

product characteristics final

by Ina Jk

Submission date: 08-Aug-2020 02:32PM (UTC+0700)

Submission ID: 1367229586

File name: PARAPHRASE_Product_Characteristics.doc (71.5K)

Word count: 3948

Character count: 22316

Product Characteristics, Market Competitive Strategies, and SMEs Performance: Testing Their Relationships

Abstract: COVID-19 pandemic has made the economy in Indonesia sluggish, especially Small and Medium Enterprises (SMEs). Simultaneously, the SMEs' existence in Indonesia is fundamental and considered by the government since it is able to assist numerous laborers and become an income source for the lower and middle classes of the community. The productivity of SME in a region will undeniably influence the availability of job and, of course, reduce the number of unemployed. Therefore, in this study, the researchers look at how to improve SMEs performance to continue to exist amid the COVID-19 pandemic, by identifying the relationships between product characteristics, market competitive strategies, and the performance of SMEs. The research was done on SMEs in West Java, Indonesia. As the basis of a quantitative approach, this study employed survey instruments by distributing a questionnaire. In analyzing the data, it utilized the structural equation modeling (SEM). The result showed a significant relationship between Product Characteristics, Market Competitive Strategy, and Price & Product Success Rate on SMEs Performance. This study's findings contribute to the SMEs performance literature.

1. Introduction

Indonesia SMEs' existence is vital and taken into account by the government since it is able help numerous workers and turn into an income source for the community's lower and middle classes. The productivity of SME in a region will certainly influence the availability of job and, surely, lessen unemployed number (Ahyar, Dikdik, Eldes, Radyan & Iqbal, 2020). SMEs number in 2016 was verified as many as 45 million business units. Thus, most of economic actors were small and medium businesses. Besides, this sector absorbed 79 million people from 100 million Indonesian workforces. Hence, a variety of attempts need to be made to expand small businesses in Indonesia to be better. SMEs that can survive in a long period are industries that can anticipate changes in every era.

Competition in the business world is increasingly tight, making SMEs trying to find the right strategy in marketing their products. The interest to purchase is gotten from thought process and learning that shapes a recognition. This interest to purchase makes an inspiration that keeps on being recorded in the mind of consumers. It turns into an exceptionally powerful urge that toward the end, when a consumer has to meet his necessitates, he will actualized things on his mind.

Every business actor has a goal to realize growth and survival in the long run. To achieve these objectives, the business actor must have the ability to analyze the business environment through management strategies accurately. Globalization requires companies to compete at the world level. In order for companies to compete in the global industry, a strategy is needed. As per Pierce and Robinson (2008), a strategy might be characterized just as an incorporated and environment-focused approach to deal with achieving the mission of association. Therefore, strategic management is the ongoing procedure of seeking after a positive competitive fit between the association and its dynamic condition.

The competition that occurs between business actors is no longer only related to the quality of products and product excellence they have, but has led to a "price war". To anticipate this market competition aside from relying on the quality of its products, SMEs in Cirebon continue to develop creativity and innovation in providing quality materials and product excellence offered from each product they sell, so they can still lead the SME *batik* market.

During the COVID-19 pandemic, SMEs in the city of Cirebon experienced many sales declines. Many businesspeople complained about this situation because many *batik* products

that had already been produced could not penetrate sales because there was no purchasing power in the community. A very drastic decrease in the SME *Batik* practitioners' market share was due to the current COVID-19 pandemic, where all economic activities, especially batik SMEs in Cirebon, was paralyzed and experiencing a drastic decline.

The problem in this research is the decline in the market share of batik sales during the COVID-19 pandemic, which experienced a drastic decline. It cannot be allowed to continue, so it is necessary to re-identify all the resources that can form a competitive advantage, especially related to product innovation. Research conducted by David H. Henard and David M. Szymanski entitled "Why Some New Products are more successful than Others" (Journal of Marketing Research, August 2001) strengthens the causal relationship in sequence between product success with product characteristics, business strategy characteristics, and product development characteristics. Based on the description of the problems above, the researcher conducted a research about the effect of price, product characteristics, and market competitive strategies on the level of product success on SMEs performance.

