

Influence of Product Innovation to the Advantages of Competitive in SME Processing Seaweed Through Performance, Marketing in West Beach Area, South Sulawesi Province

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Abstract: *The research was conducted on 105 MSMEs Seaweed spread in West coast of South Sulawesi Province (Makassar City, Maros Regency, Pangkep Regency, Barru Regency and Pinrang Regency), which aims to test and analyze the effect of product innovation on competitive advantage by placing marketing performance as a mediating variable. The approach in this research using explanatory research. The results of hypothesis testing using Structure Equation Modeling (SEM) with the help of AMOS 22 provide proof that product innovation has a significant effect on marketing performance and competitive advantage. In other causality found the same conditions, that the marketing performance has a significant effect on competitive advantage. The role of marketing performance mediation in analyzing the effect of product innovation on competitive advantage through marketing performance is not proven to have any real effect.*

Keywords: Product innovation, marketing performance, competitive advantage

1. Introduction

Seaweed is one of the superior commodities in the marine and fisheries sector (fisheries revitalization program that has been proclaimed by the President of the Republic of Indonesia on June 11, 2005), and is expected to become the backbone in achieving the largest fishery production in 2015 (Dinas Kelautan dan Perikanan, 2012). Seaweed used as the largest production target because this commodity is one of the strategic commodities in the fisheries revitalization program with the potential of land development is still very wide. The area for seaweed cultivation is 1,110,900 ha and can be used for 222,180 ha or sekitar 20% of potential area (Ministry of Maritime Affairs and Fisheries Republic of Indonesia, 2010).

Seaweed production potential is 9,028,000 ton *Euचेuma* 7,748,000 ton and *Gracilaria* 1,280,000 ton. Based on economic perspective, South Sulawesi's largest contribution to the national seaweed with 74,852 dry tons of production consisted of *Euचेuma* 56,159 dry tons and *Gracilaria* 18,693 dry tons and positioned South Sulawesi 2nd *Gracilaria* producer after Chile (65,000 tons) and producer of *Euचेuma* seaweed 2nd largest after Philipina (South Sulawesi Provincial Marine Service, 2012).

Increasing the production of seaweed is inseparable from the government's efforts to continuously develop seaweed area. Seaweed cultivation development areas in South Sulawesi include 16 districts for *Euचेuma* seaweed and 10 districts for *Gracilaria* seaweed species. There are 16 districts producing seaweed development center are: Luwu, Luwu Utara, Bone, Wajo, Bulukumba, Selayar, Bantaeng, Jeneponto, Takalar, Pangkep, Barru, Sinjai, Maros, East Luwu, Palopo and Pinrang (Source Networks Information

Power and Seaweed Technology of Indonesia, 2016).

Field phenomenon indicates that the low ability of MSMEs in the limited facilities and technology mastery, lack of market information access, less innovative, weak knowledge of human resources, weak funding, and organization, resulting in the ability of UMKM to only export in the form of raw materials (seaweed) alone without cultivating it into food or anything else. Factors affecting the performance of MSMEs business is very important for the analysis, this is due to the low level of success of UMKM business. The creation of high business performance of MSMEs in a region has the potential to create new jobs, increase trade, and increase the gross domestic product (GDP) in the region (O'Regan and Ghobadian, 2005: 81-97).

Marketing performance is a measure of achievement gained from the overall marketing process activities of a company or organization. In addition, marketing performance can also be viewed as a concept used to measure the extent to which market achievements have been achieved by a product produced by the company. Marketing performance is influenced by environmental factors, product innovation (Han et al., 1998: 42). Company performance can be measured through sales growth and market share. Another view in the marketing perspective explains that marketing performance can be measured by sales volume, sales growth rate, and customer growth (Khamidah, 2005: 232). Empirical evidence indicates that there is a positive influence between marketing performance and company competitive advantage. Improved marketing performance then the company achieves competitive advantage desired by the company (Day and Wensley, 1988).

One of the factors affecting UMKM performance is innovation in this case is product innovation, that is adoption

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of new product and or process to improve competitiveness and profit as a whole. This includes a new way of identifying new and existing consumer needs. Innovation is a major challenge for small and medium enterprise management (Rogers, 1995: 77). The success of a product will lead to its marketing performance. From here a product will be considered by the consumer, whether the product has other advantages compared with similar competitors products in the market. The characteristic of product innovation is analyzed as a relative superiority that appears as a product characteristic that is consistently important in the explanation of application and success of new products (Khamidah, 2005: 232).

