

The Effect of Market Orientation and Product Innovation on Marketing Performance Through Competitive Advantage

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Penelitian ini bertujuan menganalisis pengaruh orientasi pasar dan inovasi produk terhadap kinerja pemasaran UMKM batik di Kabupaten Sidoarjo dengan keunggulan kompetitif sebagai variabel mediasi. Orientasi pasar diukur melalui orientasi pelanggan, orientasi pesaing, informasi pasar, berbagi informasi pasar, dan koordinasi antar fungsi. Inovasi produk diukur melalui budaya inovasi, inovasi teknis, inovasi layanan, inovasi produk, dan inovasi harga. Keunggulan kompetitif diukur melalui harga kompetitif, eksplorasi peluang, pertahanan terhadap ancaman kompetitif, fleksibilitas, dan hubungan pelanggan. Sementara itu, kinerja pemasaran diukur melalui pertumbuhan penjualan, pertumbuhan pelanggan, pangsa pasar, dan profitabilitas. Penelitian ini menggunakan pendekatan kuantitatif deskriptif dengan data primer yang diperoleh dari 100 pelaku UMKM batik di Kabupaten Sidoarjo melalui kuesioner Google Forms. Teknik pengambilan sampel menggunakan purposive sampling. Analisis data dilakukan menggunakan Structural Equation Modeling berbasis Partial Least Squares (SEM-PLS) dengan bantuan SmartPLS 4.0. Hasil penelitian menunjukkan bahwa orientasi pasar dan inovasi produk berpengaruh positif dan signifikan terhadap keunggulan kompetitif maupun kinerja pemasaran. Selain itu, keunggulan kompetitif juga terbukti berpengaruh positif terhadap kinerja pemasaran serta mampu memediasi pengaruh orientasi pasar dan inovasi produk terhadap kinerja pemasaran.

Kata Kunci: Orientasi Pasar, Inovasi Produk, Keunggulan Kompetitif, Kinerja Pemasaran

ABSTRACT

This study aims to analyze the influence of market orientation and product innovation on the marketing performance of batik MSMEs in Sidoarjo Regency, with competitive advantage as a mediating variable. Market orientation is measured through customer orientation, competitor orientation, market information, market information sharing, and inter-functional coordination. Product innovation is measured through innovation culture, technical innovation, service innovation, product innovation, and pricing innovation. Competitive advantage is measured through competitive pricing, opportunity exploration, defense against competitive threats, flexibility, and customer relationships. Meanwhile, marketing performance is measured through sales growth, customer growth, market share, and profitability. This study uses a descriptive quantitative approach with primary data obtained from 100 batik MSMEs in Sidoarjo Regency through a Google Forms questionnaire. The sampling technique used purposive sampling. Data analysis was performed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4.0. The results indicate that market orientation and product innovation have a positive and significant effect on competitive advantage and marketing performance. In addition, competitive advantage has also been proven to have a positive effect on marketing performance and is able to mediate the influence of market orientation and product innovation on marketing performance.

Keywords: Market Orientation, Product Innovation, Competitive Advantage, Marketing Performance

INTRODUCTION

The rapid development of the global economy, coupled with technological advancements, demands that businesses be able to adapt to changes occurring in the business environment. Advances in information technology, the digitization of production processes, and the expansion of market access have driven companies to improve efficiency, productivity, and the quality of their products. In this situation, business actors need the ability to read market dynamics and respond to changes in the external environment quickly and appropriately in order to maintain their competitiveness.

Competition in the business world in today's era of globalization is becoming increasingly intense, not only among large corporations but also among Micro, Small, and Medium Enterprises (MSMEs) and Small and Medium Enterprises (SMEs). Micro, Small, and Medium Enterprises (MSMEs) and Small and Medium Enterprises (SMEs) play a vital role in driving economic growth, income equality, and job creation. Although the terms MSMEs and SMEs are often used interchangeably, they have fundamental differences, particularly regarding business scale, resource capacity, and the ability to implement marketing strategies. These differences directly impact the approach and effectiveness of the marketing strategies employed by each type of business.

Small and Medium Enterprises (SMEs) play a strategic role in the national economy, particularly as a pillar of regional economic growth, a creator of jobs, and a driver of entrepreneurial activities. One SME sector that holds both high cultural and economic value is the batik industry. Batik serves not only as a textile product but also as a representation of Indonesia's cultural identity, recognized by UNESCO as an Intangible Cultural Heritage of Humanity in 2009. This recognition has heightened attention toward the development of the batik industry, both in terms of design creativity and the strengthening of production capacity among SME practitioners.

