

## **The Influence of Market Orientation and Product Innovation on Marketing Performance in Micro Trade Business at South Sulawesi**

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### **ABSTRACT**

This study aims to find out how the influence of Market Orientation and Product Innovation on Marketing Performance in Micro Trade Business in South Sulawesi. The type of research is quantitative with data collection techniques were carried out by document and questionnaires. The population in this research are micro business actors in the trade who registered at Dinas Koperasi dan UKM Provinsi Sulawesi Selatan, amounting to 244.592. The sampling method used is Slovin with an error rate of 10%, which is obtained 100 respondents. The data obtained from the research results were processed using the SPSS version 25 application which consisted of validity and reliabilition tests to test the research instrumen as well as descriptive data analysis tests and inferential statistical analysis to test existing hypotheses. The results showed that market orientation was in the very good category, product innovation was in the good category, and marketing performance was in the very good category. The results of inferential analysis show that there is a significant influence between market orientation and product innovation on the marketing performance of micro trade business in South Sulawesi

**Keywords:** Market Orientation, Product Innovation, Marketing Performance, Micro Business, Trading

### **INTRODUCTION**

In Indonesia, Micro, Small and Medium Enterprises (MSMEs) are considered as one of the economic sectors that make a very large contribution to economic growth. MSME is a type of business that has great potential in producing Gross Domestic Product (GDP). Besides that, MSMEs are also able to reduce the number of unemployed and overcome poverty by absorbing workers who are still unemployed.

Andiyanto & Sufian (2017) explained that MSMEs make a significant contribution in growing state income from the non-oil and gas export commodity sector and can create peace for the people. MSMEs are flexible so they can support the government to creating jobs. The existence of various transformations such as technological changes, makes MSMEs must be able to adapt so as not to be left behind by other companies.

The number of MSMEs that continues to increase every year requires guidance to increase micro entrepreneurs become small entrepreneurs or even to become big entrepreneurs. However, there are still many challenges faced by MSMEs such as resource constraints, skills, expertise, human resource management, marketing information, and financial records.

Talking about MSMEs, the government of Province South Sulawesi has made various efforts to develop MSMEs, one of which is the Dinas Koperasi dan UKM Provinsi Sulawesi Selatan. Through this service, MSME actors are continuously encouraged to improve the quality of their products so that they become export-worthy products and have competitiveness in the era of the ASEAN economic community.

The potential for the number of MSMEs owned by South Sulawesi Province can be said to be large, so it must be utilized so that it can become a business that has high competitiveness. MSME actors must have several business strategies, namely by looking at their market orientation and fixing product innovations so that their businesses can survive and excel in the competition.

Based on data from Dinas Koperasi dan UKM Provinsi Sulawesi Selatan, these MSMEs are grouped into several business sectors, namely trade, agriculture, production, services, and others. From the five business sectors, the researchers chose the type of trading business as the object to be studied in this study.

Trading business is not a seasonal business that will dissolve when society no longer needs it. Trading business is always needed by the community as long as the business owner is able to guarantee good service to consumers, he does not have to worry about his business going down.

In addition, the trading business is a relatively lucrative business. In addition to the fact that the initial capital required to start a business is not too big, a trading business is also very easy to run. However, it is possible that obstacles may arise at any time, such as many competitors running similar businesses, choosing a location that is less strategic, and depending on the effectiveness of the owner.

Market orientation is identified as one of the factors that can affect marketing performance. Market orientation is one of the strategies that can be conducted by business actors to develop their knowledge in implementing various marketing strategies so that the business being run can develop (Prasetyo & Wijaya, 2019).

To adapt with market orientation that tends to change according to consumer demand trends, it is necessary to have approaches that are able to adapt to the situation. At this point, business actors need creativity through innovative movements in creating and marketing their products.

Innovation too identified as one of the factors that can have an influence on marketing performance. Several studies prove this, such as research conducted by Prambaudy et al., (2017) who get the results that product innovation has an effect on marketing performance. Product innovation can provide more value for a product and can produce new products that can provide solutions to problems faced by consumers.

Marketing performance so far has not been noticed by the actors effort. Whereas marketing performance is a measure of success obtained by business actors in the marketing process (Mulyani & Mudiantono, 2015). According to Han et al. (1998) there are several factors that can affect marketing performance consisting of environmental factors, product innovation, and market orientation. However, in this research, researchers only used market orientation and product innovation variables to determine their effect on marketing performance.