Creativity has a significant influence on marketing performance, because it is very profitable to develop its products because consumers love products with high value and unique creativity (Varadarajan et al., 1993; Andrews and Smith, 1996; in Khamidah, 2005: 234). Innovations reflected through product innovation, service innovation and technical innovation have a positive and significant impact on MSME performance represented through profit, sales growth and market share (Darroch, 2005: 101). Innovation is a key factor of business (UMKM) to be able to survive in tight competitive conditions. Innovation has a positive and significant impact on the company's competitive advantage (Droge et al., 1994; Dewi, 2006: 75; Ratnawati, 2013: 72). Inconsistency findings prove that product innovation is insignificant to competitive advantage (Prasetya, 2002; Djodjobo and Tawas, 2014).

The debate of findings in analyzing innovation can be shown in previous studies that product innovation positively and significantly affects the performance of the company (Han et al., 1998: 42-45; Ratnawati, 2013; Gozali and Nugraha, 2017; Puspitasari, 2014; Masrokan et al., 2016; Lapian et al., 2016; Naranjo-Valencia et al., 2016: 30). The study differs from the findings of other researchers, that process innovation has a positive and significant effect on performance whereas product innovation negatively affects the performance of SMEs in Malaysia (Hilmi et al., 2010: 556; Darroch, 2005: 101-115). The findings of other researchers show that product innovation has no effect on marketing performance (Jaworski and Kohli, 1993).

2. Literature Review

2.1 Micro, Small and Medium Enterprises (MSMEs)

Law of the Republic of Indonesia No. 20 Year 2008 explains that small business is a stand-alone productive enterprise, conducted by an individual or a business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part directly or indirectly from a medium-sized or large-scale business which meets the criteria of small business as referred to in the Act.

Characteristics of small-scale entrepreneurs put forward by Kuncoro, (2000: 6) that the characteristics of small-scale entrepreneurs include: No clear division of tasks between administrative and operational areas; low access of small businesses to formal credit institutions; most small businesses are marked by their lack of business entity status.

The issue of the definition of small and medium enterprises (SMEs) is still a debate from a literary perspective. Each scholar provides a different definition by classifying the type of business used.

2.2 Product Innovation Concept

Innovation as one of the important variables in performance. Innovation is becoming increasingly important as a means of survival, not just growth in the face of environmental uncertainty and increasingly competitive business conditions (Han et al., 1998: 30). Innovation has a distinctive function for the entrepreneur. With innovation, entrepreneurs create both new production resources and existing resource management with increased potential value to create capital (Drucker, 1985: 69).

Product innovation can serve as the source of the company's competitive advantage. Product innovation is basically to meet market demand so that product innovation is one that can be used as competitive advantage for company (Han et al., 1998: 35). Other studies show that there is a positive influence of the role of learning orientation, market orientation and product innovation on competitive advantage to improve marketing performance (Sismanto, 2006).

Product innovation is one way that can be used to achieve competitive advantage for the company (Han et al., 1998: 35). This fact is supported by Dewi, (2006) research result, that product innovation has positive and significant effect to competitive advantage. Research conducted Slater and Narver, (1997) concluded that companies that succeed in developing innovation will be able to drive the market and improve company performance. There are three indicators used to measure product innovation in this study, conducted by elaborating the measurements used (Droge et al., 1994; Han et al., 1998: 31; Wahyono, 2002: 28; Tjiptono, 2008: 458) with the reason for this measurement is considered more easily understood and used / applied in analyzing product innovation conducted by UMKM, whose indicator consists of; Product (Product Attributes), Product Design, and Product Variations.

3. The Concept of Marketing Performance

Performance measurement is a complex and a big challenge for a researcher. Performance is a big challenge because as a construct, performance is multidimensional so the use of a single measurement is incapable of providing a comprehensive understanding. Company performance can be seen from the level of sales, profit level, rate of return on capital, turnover rate and market share (Jauch and Glueck, 1998: 65).

Marketing performance is a concept to measure marketing achievement of a product. Therefore, the measure that should be used is an activity based measure that can explain the marketing activities that result in the marketing performance. The quality of marketing performance supported by the understanding of consumers and the benefits of new products are the factors that can increase the success of new products related to the creation of superior value for consumers. The creation of superior value for

consumers is a stepping stone for a company to improve its marketing performance (Ferdinand, 2000).