Batik SMEs play a vital role in the local economic structure across various regions of Indonesia. The presence of Batik SMEs fosters business opportunities, increases community income, and reinforces the sustainability of the batik-making tradition passed down through generations. However, the development of batik SMEs still faces several challenges, including limited capital, lack of access to more efficient production technologies, minimal design innovation, and suboptimal marketing capabilities. Additionally, competition with mass-produced textile products featuring batik patterns necessitates that batik SMEs strengthen their differentiation and competitive advantages through product quality, distinctive patterns, and adaptive marketing strategies.

The strategic role of the Batik small and medium-sized enterprise (SME) sector in supporting national economic growth lies primarily in job creation, income equality, and increased competitiveness of local products. Sidoarjo Regency is one of the centers of batik in East Java Province, known for various distinctive motifs such as Jetis Batik, Sidokare Hand-drawn Batik, and Taman Pinang Batik. However, amid increasing competition in the creative industry and shifting consumer preferences, batik SMEs in Sidoarjo face challenges in maintaining and improving their marketing performance.

Indonesia's batik export value in 2024 recorded the lowest level in the past 10 years. According to data from the Ministry of Industry and the Central Statistics Agency (BPS), this year's total batik exports reached only US\$164.41 million with a volume of 6,670 tons. However, export performance has generally declined since then. In 2017, for example, export value dropped to US\$260.54 million, while it briefly rose to US\$282.64 million in 2019. The COVID-19 pandemic further worsened batik export performance. In 2020, export value plummeted to US\$205.65 million. Although it improved in 2021 and 2022, reaching US\$238.96 million and

US\$268.64 million, the downward trend continued. In 2023, the export value was only US\$164.95 million, and in 2024, it actually dropped again to US\$164.41 million. This indicates that marketing performance is still not optimal.

According to Tjiptono (2019), marketing performance is a concept used to measure the performance or success of a product in the market; it reflects a company's success in business competition and can be measured through various indicators such as profitability and the productivity of marketing decisions. Marketing performance is a factor frequently used to assess the impact of a company's strategies. Generally, companies always aim to achieve superior marketing performance. Every industry has the goal of achieving long-term growth and sustainability. In this global era, which is also characterized by intense competition, companies are required to have the ability to develop strategic options in the field of marketing management so that they can adapt to a dynamic environment. Therefore, the market must be managed more strategically to maximize profits.

According to Slater and Narver (2015), market orientation is a business characteristic that enables employees to behave effectively and efficiently in creating added value for consumers. Companies with a high level of market orientation are more sensitive to changes in consumer behavior, competitor activities, and business environment dynamics. By deeply understanding customer needs, companies can design products, services, and communication strategies that are more targeted. This capability ultimately contributes to improved marketing performance.

Research findings by William et al. (2023) indicate that market orientation has a positive effect on marketing performance. However, different results were obtained in a study by Amin et al. (2019), which stated that market orientation does not have a significant effect on marketing performance. Therefore, further research is needed to determine the

influence of market orientation on marketing performance.

Market orientation is one of the key factors determining a company's success. Djamaris and Anitawati (2018) explain that market orientation consists of three main dimensions: customer orientation, competitor orientation, and interfunctional coordination. Customer orientation guides the company to continuously understand the ever-changing needs and desires of customers, while competitor orientation requires the company to monitor competitors' strategies and strengths in order to take proactive steps. Meanwhile, cross-functional coordination ensures that every part of the organization works synergistically to create value for customers. These three dimensions, if consistently applied, can create sustainable competitive advantage and have a positive impact on marketing performance.

Research findings by Syahrul et al. (2024) indicate that market orientation has a positive effect on competitive advantage. However, different results were obtained in a study by Anggai et al. (2021), which stated that market orientation does not have a significant effect on competitive advantage. Therefore, further research is needed to determine the influence of market orientation on competitive advantage.

Product innovation is also a key determinant in enhancing marketing performance. Product innovation stems from the development of new products undertaken by business organizations, whether based on existing products or entirely new ones (Kotler and Keller, 2016). Product innovation reflects a company's ability to develop new designs, patterns, materials, or production techniques that provide added value to customers. Innovation in the business world is, of course, very important, as it creates something new in a product, whether in terms of appearance, systems, or processes. Consumer needs and preferences for goods or services are constantly evolving with the times and technological advancements. Therefore, SME operators must

continuously pursue product innovation to gain a competitive edge that will ultimately contribute to improving marketing performance amid the pandemic (Ramadhani et al., 2022).