Based on the results of initial observations that have been made and some information obtained from online media and articles conducted by researchers at the end of August 2021, there are several problems related to the marketing performance of trading businesses in South Sulawesi, the first is that many business actors are not fully aware about the importance of marketing performance for a business. This is based on a lack of knowledge about technology caused by a lack of education and training.

Second, there are still many business actors who do not understand to mapping the market to be targeted so that they can compete with similar businesses. This is due to limited information on the market. Business actors usually do not have long-term planning so they are not able to develop their own market strategies.

Lastly, MSME products are still difficult to compete due to the lack of innovation and creativity by the business actors themselves. Without innovation, the product will be difficult to look at, less attractive to consumers, and even the business will not advance because competing products are superior in terms of product innovation.

In maintaining the market, MSMEs generally must be able to design some of strategies. The strategy of a business organization always leads to performance, both financial performance or marketing performance. Marketing is very important for every business, especially when the pressure of competition is also tight, it can affect marketing performance either directly or indirectly. Marketing performance is not only used as a bargaining tool between buyers and sellers, but also a form of responsibility in the marketing field to reveal the focus of long-term attention (Sarjita, 2017).

Based on the background of the description above, the authors are interested in conducting research with the title "The Influence of Market Orientation and Product Innovation on Marketing Performance in Micro Trade Business at South Sulawesi"

### **Market Orientation**

According to Alimah (2018), market orientation is a culture in business organizations that puts the market as a strategy to maintain the business continuity of an organization. Therefore, to maintain organizational development in the midst of increasingly fierce competition, organizations must be able to control the market systematically, find information and examine customer wants and needs, so the business organizations and their products can be more competitive and excel in the competition.

Maryati (2010) stated that there are several indicators that can be used to measure market orientation, including:

- a. Customer Orientation

Customer orientation is the willingness of an entrepreneur in an effort to understand and prioritize consumer wants and tastes and understand how the entire organization can provide good customer value and provide satisfaction to customers to spur better sales growth.

b. Competitor Orientation

Competitor orientation is the response of a business organization in an effort to dig up information about the various strategies, strengths and weaknesses of its competitors and ensure that what is done by the organization is not exceeded and imitated by competing business organizations in a fairly short period of time. thereby increasing sales for the better.

c. Coordination between functions

Coordination between functions is the coordinated use of a business organization's resources to generate great value for its intended customers. Coordination between functions refers to the specific aspects of an organizational structure that facilitate interactions between different organizational functions. Coordination between functions is based on customer and competitor information and consists of aligning the business to produce superior value for customers. Coordination between functions can improve interaction and exchange of information between all organizational functions that are concerned with customers and competitors, as well as informing the latest market trends.

### **Innovation Product**

The similarity of the appearance of competitors products is a factor that encourages product innovation, generally the appearance of competitors products does not change much or even tends to be static. This situation is advantageous, because product innovation can be used to overcome emerging competition. Product innovation can be considered as a functional improvement of a product, which can make the product much more attractive compared to competing products. The development of new products and more effective strategies often determines the success and viability of a business, but this is not an easy task because it requires effort, time, skill and must pay attention to the level of risk and cost of failure (Dewi, 2006).

The elements that become indicators in measuring product innovation variables according to Huda et al., (2020) consists of:

a. Product Line Expansion

Lukas & Ferrel (2000:240) argues that product line expansions are products that are familiar to business organizations but new to the market. Product line expansion uses brands that are already known by consumers to introduce other variations such as new flavors, colors, packaging sizes, and so on within the product category of the same brand. There are two product development programs that can be used by business organizations to expand their product lines, namely vertical product line expansion which consists of adding new products at different price levels, while horizontal product

line expansion is adding new products with new or different characteristics at different levels. relatively the same price.

b. Product Imitation

Lukas & Ferrel (2000:240) argues that imitation products are products that are perceived as new by the business organization but are familiar by the market. Manufacturers produce imitation product without using the respective trademark rights. The act of imitation is done by learning and following the actions of others in order to attract the attention of consumers.

c. New product

Lukas & Ferrel (2000:240) argues that a new product is a product that is considered new by both business organizations and the market. New products are products that are created and then marketed that are different from products that have been traded previously by a business organization. This new product may be an addition to a product from a well-known brand or even create a new product with a new brand name.