Construct a common marketing performance used to measure the impact of a company's strategy. Company strategy is always directed to produce performance, both marketing performance and financial performance. Marketing performance is a concept to measure the market performance of a product (Ferdinand, 2000: 23). Another view explains that marketing performance can be defined as an effort to measure performance levels against the performance of the resulting strategy with overall expected performance, sales and profits (Menon, 1992: 54).

This research is to analyze marketing performance by using Ferdinand measurement, (2000: 23); Narver and Slater (1990: 20) that the performance of marketing is a factor that is often used to measure the impact of the strategy adopted by the company in terms of marketing aspects. Indicators used to measure marketing performance are Sales volume, Market share, Customer growth and profitability.

3.1 Competitive Advantages

A competing strategy is a combination of the ultimate goal (goal) that the company strives for by the means (policy) that the Company tries to achieve. Understanding of competitive advantage itself has two different meanings but are interconnected. The first sense emphasizes superiority or superiority in terms of resources and expertise of the company. Companies that have competence in marketing, manufacturing, and innovation can make it as a source to achieve competitive advantage. Through these three areas of competence, the company can develop strategies so as to produce products that sell well in the market. While the second understanding emphasizes the superiority in achieving performance. So far this definition is related to the position of the company compared with its competitors. Companies that continue to pay attention to the progress of their performance and strive to improve the performance have the opportunity to achieve a better competition position. With the position of good competition then the company actually has a strong capital to continue to compete with other companies (Droge et al., 2004: 557).

Lumpkin and Dess, (2005) argue that a competitive advantage occurs when a customer perceives that a company's product has advantages over its competitors. In addition, Hitt et al., (1998: 222) also suggests that firms are said to achieve competitive advantage if the cost savings made by firms outweigh their competitors. Porter, (1998: 3) which explains that competitive advantage is the heart of marketing performance to face competition. Competitive advantage is defined as a benefit strategy of companies that collaborate to create more competitive advantages in their markets. This strategy should be designed to realize continuous competitive advantage so that the company can dominate in both the old and new markets.

Measurement of competitive advantage elaborates the measurements used by Bharadwaja et al., (1993: 97); Song

and Parry, (1997: 73); Day and Wensley, (1988: 18); Droge and Vickery, (1994: 669-670), that competitive advantage is the company's ability to create superior value by utilizing its various resources, which consist of: Product Uniqueness, Product Quality and Competitive Price.

4. Methodology

This research uses explanatory research approach. The research was conducted on 105 MSMEs Seaweed spread in West coast of South Sulawesi Province (Makassar City, Maros Regency, Pangkep Regency, Barru Regency and Pinrang Regency), on the grounds that the western area of South Sulawesi Province is one of seaweed development area. Hypothesis testing is done by using Structure Equation Modeling (SEM) with the help of AMOS 22.

5. Results and Discussion

5.1 Characteristics of respondents

Table 1: Respondent characteristics

Description	Criteria	Frequency	Percent
Gender	Male	24	22,9
	female	81	77,1
Ages (Years)	22 - 29	8	7,6
	30 - 37	23	21,9
	38 - 45	45	42,9
	46 - 53	24	22,9
	54 - 61	5	4,8
Educational level	SD / Equal	34	32,4
	SMP / Equal	20	19,0
	SMU / Equal	39	37,1
	Diploma Three	3	2,9
	S1 (Bachelor degree)	9	8,6
Operational status of the business	The main job	75	71,4
	Side job	30	28,6
Business location	Makassar	36	34,3
	Maros	15	14,3
	Pangkep	27	25,7
	Barru	14	13,3
	Pinrang	13	12,4

5.2 Research Instruments Test, Mean and loading factor

Product Innovation

Testing the validity and reliability of the instrument shows that all the measurers have a person correlation value of 0.665 - 0.913 with p-value <0.05. These results prove that all indicators of product innovation variables are stated to meet the validity test limit > 0.30 and meet the reliability limits = Cronbach's Alpha > 0.60.

The results of descriptive analysis indicate that product innovation is reflected through dimension / indicator of product variation with an average value of 3.72. The condition is caused by the high ability of SMEs processing seaweed to produce seaweed processing products of various types with quality assurance or quality, it can be seen on the ability of SMEs seaweed processing to produce products that have a high level of novelty compared to competitors.

