

The Effect Of Product Innovation, And Process Innovation On Competitive Advantages And Marketing Performance Of Snack Products

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ABSTRACT

Small and medium enterprises (MSMEs) play an important role in Indonesia's economic growth by increasing income or employment opportunities. MSMEs contribute significantly to Indonesia's economic growth by creating jobs that produce goods and services that society needs. Every MSMEs must be able to survive and continue to grow, along with the increasing number of MSMEs every year with increasingly fierce competition. However, because MSMEs have a short product life cycle and are heavily influenced by consumer preferences. Innovation is one of the most effective strategies to maintain business and increase competitiveness. On the other hand, developing a new product is difficult because it is expensive and requires the product to have a competitive advantage over competing products. Making it difficult for MSMEs to do so because of limited capital. This is not only a problem for MSMEs in Indonesia, including Jember. This condition encourages the Government of Jember Regency to continue to strive to improve MSMEs through various activities or events that involve MSME business actors in snack products so they can market their products and improve their branding. This will certainly encourage the competitiveness and innovation of MSME snack product business actors, so that their products are unique and superior compared to their competitors. Therefore, MSME snack business actors need to optimize product innovation and process innovation to increase competitive advantage and marketing performance. Based on these phenomena and problems, the development of MSME food products in Summersari District, Kaliwates District, and Patrang District as central areas are opportunities to increase income and create jobs in the Jember Regency area. This study uses an associative research method with a questionnaire as a data collection instrument which is then distributed to MSME owners of snack products as respondents. The purpose of this study was to examine the effect of product innovation and process innovation on the competitive advantage and marketing performance of MSME snack products in the Jember Regency.

Keywords: Product innovation, process innovation, competitive advantage, marketing performance, MSME.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have an important role in Indonesia's economic growth in increasing income or employment opportunities. One of the benchmarks for the economic growth of countries in the world, including Indonesia, is the development of MSMEs. The development of Micro, Small, and Medium Enterprises (MSMEs) in 2018-2019 is in the range of 1,271,440.5 units, while in 2021 the number has reached 65.46 million units. The data shows that there has been a significant increase in the growth of MSMEs in Indonesia.

MSMEs in Indonesia are estimated to be able to employ 97% of the workforce, contribute 60.3% of the country's GDP, and contribute 14.4% of exports in 2021. In addition, Indonesian MSMEs absorb the most labor among ASEAN countries which only absorb between 35 and 85 percent of the MSME workforce in neighboring countries. Based on this data comparison, it shows that MSMEs significantly contribute to economic growth in Indonesia by creating jobs that produce goods and services needed by the community. It is hoped that MSMEs can continue to play an optimal role in efforts to fight unemployment because the number of MSMEs continues to increase every year.

MSMEs play an important role in the economy of a country. MSMEs are the strength of a country's economic development. The fact that MSMEs are seen as the foundation of a developing economy explains how important their role is. The existence of MSMEs can foster initiative, creativity, and an entrepreneurial spirit. MSMEs allow businesses to more easily adjust to changes in their environment compared to large corporations. Thus, the existence of MSMEs is very important as a catalyst for entrepreneurship and economic growth. (Harini et al., n.d.)

Every MSMEs are interested in exploring their marketing performance as a barometer of the company's success in market competition. Through marketing performance, companies can find out how their success is measured in any given period. MSMEs must also be able to survive and continue to grow because the number of

MSMEs continues to increase every year with increasingly fierce competition. However, because MSMEs have a short product life cycle and are heavily influenced by consumer preferences, every business player must continue to understand customer needs and wants and develop strategies to improve marketing performance. Therefore, innovation is one of the most efficient strategies to maintain business and increase competitiveness.