Research findings by Laily and Wahyuni (2018) and Laily et al. (2024) indicate that product innovation has a positive effect on marketing performance. In contrast, different results were obtained in a study conducted by William et al. (2023), which stated that product innovation does not have a significant effect on marketing performance. Therefore, further research is needed to determine the effect of product innovation on marketing performance.

A company's ability to continuously innovate is one of the key factors in creating and maintaining a competitive advantage. According to Kotler and Keller (2016), product innovation is the process of developing new ideas, goods, or services that are perceived as new by customers and can provide added value compared to competitors' products. Product innovation enables companies to create clear differentiation in the market. This differentiation can take the form of design, quality, features, functions, or the aesthetic value of the product, making it superior to similar products. When a company is able to offer unique products that align with customer preferences, this strengthens a competitive advantage that is difficult for competitors to replicate.

Research findings by Randra and Hasin (2024) indicate that product innovation has a positive impact on competitive advantage. However, different results were obtained in a study by Ali et al. (2023), which stated that product innovation does not have a significant impact on competitive advantage. Therefore, further research is needed to determine the impact of product innovation on competitive advantage.

Both market orientation and product innovation are believed to influence the enhancement of SMEs' competitive advantage by enabling them to offer unique value that is difficult for competitors to replicate (Alwi and

Handayani, 2018). Competitive advantage can be reflected in product quality, distinctive design, superior customer service, or competitive pricing. Competitive advantage serves as a crucial bridge connecting a company's internal capabilities with optimal marketing performance. Competitive advantage describes a company's ability to create greater value for customers compared to competitors, whether through product differentiation, cost efficiency, or responsiveness to market needs (Kotler and Keller, 2019). Companies with a competitive advantage will find it easier to attract, maintain customer loyalty, and sustainably increase market share.

Research findings by Naningsih et al. (2022) indicate that competitive advantage has a positive effect on marketing performance. However, different results were obtained in a study by Hudha et al. (2022), which stated that competitive advantage does not have a significant effect on marketing performance. Therefore, further research is needed to determine the influence of competitive advantage on marketing performance.

Based on the background, the research questions for this study are: (1) Does market orientation affect marketing performance among batik SMEs in Sidoarjo Regency?, (2) Does product innovation affect marketing performance among batik SMEs in Sidoarjo Regency?, (3) Does market orientation affect competitive advantage among batik SMEs in Sidoarjo Regency?, (4) Does product innovation influence competitive advantage among batik SMEs in Sidoarjo Regency?, (5) Does competitive advantage influence marketing performance among batik SMEs in Sidoarjo Regency?, (6) Does competitive advantage mediate the effect of market orientation on the marketing performance of batik SMEs in Sidoarjo Regency?, (7) Does product innovation mediate the effect of market orientation on the marketing performance of batik SMEs in Sidoarjo Regency?, (1) To test and analyze the effect of market orientation on marketing performance among batik SMEs in

Sidoarjo Regency, (2) To test and analyze the effect of product innovation on marketing performance among batik SMEs in Sidoarjo Regency, (3) To test and analyze the influence of market orientation on competitive advantage among batik SMEs in Sidoarjo Regency, (4) To test and analyze the influence of product innovation on competitive advantage among batik SMEs in Sidoarjo Regency, (5) To test and analyze the influence of competitive advantage on marketing performance among batik SMEs in Sidoarjo Regency, (6) To examine and analyze the mediating role of competitive advantage in the effect of market orientation on the marketing performance of batik SMEs in Sidoarjo Regency, (7) To examine and analyze the mediating role of competitive advantage in the effect of product innovation on the marketing performance of batik SMEs in Sidoarjo Regency.

LITERATURE REVIEW

Tjiptono (2018:239) defines marketing performance as a situation where expenditures exceed limits and fail to meet standards or expected results, due to the difficulty of measuring the effectiveness and efficiency of every marketing activity, decision, or program. According to Zaini et al (2014), marketing performance can be reflected by three indicators, namely: (a.) Sales growth, (b.) Customer growth, (c.) Market share, (d.) Profitability.