Table 2: Test results validity, reliability, mean value and variable loading factor of product innovation.

	Product Style	Product Design	Product Variations	Product Innovation	Cronbach's Alpha	Mean	loading factor
Product Style	1	,409**	,778**	,893**	0,768	3,69	0,91
		0	0	0			
Product Design	,409**	1	,391**	,665**		3,61	0,81
		0	0	0			
Product Variations	,778**	,391**	1	,913**		3,72	0,85
		0	0	0			
Product Innovation	,893**	,665**	,913**	1		3,67	0,86
		0	0	0			

The result of confirmatory factor analysis shows the important or dominant factor that reflects the product innovation variable is the dimension / indicator of the product's style with the loading factor value of 0.91, meaning that the UMKM seaweed processing has a high ability to add customer value, of the product innovation can be used as the basis of customer purchasing decisions, so that with the condition, the dimension / indicator style (attribute) of the product contributes 91.00% in reflecting the product innovation variables.

Test Validity and reliability of marketing performance

Marketing performance

Testing the validity and reliability of the instrument indicates that all the measurers have a person correlation value of 0.923 - 0.957 with p-value <0.05. The result proves that all indicators of marketing performance variables are stated to meet the validity validity limit > 0.30 and meet the reliability limits = Cronbach's Alpha > 0.60.

Table 3: Result of validity, reliability, mean value and loading factor variable of marketing performance.

	Sales Volume	Market share	Growth	Profitability	Marketing performance	Cronbach's Alpha	Mean	loading factor
Sales Volume	1	,883**	,849**	,862**	,957**	0,955	3,53	0,99
		,000	,000	,000	,000			
Market share	,883**	1	,760**	,846**	,934**		2,86	0,87
		,000	,000	,000	,000			
Growth	,849**	,760**	1	,892**	,923**		3,60	0,88
		,000	,000	,000	,000			
Profitability	,862**	,846**	,892**	1	,951**		3,58	1,00
		,000	,000	,000	,000			
Marketing performance	,957**	,934**	,923**	,951**	1	3,39	0,93	
		,000	,000	,000	,000			

The result of descriptive analysis shows that marketing performance is reflected through dimension / indicator of profitability with the average value of respondents of 3.58. These results explain that the achievement of the performance or the results of the implementation of seaweed processing production process can be increased if the profits obtained from the sale of products can always be improved.

their ability to generate profit so that with the condition then the sales volume can contribute 100% to reflect marketing performance variables.

Test Validity and reliability of competitive advantage

Testing the validity and reliability of the instrument indicates that all the measurers have a person correlation value of 0.957-0.9996 with p-value <0.05. The result proves that all the indicators of competitiveness variables are stated to meet the validity limit > 0.30 and meet the reliability limits = Cronbach's Alpha > 0.60.

The result of confirmatory factor analysis shows the important or dominant factor that reflect the marketing performance variable is the dimension / profitability indicator with the loading factor value of 1,000, meaning that the UMKM seaweed processing always try to maximize

Table 4: Test results validity, reliability, mean value and loading factor variables of competitive advantage.

	Uniqueness	Quality	Price	Excellence	Cronbach's Alpha	Mean	loading factor
Uniqueness	1	,984**	,936**	,996**	0,956	3,82	1,01
		,000	,000	,000			
Quality	,984**	1	,902**	,985**		3,56	0,98
		,000	,000	,000			
Price	,936**	,902**	1	,957**		4,34	0,93
		,000	,000	,000			
Excellence	,996**	,985**	,957**	1		3,91	0,97
		,000	,000	,000			

The result of descriptive analysis shows that the competitive advantage is reflected through the dimension / price indicator with the average value of respondents is 4.34. These results explain that the competitive advantage of

seaweed processed products can be high with the pricing they have used so far that it becomes a trigger in the creation of competitive advantage.

Confirmation factor analysis shows that the dominant factor is the dimension / indicator of uniqueness with 1.01 factor loading factor, meaning that the UMKM seaweed processing always try to adjust the selling price of seaweed processing product with market capability, so that with the condition then the sales volume can contribute as much as 100.10% in reflecting the variables of competitive advantage.