### **Marketing Performance**

Organizational need for business performance analysis to obtain information, advice and recommendations in decision making continues to increase and make performance measurement systems a top priority in an organization. In general, the performance measurement method used only displays the value of business work indicators and has not been able to provide an answer why this can happen and provide solutions that can be done to improve it. (Astami, 2013)

Some of the indicators used in assessing marketing performance according to Sulaeman (2018) that is:

a. Sales growth

Sales growth is a growth that occurs due to the number of purchases made by consumers on a product produced by a business. Sales growth describes how much the increase in sales of the same product is compared to a certain time unit. Good marketing performance is indicated by good sales growth from year to year, higher growth than similar competitors, and having a wide range of customers compared to previous years.

b. Profit growth

Profit growth is a percentage increase in profit earned by a business. Good profit growth reflects that the condition of the business performance has good performance. Because profit is a measure of the performance of a business, the higher the profit earned, the better the marketing performance of the business.

c. Customer growth

Customer growth aims to increase the number of customers and the number of consumers who buy products or use the services of the business. The customer growth rate is the increase or decrease in the number of customers that can increase or decrease every year, which will lead to profit or even loss to the business. Good customer growth indicates good marketing performance as well.

### **Micro, Small and Medium Enterprises (MSMEs)**

According to Tambunan (2012), MSMEs are independent business units, which are carried out by individuals or business entities in all economic sectors. In principle, the difference between Micro, Small and Medium Enterprises generally in the initial asset value (excluding land and buildings), annual turnover, or the number of permanent employees. However, the definition of MSME different in each country based on the three measuring instruments used. Therefore, it is difficult to compare the role of MSMEs between countries.

In its development perspective, MSMEs are a business group that has the largest number and has proven strong in dealing with various types of shocks due to the economic crisis. The following is the classification of MSMEs according to Rahmana (2009):

- a. Livelihood Activities are MSMEs known as the informal sector and are generally used as job opportunities to earn a living. For example, street vendors.
- b. Micro Enterprise is an MSME that has the nature of craftsmen but does not yet have the nature of entrepreneurship. For example, the pottery business which is still a home-based business and used packaging craftsmen.
- c. Small Dynamic Enterprise is an MSME that has an entrepreneurial spirit and can accept subcontract and export work. For example, furniture craftsmen and batik craftsmen.
- d. Fast Moving Enterprise is an MSME that has a great entrepreneurial spirit and is able to transform into a big business. For example, a fast food restaurant business.

### **RESEARCH METHODS**

The type of research used in this research is quantitative research. In this research, the population is micro business actors in the trading sector in South Sulawesi who registered at Dinas Koperasi dan UKM Provinsi Sulawesi Selatan, totaling 244.592 units based on the latest data obtained from the Dinas Koperasi dan UKM Provinsi Sulawesi Selatan. Based on calculations using the Slovin formula, the sample of respondents in this study was 99,9 units which was adjusted to 100 micro business actors in the trading sector who registered at Dinas Koperasi dan UKM Provinsi Sulawesi Selatan.

The data collection techniques in this study, namely:

#### **1. Questionnaire (Questionnaire)**

Questionnaire contains a list of questions that have been systematically arranged and must be answered by the respondent according to his perception to show his views on an issue (Kurniawan & Puspitaningtyas, 2016).

#### **2. Document**

According to Sugiyono (2013), a document is a record of events that have passed. Documents can be in the form of writing, pictures, or monumental works of someone.

Documents in the form of writing such as regulations, policies, official letters, statistics, and others.

## **RESEARCH RESULT**

### **Validity Test Results**

Based on calculations using IBM SPSS software version 25 shows that all statement items have a corrected total correlation ( $r_{\text{Count}} > r_{\text{Table}}$ ), which means that all statement items on variables X1, X2 and Y in this study are declared valid.

### **Reliability Test Results**

Based on calculations using IBM SPSS Software version 25 proves that all variables are declared reliable because the Cronbach Alpha value of each variable is  $> 0.6$ , so it can be concluded that from each statement item on each variable it can be said to be reliable or trustworthy.

## **Descriptive Statistical Analysis Results**

### **a. Market Orientation (X1)**

Each indicator used to measure market orientation in micro-enterprises in the trading sector in South Sulawesi is in the very good category. It can be seen that the customer orientation indicator is in the very good category with a percentage of 90.67 percent, the competitor orientation indicator is in the very good category with a percentage of 83.40 percent, and the coordination indicator between functions is in the very good category with a percentage of 86.00 percent.