Being innovative when making products is one of the important strategic things that every MSME needs to do and pay attention to. MSMEs must innovate more when making products, during the production process, and in marketing. When consuming a product, customers consider the value of the product and its purpose in making decisions. The necessary functions of a product are important, but buyers also consider whether the selected item offers more value than other options. Business actors are required to be responsive in anticipating changes and customer desires for the products produced to increase the value of business performance. To achieve this, an optimal strategy is needed, one of which is a competitive advantage strategy. Competitive advantage is the company's strategy in assessing the characteristics of the resources created have differences in the creation of resources created by other companies in the same market share. On the other hand, human resources are also one of the foundations for MSMEs to drive the power of product innovation in developing and improving the quality of their products through predicting demand. However, developing a new product is difficult because it is expensive and requires the product to have a competitive advantage compared to its competitors' products so MSMEs find it difficult to do this due to limited capital. This is not only a problem for MSMEs in Indonesia, including Jember. However, regardless of whether it is a service, product, process, or something else, innovation must still be carried out in MSME snack products so that they excel in competition and are recognized by the market through the uniqueness of their products. This condition shows that it is very important to manage those who can innovate MSME snack products, especially Jember. The competitive advantage and marketing performance of an MSME snack product in the Jember region is influenced by product innovation and process innovation. Based on data from the Central Bureau of Statistics, the number of residents by occupation in Jember Regency 2022, 3 sub-districts where the majority of the population is self-employed has become centers for MSME development, namely Kaliwates District with 38,481 residents, Summersari District with 38,177 residents, and Patrang District with 29,164 residents. In the 2023 period, The Jember Regency Government held 341 events with MSMEs spread across 31 sub-districts to accommodate the MSME creativity market in Jember Regency. Based on the phenomena and problems, the development of MSME snack products in the Jember Regency area is an alternative that can contribute to income and open up job opportunities in every area of the Jember Regency.

2. THEORETICAL REVIEW

2.1 Marketing Performance

Marketing performance is a measure of achievement obtained 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 performance has been achieved by a product produced by a company. Marketing performance indicators according to (Djodjobo & Tawas, 2014), namely: customer growth, sales volume, and profitability.

2.2 Product Innovation

Product innovation is a process that seeks to provide solutions to existing problems. The problem that often occurs in business is a product that is good but expensive or a product that is cheap but not of good quality. (Nyoman et al., n.d.) Product innovation according to (Harini et al., n.d.) can come from improvements or changes to existing products or it can also be through products that are completely new and different from before. This means that companies that can design their products according to customer wishes will be able to survive during competition because their products are still in demand by consumers. (Nyoman et al., n.d.) Indicators of product innovation according to (Djodjobo & Tawas, 2014) are: Technical Innovation, Design Changes, and Creativity.

2.3 Process Innovation

Process innovation is an action to introduce a new production process or a new daily activity. (Harini et al., n.d.; Ningrum et al., 2020; Utaminingsih, 2016). Process innovation is a change in the production of goods produced by a company that has gone through various kinds of improvements. The process of making a product will take time and costs if the process is carried out inefficiently, it will make the product late to enter the market. (Turulja & Bajgoric, 2019) Process innovation describes changes in the way companies produce a product with modern technology that makes the process less time-consuming and costly.

2.4 Competitive Advantage

Competitive advantage is at the heart of a company's performance in a competitive market. Competitive advantage will build the ability to perform activities that are more, more than business opponents, or more effective than competitors. Indicators of competitive advantage according to, namely: Product Uniqueness, Product Quality, and Competitive Prices. (Herlinawati & Machmud, 2020)

3. THE EFFECT OF PRODUCT, PROCESS, AND INNOVATION ON COMPETITIVE ADVANTAGE AND MARKETING PERFORMANCE

The emergence of innovation or product innovation is basically to meet market demand so that product innovation can be used as a competitive advantage for companies (Kusumawati, 2010) Product innovation is creating new products that can meet the needs and desires of consumers so that there is an interest in buying these products, which is expected to be realized through purchasing decisions. Product innovation must be able to create a sustainable competitive advantage in a rapidly changing environment and a global market. The success of product innovation requires a match between the process and the enabling environment. Besides that, the success of innovations implemented must be continuous and not carried out incidentally. (Prajogo, 2016), explains that product innovation is defined as the development and change in the performance attributes of the products or services supplied. The concept dominates much of the discussion on innovation because it has strategic importance for meeting customer needs and entering new markets. Facing increasingly competitive competition requires companies to find new solutions in the company's strategy for the sake of. To maintain the viability of the company, especially in terms of product development, innovation strategies need to be developed and carried out, without innovation the company will collapse, otherwise companies that innovate. Continuously will be able to dominate the market, with creativity, new product models, and appearance. This innovation strategy is largely determined by consumer needs and current trends so that consumers are not bored with the products they produce.