5.3 Structural Models

The model developed in this study has fulfilled the Goodness of fit tests which is the suitability of the Model with cut-off value, because of the eight conformity criteria of the existing model, the final model has met 7 (seven) among the 8 (eight) conformity criteria model, there is one of them is marginal (AGFI) while 7 (seven) of them show good results (Chi_Square, Probability, CMIN / DF, RMSEA, GFI, TLI and CFI). Referring to the principle of

parsimony which explains that if there are one or two goodness of fit criteria that have met the expected value, then the model can already be said to be good or the development of the hypothesis model conceptually and theoretically can be said to be supported by empirical data (Arbuckle and Wothke, 1999; in Solimun, 2004; 89).

Table 5: Goodness of fit tests

Index	Cut-off Value	Model results *	Annotation
Chi-Square	Expected small	26,913 < (0.05:24 = 36,415)	Good
Probability	≥ 0.05	0.309	Good
CMIN/DF	≤ 2.00	1,121	Good
RMSEA	≤ 0.08	0.034	Good
GFI	≥ 0.90	0.952	Good
AGFI	≥ 0.90	0.890	Marginal
TLI	≥ 0.95	0.996	Good
CFI	≥ 0.95	0.998	Good

Table 6: Hypothesis testing

Variables			P-value	Direct Effect	Indirect Effect	Total Effect	Annotation
Exogenous	Intervening	Endogenous					
Product_Inn.		Marke_Perf.	0,005	-0,280	0,000	-0,280	Significant
Product_Inn.		Comp_Advn.	0,000	0,807	0,000	0,807	Significant
Marke_Perf.		Comp_Advn.	0,047	0,135	0,000	0,135	Significant
Product_Inn.	Marke_Perf.	Comp_Advn.	0,051	0,135	0,000	0,135	Insignificant

5.4 The effect of product innovation on marketing performance

Customers generally want innovative products to their liking. For MSME seaweed processing, its success in product innovation means that MSE processing seaweed is one step ahead of its competitors. This requires the cleverness of SMEs seaweed processing in recognizing the tastes of its customers so that innovation is done in the end is in accordance with the wishes of its customers. Thus, product innovation must be carefully planned and executed. The results of this study confirm that the product innovation indicator that has not been optimized well at this time is indicated by the dimensions / indicator of product design, that the product produced does not have the totality of keistemewaan thus affecting the appearance and function of a product as expected by the customer.

The effect of product innovation on marketing performance can be proved by the standardized regression weight estimate of -0.280 with negative direction. The coefficient of influence is marked negative, it means that product innovation implemented by UMKM seaweed processing is not optimal so it cause the decrease on marketing performance, beside that it can be proved with critical ratio value (cr) = -2, 834 < 2,00 (t-statistic) and a probability value of 0.005 < = 0.05.α The results of testing the first hypothesis proves that, product innovation has a significant effect on marketing performance, so the hypothesis (H1) proposed that the product innovation has a significant effect on the marketing performance is accepted.

The statement can be interpreted that although it has not been implemented optimally, it turns out that in the implementation of product innovation proved able to give a real effect (meaningful) to the creation of high marketing

performance. This is because MSMEs seaweed processing entrepreneurs have limited ability to produce products that have the totality of privileges and affect the appearance and function of seaweed processing, but with limited ability of product innovation proved able to improve the achievement obtained by UMKM seaweed processing from process activity marketing as a whole, in which SMEs seaweed processing seeks to keep up with the developments that exist in the market and follow the needs required by consumers.

The results of this study support the theory of innovation (Drucker, 1954), that product innovation is a potential thing to create the thoughts and imaginations of people who ultimately create customers. It also supports Dourgerty, (1996) statement that Product innovation is an important way for companies to remain adaptable to market, technology, and competition. Supporting past studies that product innovation significantly impacts marketing performance (Han et al., 1998; Hadjimanolis, 2000; Adikusuma, 2003; Suendro, 2010; Wulandari, 2012; Ratnawati, 2013; Gozali and Nugraha, 2013; Puspitasari, 2015; Lapien et al., 2016; Naranjo-Valencia et al., 2016). Disputes the findings of other researchers that product innovation has a negative and insignificant effect on performance (Darroch, 2005; Hilmi et al., 2010;).

5.5 The effect of product innovation on competitive advantage

An important key to winning the competition lies in the company's ability to create competitive advantage. Narver and Slater, (1990: 21) states that competitive advantage can be achieved if the company is able to provide more value to customers than what is given by its competitors. The company's ability to continuously innovate its products will keep the product in line with customer wants and needs.