Nerver et al. (2016:475) explain that market orientation is the most effective organizational culture in fostering behaviors crucial for creating exceptional value for customers in business. Market orientation comprises three components: customer orientation, competitor orientation, and cross-functional coordination. The indicators of market orientation, as referenced by Slater and Narver (2015), are: (a.) Customer orientation, (b.) Market information sharing, (c.) Competitor orientation, (d.) Market information, (e.) Cross-functional coordination

Product innovation is the entire process that begins with new ideas, new discoveries, and the development of a new market, all of which influence one another (Amin et al., 2019). Indicators of product innovation, according to Afifuddin et al. (2019), include the following: (a.) Innovation Culture, (b.) Technical Innovation, (c.) Service Innovation, (d.) Product Innovation, (e.) Price Innovation.

Competitive advantage is a strength possessed by a company, such as lower prices or providing significant benefits for high-priced products; essentially, it is an advantage that surpasses that of competitors (Kotler and Armstrong, 2017:211). Hajar and Sukaatmadja (2016) identified five indicators of competitive advantage, namely: (a.) Competitive Pricing, (b.) Opportunity Exploration, (c.) Defense Against Competitive Threats, (d.) Flexibility, (e.) Customer Relationships.

Hypothesis Development

The Effect of Market Orientation on Employee Performance: Slater and Narver (2015) state that market orientation has a positive impact on marketing performance. Companies with a high level of market orientation will have high marketing performance because such companies can possess a competitive advantage in product quality, service quality, product innovation, and cost. This is supported by research by William et al. (2023), which shows that market orientation has a significant effect on marketing performance. Meanwhile, research by Amin et al. (2019) shows that market orientation does not have a significant effect on marketing performance. Based on this, H1 is formulated as follows: Market orientation has a positive and significant effect on marketing performance.

The Effect of Product Innovation on Employee Performance: Product innovation is the creation of something different from what existed before (Firmansyah, 2019). Marketing performance quality, supported by an understanding of consumers and the advantages of new products, is a factor that can enhance the success of new products by creating superior

value for consumers. The creation of superior value for consumers serves as a stepping stone for a company to improve its marketing performance (Elondri, 2022). This is supported by the research of Laily and Wahyuni (2018) and Laily et al. (2024), which indicates that product innovation can have a positive and significant effect on marketing performance. Meanwhile, research by William et al. (2023) indicates that product innovation does not affect marketing performance. Based on the explanation of H2: Product innovation has a positive and significant effect on marketing performance.

The Effect of Market Orientation on Competitive Advantage: Companies that adopt a market orientation have an advantage in terms of customer knowledge, and this advantage can serve as a source for creating products that align with customer desires and needs. The higher a company's level of market orientation, the greater its ability to produce products that align with customer desires and needs. This is supported by the research of Syahrul et al. (2024), which states that market orientation has a significant effect on competitive advantage. Meanwhile, research by Anggai et al. (2021) states that market orientation has a negative and insignificant effect on competitive advantage. Based on the explanation of H3: Market orientation has a positive and significant effect on competitive advantage.

The Influence of Product Quality on Purchase Decisions: Product quality is everything offered to the market to satisfy desires or needs, according to Kotler and Keller (2016). Product quality is a fundamental attribute that serves as a primary consideration for consumers. If consumers perceive a product as having good quality, meeting their expectations, and offering higher value, this will encourage and accelerate the decision-making process for purchasing that product (Kotler and Keller, 2016). The results of the study by Soetiyono and Alexander (2025) indicate that product quality has a positive effect on purchasing decisions. In other words,

the better the product quality, the more it encourages or increases the likelihood of a purchasing decision. Based on the explanation of H4: Product quality has a significant effect on purchasing decisions.

The Influence of Competitive Advantage on Marketing Performance: Competitive advantage is a company's ability to create greater value for customers compared to its competitors. Companies with a competitive advantage typically build a positive brand image, foster customer loyalty, and achieve higher operational efficiency. These factors directly impact marketing performance, as companies can attract more customers, increase sales volume, and expand market share. This is supported by the research of Naninsih et al. (2022), which states that competitive advantage has a positive and significant effect on marketing performance. Meanwhile, Hudha et al. (2022) state that competitive advantage does not have a significant effect on marketing performance. Based on the explanation of H5: Competitive advantage has a positive and significant effect on marketing performance.