2. Literature Review

Small-medium enterprises

SMEs are industries that are able to withstand shockwaves, demonstrated in the midst of monetary crisis where some huge scope organizations have fell, yet SMEs are able to endure and even be said to be a savior belt from the effects of the crisis (Ahyar, Dikdik, Eldes, Radian & Iqbal, 2020). This type of business classification refers to the Republic of Indonesia's Presidential Decree No. 99 of 1998, or Decree of the Minister of Finance No.40/KMK.06/2003 dated January 29, 2003, or the Ministry of State Minister for Cooperatives and Small and Medium Enterprises (Menekop and UKM). However, basically, all of them can be expressed to have the same understanding, and there are similarities in understanding the definition of Micro Business, namely: "Small-scale people's economic activities with business sectors which are predominantly small business activities and need to be protected to prevent unfair business competition."

Product Characteristics

In creating a new product, product characteristics are influenced by three indicators: product excellence, products according to the needs of the buyer, and the product follows the development of technology (David H. Henard, David M Szymanski, 2001 p.364). In all cases, the corporation generates the knowledge of market concerning competitors or customers to enhance the superiority of new products. The emergence of a trend in this new product development does not suddenly exist, but it coincides with the current wave of growth in marketing centered on market knowledge competence.

Glazer (1991) in the research on market knowledge and its strategic implications considered market knowledge competence as a vital resource of an association. Hamel and Prahalad (1994) and Sinkul (1994) expected market knowledge competence as center competencies of association. Cooper (1992), Day (1994), Griffin, and Hauser (1992) used market knowledge competencies to improve the excellence of new products.

In the theory of Neoclassical, for production, the most critical resources are land, labor, and capital. Nevertheless, as knowledge and information substitute energy and goods as the essential production sources (Bell, 1973), the theory of Neoclassical turns out to be less viable and is replaced by the theory of company based on resource (Berney 1991; Conner 1991, Day 1994; Hunt and Morgan 1995). It develops resources' types (from land, workers, and cars) to involve intangibles as competencies in organizational culture, market knowledge, as well as management skills. Market knowledge competencies' disclosure as "higher level" resources and, when used, may result in competitive advantage (Hunt and Morgan, 1995). Even though

the competencies' view in market knowledge resources shows an increase in the development of theory, the operational meaning of this idea is essential for empirical testing since the term "resources" itself is an umbrella that encompasses tangible and intangible assets and is expected to pass on the property competencies of market knowledge itself.

Furthermore, in part of investigations concerning key issues in product innovation, Drucker (1985) noted the company's competitiveness in developing new products in the process using knowledge of competitors and customers and incorporating these customers with technology. New products launched to customers are expected to have unique and superior products that are also in accordance with the buyer's wishes. The product price is expected to be affordable by the customer, and product innovation follows the current and future technological developments.

Market Competency Strategy

Companies must adapt and innovate continuously. Because the needs and expectations of customers continue to develop over time, it must, therefore, be followed and responded to by continuously producing high-quality products and services to transform market needs into competitive market strategies. Considering the significance of market knowledge competence is an occurrence of the development of current theory. Disclosure of market knowledge competencies as "higher level" resources and, when used, may result in competitive benefit (Hunt and Morgan, 1995). Even though the competencies' view in market knowledge resources shows an increase in the development of theory, the operational meaning of this idea is essential for empirical testing since the term "resources" itself is an umbrella that encompasses tangible and intangible assets and is expected to pass on the property competencies of market knowledge itself. Market knowledge and market knowledge competencies are two related concepts but separated. Li and Cantone (1998) defined market knowledge as planned information, meaning the results of a systematic process (as contradicted to random retrieval), and structured, indicating that it has a beneficial denotation. Li and Calantone (1998) defined market knowledge competence as a process that drives and integrates market knowledge.

At this point, the process shows it is an activities' series (competitors). Day (1994), in his study on market-controlled organizations, defined market competence as a complex set of skills and shared learning that is practiced in organizational processes. In their research on the company's core competencies, Prahalad and Hamel (1990), Li and Calantone (1998) noted that company competencies in developing new products in the process used the knowledge of competitors and customers and integrated that knowledge with technology. As processes' series, market knowledge competencies exhibit a number of characteristics, comprising the incapacity to be imitated, because the process of carrying out market knowledge is established in organizational thought activities and cannot be directly seen from the outside (Day, 1994; Prahalad and Hamel, 1990, Li and Calantone, 1998), which identifies company processes in developing new products in the process using knowledge of competitors and customers and incorporating that knowledge with technology.