The effect of product innovation on competitive advantage can be proved by standardized regression weight estimate value of 0.807 with positive direction. The coefficient of influence is marked positive, meaning that high product innovation leads to an increase in competitive advantage, besides it can be proven with critical ratio value (cr) = $9,772 > 2.00$ (t-statistic) and probability value is $0.000 < = \alpha$ 0.05. The result of the second hypothesis test proves that, product innovation has positive and significant effect to competitive advantage, so the hypothesis (H_2) proposed that product innovation has significant effect to competitive advantage is proved to be accepted.

The positive cause and the significant effect of product innovation on competitive advantage is because, according to its form, the product produced by UMKM seaweed processing seems interesting and the product is easy to be stored. Then the style (attribute) of the resulting product has a good reputation in the eyes of consumers because in general the style (attribute) products produced SMEs seaweed processing can be accepted by the market. In addition, product innovation in the dimensions / indicators of product variation has a high level of novelty in comparison with competing products and faster product development compared to other competitors and has a high level of conformity to the needs, desires, and customer demand, due to product variation by SMEs processing seaweed is done on several types of processed seaweed products.

These conditions lead to high entrepreneurs desire to produce different products with products produced by competitors. The difference is raised for MSME products processing seaweed in the western coast of South Sulawesi is not easily imitated because the product has a high taste of the product and different from other products. For that MSME processing seaweed on several occasions always do an evaluation of the wants and needs of consumers. One of the efforts made, namely by doing a unique and interesting product design.

Supporting the statement of Hernard and Szymanski, (2001), that product innovation is a way of increasing value as a key component to the success of a business operation that can bring the company a competitive edge and become a market leader. The results of this study are in line with the findings of previous researchers, that high product innovation leads to increased excellence (Droge and Vickery, 1994; Dewi, 2006: 75; Supranoto, 2009; Djodjobo and Tawas, 2014). The findings derive from other researchers' argument that innovation has a positive and insignificant effect on competitive advantage (Prasetya et al., 2008).

5.6 The influence of marketing performance on competitive advantage

Marketing performance is a factor that is often used to measure the impact of a company's strategy. Company strategy is always directed to produce good marketing performance and also good financial performance. Good marketing performance is expressed in three major values, namely sales value, sales growth, and market share (Ferdinand, 2000: 23). High marketing performance became

the basis for creating competitive advantage (Narver and Slater, 1995).

The results of this study confirm that the dimensions / indicators of marketing performance that have not been optimized well at this time indicated by the dimension / indicator kemelulabaan that entrepreneurs have limitations in maximizing profit because in some production processes, production efficiency can not be fully implemented due to some work equipment or the technology used is still manual so it takes a relatively longer time in completing the production process.

The influence of marketing performance on competitive advantage can be proved by the value of standardized regression weight estimate of 0.171 with a positive direction. The coefficient of influence is marked positive, meaning that high marketing performance leads to an increase in competitive advantage, besides it can be proven with critical ratio value (cr) = $1,983 < 2,00$ (t-statistic) and probability value is $0,047 < = \alpha$ 0.05. Results of testing the third hypothesis proves that, marketing performance significantly influence the competitive advantage, so the hypothesis (H_3) proposed otherwise acceptable.

Positive factors and significant influence of marketing performance on competitive advantage due to the high ability of UMKM seaweed processing to dominate the market on similar products due to market networks owned and optimal product quality, and the price offered and promotions made and supported by the selection of places / locations both in the production process and in marketing the product, regardless of the condition, during the last 2 (two) years local market domination has been dominated by the product of seaweed processing UMKM in the west coast of South Sulawesi so that the conditions the SMEs can contribute to the market share of 30-40% at the national level.

The ability of market control to be achieved by UMKM seaweed processing proved able to improve the ability of UMKM seaweed processing to compete with the price of similar products in the market, although the quality of the products produced is much higher quality with competitor product quality but because the target market is the local market, where the market consumers local is more considering price than quality.

The findings of this study support the configuration management theory proposed by Narver and Slater (1995) that effective enterprise performance is a configuration of practical management that provides facilities for knowledge development on which to base competitive advantage. Can be explained that the competitive advantage can not be created in advance if not supported by marketing performance. High marketing performance resulted in high ability of company to compete.

