studies could expand by incorporating a broader regional scope, longitudinal analysis, and additional variables such as digital transformation and innovation capabilities, providing a more comprehensive understanding of the factors influencing marketing performance in small businesses.

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