In research, Li and Calantone (1998) recommended market knowledge competition from the development of new products that consists of three processes: (1) the process of customer knowledge, (2) the process of competitor knowledge, and (3) research and development of interface marketing. The customer knowledge process alludes to behavioral activities' set that move the customer's knowledge to bear the new product's current and potential needs. The knowledge competency process contains a behavioral activities' set that drive knowledge regarding competitors' strategies and products. The research and development marketing interface refer to the process by which the marketing research and development operates to communicate and collaborate. Based on Nerver and Slater's (1990) statement, the market

competency strategy as a competitive strategy consists of three behavioral elements: the orientation of customer, the orientation of competitor, and the coordination of inter-functional. Thus, the orientation of customer and the orientation of competitor take account of all activities involved in obtaining information concerning competitors and customers in the target market and distributing through business. Whereas, functional coordination is constructed on the information of competitor and customer, and consists of coordinated business ventures.

Price

As stated by Kotler & Armstrong (2006), price is the measure of cash paid for a service or product or the measure of significant worth that customers trade for the advantages of possessing or utilizing the service or product. Whereas, Stanton (2004) found that the market price of a product affects wages, rent, interest, and profit. It means product prices affect the factors of production costs (capital, labor, land, and entrepreneurship). Therefore, the definition of prices is a basic measure of an economic system because prices affect the allocation of production factors. Besides, prices can also be defined as the amount of money needed to obtain several combinations of a product and the accompanying services.

Product Success Rate

The innovation of product is progressively esteemed as a key part of continuous achievement in business process. In their research, David H. Henard and David M. Szymanski (August 2001) said that product excellence, market potential, meeting customer needs, pre-development of job skills, and resource use, in general, are mostly those that have a significant impact on the performance of new products. According to Sridar Samu (1999; p. 60), the attributes or characteristics of new products sold in the market will determine the level of success of these products. The consumer's decision to repurchase the product is a form of success for the new product. The components, attributes, and characteristics of the product are essential things that must be considered to improve marketing performance. One indication of a product's success or failure is consumer buying interest (how much is someone's interest to buy a product). It can be said that this interest will give birth to the frequency of purchase or repurchase; therefore, the dimension of purchase interest is the amount of interest or how likely the purchase is (Mittal, 1999).

Business Performance

According to Jeaning and Beaver (1997), business performance is a measure of the development and success of small and medium and large companies. Measurements of investment returns, growth, volume, profits, and labor in general companies are carried out to determine the company's performance. The measurement of performance is complex and a major encounter for researchers, as indicated by Beal (2000), as a result of the construct of multidimensional performance, and along these lines, the performance of measurement with only one dimension of measurement could not give a far reaching comprehension. The measurement of performance, according to Bhargava et al. (1994), should use or integrate multiple measures. Wright et al., In Beal (2000) suggested no accord on the most suitable measurement of performance, and the objective performance measures that have been utilized in numerous examinations are as yet inadequate. For example, the size of ROI (Return on Investment) has weaknesses because there are various methods of measuring depreciation, inventory, and fixed cost values.

Furthermore, Sapienza et al. in Beal (2000) argues that accounting and financial-based organizational performance measures have flaws in addition to being caused by the variety of accounting methods, also due to the tendency of manipulation of numbers from management

so that measurements become invalid. To anticipate the unavailability of objective performance data in a study, it is plausible to utilize subjective measures on the basis of the perceptions of managers. Zahra and Das (1993) prove that subjective performance measures have a high level of reliability and validity. Besides, Voss & Voss's (2000) research showed that there was a close relationship between subjective performance measures and objective performance measures.