The Effect of Competitive Advantage Mediates the Effect of Market Orientation on Marketing Performance: The implementation of market orientation enables companies to gain in-depth market knowledge, understand customer desires, and anticipate competitors' moves in creating superior value for customers and enhancing the company's competitive position. Competitive advantage serves as the tangible outcome of effective market orientation implementation. This advantage provides a strategic foundation for companies to respond to market dynamics, strengthen their competitive position, and achieve optimal marketing performance. This is supported by the research of Syamsudin et al. (2023), which states that competitive advantage mediates the effect of market orientation on marketing performance. Meanwhile, the research by Haq and Sefnedi (2022) states that competitive advantage does not mediate the effect of market orientation on marketing performance. Based

on Hypothesis H6: Competitive advantage mediates the effect of market orientation on marketing performance.

The Mediating Effect of Competitive Advantage on the Effect of Product Innovation on Marketing Performance: According to Kotler and Keller (2016), product innovation encompasses the process of developing ideas, designing, and improving products with the aim of meeting customer needs more effectively than competitors. Through innovation, companies can create added value that sets them apart from competitors, whether in terms of quality, features, design, or the technology used. Successful product innovation not only enhances customer satisfaction but can also serve as a source of competitive advantage. The competitive advantage derived from innovation enables companies to secure a strategic position in the market, strengthen brand image, and boost customer loyalty. These conditions ultimately contribute to improved marketing performance. This is supported by research by Nopriyantoro et al. (2023), which states that competitive advantage mediates the effect of product innovation on marketing performance. Based on H7: Competitive advantage mediates the effect of product innovation on marketing performance.

METHOD

This study employed a descriptive quantitative approach. The descriptive method was used to systematically describe the phenomena and research findings, while the quantitative approach was applied to measure the relationships among variables using numerical data. The population of this study consisted of all batik SME operators in Sidoarjo Regency, totaling 100 respondents. The sampling technique used was purposive sampling, in which respondents were selected based on specific criteria relevant to the research objectives. The data used in this study were primary data obtained directly from respondents through questionnaires distributed via Google Forms. Each questionnaire item was measured

using a 5-point Likert scale to determine respondents' perceptions of the research variables. The collected data were analyzed using Partial Least Squares-based Structural Equation Modeling (SEM-PLS) with the assistance of SmartPLS version 4.0 software. This method was selected because it is capable of simultaneously analyzing relationships among latent variables and examining both direct and indirect effects among the research variables. The analysis process began with the evaluation of the outer model to ensure the validity and reliability of the research instruments. Validity was assessed using factor loading values and Average Variance Extracted (AVE), while reliability was evaluated using Cronbach's alpha. After the instruments were confirmed to be valid and reliable, the analysis proceeded to the inner model to examine the relationships among variables through R-square values and hypothesis testing. In addition, this study also examined the mediating effect of competitive advantage using the Variance Accounted For (VAF) method.

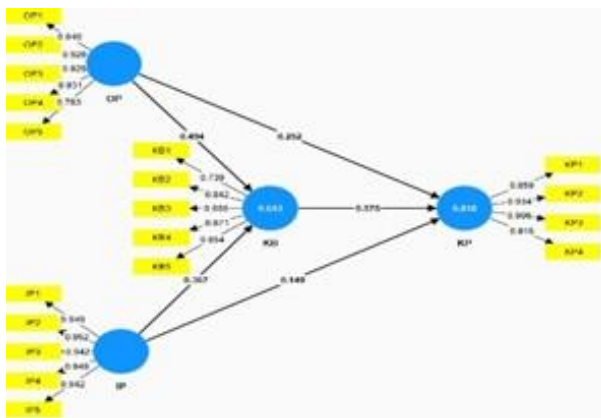
The testing of the mediating effect in the analysis uses PLS with the procedure developed by Ghazali and Latan (2014), which demonstrates the relationship between the independent and dependent variables and the mediating variable. This mediating variable is referred to as the intervening variable. There are several steps to test the effect of this mediating variable, namely: (a) The direct effect of the independent variable on the dependent variable in this test must be significant. Each path from the independent variable to the mediating variable and from the mediating variable to the dependent variable must be significant under these conditions; (b) The indirect effect of the independent variable on the dependent variable through the mediating variable must be significant in this test. If the VAF value is above 80%, X2 is classified as a full mediator. X2 is classified as a partial mediator if the VAF value is between 20% and 80%, whereas if the VAF value is less than 20%, there is almost no mediating effect.