In their research, (Szymanski & Henard, 2001) describe what is called product leadership. Product leadership is one of the trilogy of disciplines market leader concepts. Product leadership is based on the following principles, first, product innovation which can ultimately control the market (market driving). Second, companies that launch products must take into account the risk of not being accepted by the market. Third, companies must mobilize their human resources to explore new creations. And fourth, the company must be able to educate the market. Product leadership has characteristics: superior products, products that can meet consumer needs, the right product prices, products with perfect technology, and product innovation itself. Superior products are products that superior and have differentiation over products offered by competitors. The product also extends where the product is felt to satisfy customer needs. Product prices are also perceived by customers according to the value of the product. Based on the above thoughts, higher level of new product innovation its means the higher level of competitive advantage. (Kusumawati, 2010)

The research from Process innovation is the determination of production or delivery methods of goods produced by a company that has gone through various kinds of significant improvements. Process innovation is the act of Introducing new production processes or new daily activities (Najib & Kiminami, 2011) Process innovation describes

changes in the way organizations produce products and services (Hartini, 2012). Process innovation activity shows whether a company introduces new process innovations in the production process or not.(Un & Asakawa, 2015) ; (Gunday et al., 2011) defines process innovation as new techniques and processes are introduced into operations that help increase efficiency or effectiveness, and lower production costs. Companies often introduce processes that are very different from the core processes in this industry.

Process innovation covers the stages of new products, services, or process development, from concept to idea emergence to market acceptance. Process innovation leads to new operating methods by producing or creating new goods, producing new technologies, or developing existing capabilities within the firm. Process innovation activity shows whether a company introduces new process innovations in its production process or not,(Un & Asakawa, 2015) . One of the goals of the company with process innovation is to reduce the company's operational costs and increase productivity in supply-chain and demand-chain activities. It can be concluded that the existence of process innovation that is more neatly and well organized will produce a product that has superior value with its uniqueness and can save work time by being encouraged by renewable technology that is more adequate in creating a product that consumers want. Thus developing production process methods, adding new service processes, improving production processes, improving quality, and adequate facilities, will affect the company's competitive advantage. If the company carries out process innovation well, it will have a competitive advantage and operational performance will also be good.

The main objective of process innovation is to support and realize an optimal production process by maximizing the production process with efficient methods, to increase product quality and quantity. This study, to measure process innovation, refers to the research of (Bahren et al., 2018), where this variable is measured by several indicators including:

1. The process can save the cost of the production process
2. The process can save raw materials
3. The process can shorten the production time.

Meanwhile, three factors are considered important in implementing product innovation, quality, cost, and time. The application of product innovation and process innovation greatly affects the sustainability of a company and can encourage the company to win a competitive advantage over its competitors. Process innovation is described as a continuous cyclical process, including the phases of awareness, appreciation, adoption, diffusion, and implementation (Nurchayati, 2020). Process innovation focuses on how existing products or services are produced. Process innovation is a form of innovation related to openness (Reichstein & Salter, 2006). Process innovation occurs in transit, where products are created and delivered. Product innovation can help companies achieve economies of scale or company scope at a lower cost.

3.1 The Influence of Product Innovation on the Competitive Advantage of MSME Snack Products

Based on the results of previous research regarding product innovation on the competitive advantage of MSME snack products, it is very influential. Product innovation is said to be good because food MSME actors produce products that are relatively new to the market, products that have not been found in several market segments, produce new products for companies, products that have never existed before in companies, produce products that are new to companies and markets and products that have never been owned by the company and not yet found in the market. Of the several statements, the statement that has the highest score is producing a new product for the company. This is because food SMEs are trying to produce new products by developing old products into higher quality products so that they are superior to previous products. While the statement that has the lowest score is the statement that the product has never been owned by the company and has not been found in the market. Food MSME actors who produce snacks tend to focus more on meeting demand from consumers because they realize that the snack products produced are homogeneous and many producers make snack products so the variety of their products needs to be increased.