The performance of business is an aspect generally employed to calculate the influence of strategies adopted by the company. Specifically, the performance of outlet is an idea to evaluate the business activities' achievements done by an outlet or agent. However, Keats & Hill (1988) stated that the concept of performance is challenging both in its measurement and definition. Beals (2000) stated that the measurement of performance is complex and a major encounter for researchers. It is a major encounter as a result of the construct of multidimensional performance, and along these lines, the performance of measurement with only one dimension of measurement could not give a far reaching comprehension. High performance of business is influenced by the superiority of the company's products with the existing level of competition. Kim and Mauborgne (2005) suggested that to obtain high performance; companies need to win the competition in the future, a successful organization not because of fighting with competitors but by creating a blue ocean strategy from a new space unmatched in a market. The four indicators: profit growth, customer growth, market growth, and sales growth, develop the variables of business performance.

3. Hypotheses Development

The Impact of Product Characteristics on Product Success Rate

The company can maintain product superiority or better standards with unique features (Bergreen, 2001, p. 95-100). Li and Calantone (1998, p.13) said that product success is partly related to the uniqueness, and the presence of the product is an advantage over other products. Compared to other products, it is one of the factors that determine the success or failure of the product. Besides, it can also be said that the management of consumer knowledge could be used as one of the elements that decide the organization to expand the new products' success, as stated by Hamel & Prahalad (Cooper, 1996; p.3). In the research conducted by Cooper and Kleinschmidt (1996, p. 19), several things about the research agenda are essential to do. It is where research needs to be done to examine product marketing performance and the factors that influence it (Cooper, 1996, p. 18-29). Meanwhile, in the research conducted by Song and Parry (1997, p. 64-76), to find out the success of new products, it can be seen from marketing performance. Then, in research conducted by Delene (1997, p. 47-54), it examines the advantages of competitive new products, stating the need for further research on product strategies that improve marketing performance.

H1: There is a positive influence of product characteristics on the level of product success

The Impact of Market Competitive Strategies on the Level of Product Success

In research, Li and Calantone (1998) recommended market knowledge competition from the development of new products that consists of three processes: (1) the process of customer knowledge, (2) the process of competitor knowledge, and (3) research and development of interface marketing. The customer knowledge process alludes to behavioral activities' set that move the customer's knowledge to bear the new product's current and potential needs. The knowledge competency process contains a behavioral activities' set that drive knowledge regarding competitors' strategies and products. The research and development marketing interface refer to the process by which the marketing research and development operates to communicate and collaborate.

Based on the statement of Nerver and Slater (1990), the strategy of market competence as a competitive strategy consists of three behavioral elements: the orientation of customer, the orientation of competitor, and the coordination of inter-functional. Thus, the orientation of customer and the orientation of competitor take account of all activities involved in obtaining information concerning competitors and customers in the target market and distributing through business. Whereas, functional coordination is constructed on the information of competitor and customer, and consists of coordinated business ventures. Strictly speaking, Kohli and Jaworski (1993) defined competitive market strategies into three types namely: customer focus, coordinate marketing, and profitability, because these three things are closely related to the organization's decision-making process based on information obtained and have undergone a process of unification of the values of the behavior that is embraced (culture) owned by the company. Jaworski and Kohli (1993) stated that customer needs and expectations continue to develop over time, and therefore must be followed and responded to by producing high-quality products and services continuously to transform market needs into competitive market strategies.

H2: There is a positive influence of market competitive strategies on the level of product success

The Impact of Prices on Product Success Rates

For some types of products, consumers prefer to buy products at lower prices with the quality and criteria they need. A company that sells its products directly to consumers and through distribution makes different pricing. As for promotions, the product's price will be lower if the cost of product promotion is not only borne by the company, but also to retailers. An entrepreneur needs to consider the production costs and the changes that occur in the quantity of production if he wants to be able to set prices effectively. Fandy Tjiptono (2001) argued that price is often a value's indicator when the indicator is associated with the perceived benefits of goods or services. Hence, it is able to be inferred that at a specific level of price, if the advantages experienced by purchasers improve, the value will also improve, and this can increase the competitiveness of the products offered.