The results of this study are in line with the findings of previous researchers, that marketing performance directly affect the competitive advantage (Prakoso, 2005, Asmarani, 2006; Gozali and Nugraha, 2017). Supporting other research results, that there is a positive influence between the

improvement of company performance with competitive advantage (Li, 2000: 299-315; Handriani, 2011).

5.7 The effect of product innovation on competitive advantage through marketing performance

Sobel test results provide evidence that the contribution of indirect influence in this marketing performance of 0.109 and probability value of $0.051 > 0.05$ and the standard error of 0.017. α The role of marketing performance mediation in analyzing the effect of product innovation on competitive advantage through marketing performance is not proven to have any real effect. Based on the nature of marketing performance expressed as mediation partial mediation in explaining the effect of product innovation on competitive advantage. This means that the position of marketing performance weakens the effect of product innovation on competitive advantage.

The statement can be interpreted that directly product innovation can give a real contribution to the improvement of marketing performance and competitive advantage, but the condition is different when marketing performance is placed as mediating variable. This explains that in bringing the competitive advantage of SMEs seaweed processing in the western coastal area of South Sulawesi province can be done directly without the need for marketing performance support proven product innovation can increase competitive advantage. The cause of the insignificant effect of product innovation on competitive advantage through marketing performance is due directly to the strong contribution because the products produced by UMKM seaweed processing attract consumers and are easy to store. Seaweed processed products have a good reputation in the eyes of consumers because the products produced by the market.

The ability of market control to be achieved by UMKM seaweed processing has not been able to improve the ability of MSMEs processing seaweed to compete with the price of similar products in the market, although the quality of the products produced is much higher when compared with the quality of competitor products but because the target market is the local market, where local market consumers are more concerned with price than quality.

The results of this study differ from the findings of previous researchers, that the higher product innovation will affect marketing performance and further enhance the sustainable competitive advantage (Prakoso, 2005; Suendro, 2010; Gozali and Nugraha, 2017). The difference is caused by the difference of respondent's characteristic that in this study generally the respondents used are still not fully use technology in doing seaweed processing activity and marketing network which is very limited (generally local), while the other researchers (Prakoso, 2005, Suendro, 2010; Gozali and Nugraha, 2017), using respondents in established MSMEs such as batik SMEs and Shoes in Java which in general have used technology and has a wide and even international marketing network.

6. Conclusion

Product innovation has a significant effect on marketing performance of seaweed MSMEs in West Coast area of South Sulawesi Province. The condition is caused because the products produced follow the needs and desires of consumers so as to improve the achievements obtained by MSME seaweed processing from the activities of the marketing process as a whole, but the product design used has many similarities even seem to imitate from similar products that have been circulating in the market so it is difficult to be recognized by consumers, but in its implementation meet sales targets and even sales targets always increase every year, there is even a tendency of increased sales turnover after MSME processing seaweed in the West Coast region of South Sulawesi province to develop product (innovation) sales increased periodically resulting in the last few years UMKM seaweed processing in the West Coast region of South Sulawesi Province has always increased sales when compared with sales in previous years.

Continuous product innovation by tailoring the needs and wants of consumers has an impact on creating a high competitive advantage. This condition is caused by UMKM seaweed processing in West Coast area South Sulawesi Province has a high level of product novelty in comparison with competitor product and faster product development compared to other competitors and has a high level of conformity to the needs, desires, and customer demand, which then has an impact on causing high entrepreneurial desire to produce a different product from the competitor's product.

High marketing performance proved able to create competitive advantage of SMEs seaweed processing in West Coast area of South Sulawesi Province, caused by market share achieved by UMKM able to improve the ability of SMEs seaweed processing in West Coast area of South Sulawesi Province to compete with the price of similar products in market, although the quality of the products produced is much higher (relative) to the quality of the competitor's product but because the target market is the local market, where the local market consumers consider the price more than the quality.

The role of marketing performance mediation in analyzing the effect of product innovation on competitive advantage is not proven to have any real effect. Directly product innovation can make a real contribution to improving marketing performance and competitive advantage, but the condition is inversely proportional to the effect of marketing performance on competitive advantage. This explains that in raising the competitiveness of SMEs seaweed processing in the West Coast of South Sulawesi Province can be done directly without the need for marketing performance support proven product innovation can increase competitive advantage.

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