3.2 The Influence of Process Innovation on the Competitive Advantage of MSME Snack Products

Based on the results of previous research, it can be concluded that process innovation has a significant positive effect on competitive advantage. This shows that the higher the process innovation, the higher the competitive advantage. The results of this study are in line with (Curatman et al., 2016) which shows that the application of process innovation within a company will have a positive impact on competitive advantage. Process innovation describes how a company can take advantage of current developments in technology to assist in carrying out the production process so that it can help to increase the company's competitive advantage.

3.3 The Effect of Competitive Advantage on the Marketing Performance of MSME Snack Products

The results of this study are supported by the results of previous research by (Djodjobo & Tawas, 2014) competitive advantage has a positive and significant effect on marketing performance. The uniqueness of the attributes in the product as well as the quality of taste that is guaranteed and the price that is owned is still following the ability of consumers to make consumers want to visit. Make purchases that make a profit for the business. If a business does not have unique things or different values, the level of sales, profits, and the level of customer visits in a business may not necessarily increase superiorly. Prices that are cheaper than its competitors will increase competitive advantage such as giving discounts to consumers when the next purchase.

4. CONCEPTUAL FRAMEWORK

The process of product innovation in supply-chain and demand-chain activities aims to reduce costs and increase productivity as well as increase the relative value of the product or service (Raisan Alfasrisi, 2013). Companies carry out process innovations that emphasize new methods of operation by bringing up new technologies or developing existing technologies. Another study put forward by (Hasnatika1 & Nurmida2, 2018), states that product innovation is the result of various processes that are combined and mutually influence one another. From some of the above understandings, it can be concluded that product innovation and process innovation can be mutually sustainable and can increase a company's competitive advantage. So, it can be concluded that there is a significant positive relationship between product innovation and process innovation with a competitive advantage. If the company carries out product innovation and process innovation well, then the competitive advantage and operational performance will also be good. About previous studies, this article can be a follow-up analysis of various results that have the same concept, namely how product and process innovation influence competitive advantage and marketing performance. The conceptual framework in this article. Concerning previous studies, this article can be a follow-up analysis of various results that have the same concept, namely how product and process innovation influence competitive advantage and marketing performance.

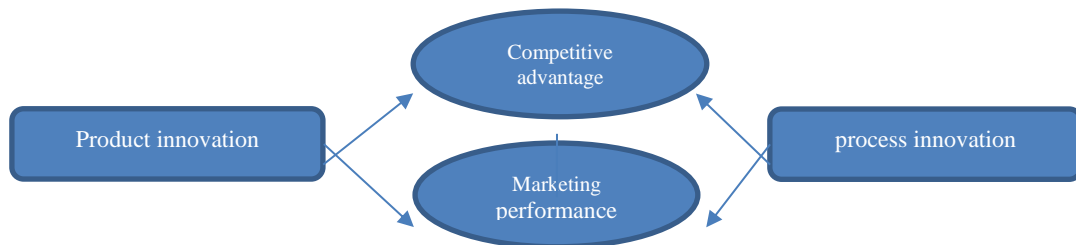


Figure 1. Conceptual framework

5. CONCLUSION

Based on the problem formulation and discussion in the previous chapter, it can be concluded that product innovation has a positive and significant effect on marketing performance, this means that if product innovation increases, marketing performance increases too. The company in leading the business must pay more attention to the influence of product innovation, namely the addition of new product variants adjusted to market demand. This is obtained from the results of respondents' responses with the lowest average score. Process innovation has a positive and significant effect on competitive advantage. Furthermore, competitive advantage has a positive and significant effect on snack SMEs. In terms of marketing performance, what business leaders need to pay attention to is how the growth of business customers has increased.

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