### **b. Product Innovation (X2)**

Each indicator used to measure product innovation in micro-enterprises in the trade sector in South Sulawesi is in the very good and quite good categories. It can be seen in the product line expansion indicator in the very good category with a percentage of 92.47 percent, the product imitation indicator in the fairly good category with a percentage of 50.60 percent, and the new product indicator in the very good category with a percentage of 84.33 percent.

### **c. Marketing Performance (Y)**

Each indicator used to measure the marketing performance of micro-enterprises in the trade sector in South Sulawesi is in the very good category. It can be seen in the sales growth indicator in the very good category with a percentage of 83.87 percent, the profit growth indicator in the very good category with a percentage of 83.73 percent, and the customer growth indicator in the very good category with a percentage of 86.27 percent.

## **Inferential Statistical Analysis Results**

### **a. Data Normality Test**

Based on the results of the normality test using the Kolmogorov Smirnov test, the non-parametric statistical results show the Asymp value. Sig (2-tailed) of  $0.200 > 0.05$  which means that the data used in this study is normally distributed.

**b. Multiple Linear Regression Analysis**

Based on the results of the multiple linear regression analysis, the constant value () was 8.092. The Market Orientation value is 0.578 and the Product Innovation value is 0.219. So the equation of multiple linear regression analysis can be formulated  $\hat{a}Y = 8,092 + 0,578X_1 + 0,219X_2 + e$  Which means that the constant value of Marketing Performance (Y) is 8.092 which states that if the Market Orientation and Product Innovation variables are the same as constant, then the Marketing Performance is 8.092. Coefficient Market Orientation (X1) is 0.578, which means that if there is an increase in the market orientation variable by 1%, marketing performance will increase by 0.578 (57.8%). Coefficient Product innovation (X2) is 0.219, which means that if there is an increase in the product innovation variable by 1%, then marketing performance will increase by 0.219 (21.9%).

**c. T Uji test**

Based on the test results, It is known that the Sig value for the influence of the Market Orientation (X1) variable on Marketing Performance (Y) is  $0.000 < 0.05$  and the tcount is  $11.933 > t_{table} 1.664$ , which means that the X1 variable on the Y variable has an influence.

Based on the test results, it is known that the Sig value for the effect of the Product Innovation variable (X2) on Marketing Performance (Y) is  $0.000 < 0.05$  and the tcount is  $5.392 > t_{table} 1.664$ , which means that the X2 variable on the Y variable has an influence.

**d. F Uji test**

Based on the test results, it can be seen that the Sig value for the effect of Market Orientation (X1) and Product Innovation (X2) simultaneously on Marketing Performance (Y) is  $0.000 < 0.05$  and fcount  $149.084 > f_{table} 3.09$  which means that the Market Orientation variable (X1) and Product Innovation (X2) simultaneously have a significant effect on the Marketing Performance variable (Y).

**e. Coefficient of Determination**

Based on the test results, it can be seen that the contribution of the influence given by the variables X1 and X2 (Market Orientation and Product Innovation) to the Y variable (Marketing Performance) is 0.749 or 74.9%, while other influences of 25.1% are influenced by other variables that are not investigated in this study.

**CONCLUSION**

Market orientation in micro-enterprises in the trading sector in South Sulawesi is in the very good category, where the majority of business actors who are respondents in this study answered strongly agree with the statement formulated in three indicators of



market orientation variables, namely customer orientation, competitor orientation, and inter-agency coordination. function.

Product innovation in the trade sector micro-enterprises in South Sulawesi is in the good category, where the majority of business actors who were respondents in this study answered strongly agree with the statement formulated in the three indicators of product innovation variables, namely product line expansion, product imitation, and new products. .

Marketing performance in the trade sector micro-enterprises in South Sulawesi is in the very good category, where the majority of business actors who are respondents in this study answered strongly agree with the statement formulated in three indicators of marketing performance variables, namely sales growth, profit growth, and customer growth. .

The results of the partial test (T test) and simultaneous test (F test) carried out show that there is a positive and significant relationship between the variables of Market Orientation and Product Innovation on the Marketing Performance of Micro Enterprises. Trade Sector in South Sulawesi. Where this is shown by the results of the calculation of the partial test (T test), namely for the market orientation variable, the tcount value is 11,933 > ttable 1,664. And for the product innovation variable, the tcount value is 5.392 > ttable 1.664. Meanwhile, for the simultaneous test (F test) the fcount value is 149.084 > ftable 3.09. From the two test results, it can be concluded that market orientation and product innovation partially and simultaneously affect marketing performance.

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