H3: There is a positive influence of price on the level of product success

The Impact of Product Success Rate on Business Performance

The innovation of product progressively esteemed as a key part of continuous achievement in business process. David H. Henard and David M. Szymanski (August 2001), in their research, said that product excellence, market potential, meeting customer needs, pre-development of job skills, and resource use, in general, are mostly those that have a significant impact on the performance of new products. According to Sridar Samu (1999; p.60), the attributes or characteristics of new products sold in the market will determine the level of success of these products. The consumer's decision to repurchase the product is a form of success for the new product. The components, attributes, and characteristics of the product are essential things that must be considered to improve marketing performance. One of the indications of a product's success or failure is consumer buying interest (how much interest someone to buy a product). It can be said that this interest will give birth to the frequency of purchase or repurchase; therefore, the dimension of purchase interest is the amount of interest or how likely the purchase is (Mittal, 1999).

H4: There is a positive influence on the level of product success on business performance

4. Research Method

This research utilized quantitative data types in light of the fact that the data introduced were identified with numbers or scoring. Then, the data were scrutinized and processed into

statistical analysis to examine the hypotheses that clarified the connection between the variables utilized. The data source employed in this investigation was the primary data. As indicated by Sugiyono (2014), research variables are anything as what is controlled by researchers to be concentrated with the goal that data is acquired about it, at that the conclusions are drawn. The research's variables were broken down into two, to be specific: 1. Endogenous Variable (Y). The endogenous variable is a variable that is influenced, or which is because of the exogenous factors (Sugiyono, 2014). The endogenous variable in this research was the success rate of product & the performance of SMEs. 2. Exogenous Variable (X). Exogenous variable is a variable that will influence the endogenous variable, or as such, the exogenous variable is the reason for the arrangement of the endogenous variable. The exogenous factors utilized in this study were the characteristics of product, market competitive strategy, and price. The population in this study were all SMEs in West Java. The example employed was Batik SMEs in Cirebon with at least tenth long periods of foundation, and the quantity of Batik SMEs in Cirebon was 165.

5. Result and Discussion

In light of the data gathered during the research, a questionnaire conveyed to respondents was 165 duplicates. From the data processing results, most respondents are female, which was 110 individuals, and respondents with ages 41-50 were the most predominant upwards of 65 individuals. The table underneath shows the existing data analysis results.

Table 1. Sample Characteristics

Reliability is a proportion of inward consistency of the indicators of an arrangement variable that indicates how much every indicator demonstrates a typical development variable. There are two different ways to test reliability, to be specific by composite/develop reliability and variance extracted. The cut-off value of the stability reliability is at least 0.70, while the cut-off value for the extracted variance is in any event 0.50. Variance extracted shows the amount of variance of the indicator extracted the framed variable created. High variance extracted values indicate that the indicators are well represented by the formed variables that were developed (Ghozali, 2013).

Table 2. Reliability and Variance Extracted Test

Reliability for each construct ended up being high, and all values were over the cut-off value of 0.70. The calculated variance demonstrated that all constructs met the base cut-off value requirement of 0.50.

product characteristics final

ORIGINALITY REPORT

10%	2%	5%	9%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Tiger Li, Roger J. Calantone. "The Impact of Market Knowledge Competence on New Product Advantage: Conceptualization and Empirical Examination", Journal of Marketing, 2018 Publication	3%
2	Submitted to School of Business and Management ITB Student Paper	2%
3	Submitted to Manchester Metropolitan University Student Paper	2%
4	pt.scribd.com Internet Source	1%
5	Submitted to Laureate Higher Education Group Student Paper	1%
6	Submitted to Universitas Negeri Jakarta Student Paper	1%
7	www.techba.com Internet Source	1%

8

"Annotated Subject Index and Author/Title Index
Vol. XXXVIII, 2001", Journal of Marketing
Research, 2018

Publication

<1 %

9

Submitted to Udayana University

Student Paper

<1 %

10

Submitted to University of Nottingham

Student Paper

<1 %

11

Mukhamad Najib, Akira Kiminami. "Innovation,
cooperation and business performance",
Journal of Agribusiness in Developing and
Emerging Economies, 2011

Publication

<1 %

12

Rodoula H. Tsiotsou. "Delineating the effect of
market orientation on services performance: a
component-wise approach", The Service
Industries Journal, 2009

Publication

<1 %

Exclude quotes Off

Exclude matches Off

Exclude bibliography Off