RESULTS AND DISCUSSION

Results

Research Instrument Test: Validity Test, the results of the validity test for the variables of market orientation, product innovation, competitive advantage, and marketing performance show a Sig. (2-tailed) value of 0.000, which is less than the 5% significance level (0.05). This means that all indicator items for the variables of market orientation, product innovation, competitive advantage, and marketing performance are deemed valid. Reliability Test, the results of the reliability test for the variables of market orientation, product innovation, competitive advantage, and marketing performance show Cronbach's Alpha values greater than the lower threshold of 0.6, meaning that the variables of market orientation, product innovation, competitive advantage, and marketing performance are deemed reliable.

Research Model Results



Source: Primary Data, Processed 2026

Figure 1. Research Model

The figure above illustrates the causal relationships between exogenous and endogenous variables, the indicators within each variable, and the relationship between Market Orientation and Product Innovation on Marketing Performance, mediated by Competitive Advantage, among Batik SMEs in Sidoarjo Regency.

Convergent Validity Test is used to measure factor loading values against latent constructs.

Table 1. Factor Loadings

	IP	KB	KP	OP
IP1	0.949			
IP2	0.952			
IP3	0.942			
IP4	0.949			
IP5	0.942			
KB1		0.739		
KB2		0.842		
KB3		0.886		
KB4		0.871		
KB5		0.854		
KP1			0.859	
KP2			0.934	
KP3			0.906	
KP4			0.916	
OP1				0.940
OP2				0.926
OP3				0.926
OP4				0.931
OP5				0.783

Source: Primary data, Processed 2026

The above test concludes that the outer loading values meet the criteria, where they are considered valid if the outer loading value is greater than 0.7. Thus, in this case, the indicators can be used in further research, namely convergent validity.

Discriminant Validity Test

Table 2. Cross-Loading Values

	IP	KB	KP	OP
IP1	0.949	0.709	0.727	0.742
IP2	0.952	0.699	0.709	0.698
IP3	0.942	0.668	0.721	0.686
IP4	0.949	0.689	0.705	0.676
IP5	0.942	0.679	0.698	0.656
KB1	0.918	0.739	0.700	0.689
KB2	0.505	0.842	0.714	0.583
KB3	0.498	0.886	0.733	0.630
KB4	0.502	0.871	0.705	0.570
KB5	0.571	0.854	0.803	0.695
KP1	0.645	0.878	0.859	0.601
KP2	0.673	0.801	0.934	0.729
KP3	0.685	0.730	0.906	0.762
KP4	0.715	0.753	0.916	0.800
OP1	0.675	0.655	0.705	0.940
OP2	0.595	0.629	0.614	0.926
OP3	0.606	0.643	0.623	0.926
OP4	0.664	0.691	0.679	0.931
OP5	0.710	0.766	0.900	0.783

Source: Primary data, Processed 2026

Based on the results of the study above, it was concluded that each indicator of the variables Market Orientation, Product Innovation, Competitive Advantage, and Marketing Performance, overall, has a value > 0.70. Thus, in this case, the indicators used to measure the variables in this study are deemed valid. Following the discriminant validity test, this must be followed by an AVE (Average Variance Extracted) test.

Average Variance Extracted (AVE) Test: AVE (Average Variance Extracted) is used to support the discriminant validity test conducted previously; thus, the discriminant validity test will be deemed valid if it has passed the AVE test. The AVE value is considered valid if it is greater than 0.5. The following are the results of the calculations using PLS.

Table 3. AVE (Average Variance Extracted) Values

Variabel	Average Variance Extracted (AVE)
IP	0.897
KB	0.706
KP	0.817
OP	0.816

Source: Primary data, Processed 2026

Based on the table above, the AVE values for Market Orientation, Product Innovation, Competitive Advantage, and Marketing Performance are collectively deemed valid because the AVE values meet the requirement of being greater than 0.5.

Reliability Test: Cronbach's Alpha is a test used to validate the results previously tested in composite reliability, so that the research variables are deemed fully reliable or not, depending on the Cronbach's Alpha test. Cronbach's Alpha is considered reliable if the value is > 0.70; conversely, if the value is < 0.70, it is deemed unreliable.

Table 4. Reliability Test

Variabel	Cronbach's alpha
IP	0.971
KB	0.895
KP	0.925
OP	0.943

Source: Primary Data, Processed 2026

Based on the table above, it can be concluded that the variables Market Orientation, Product Innovation, Competitive Advantage, and Marketing Performance as a whole have values >0.7, which aligns with the criteria: if a variable has a Cronbach's alpha value greater than 0.70, it can be deemed reliable and used in its entirety.

Direct Effect Test: The table below presents the results of the direct hypothesis testing, as seen from the t-statistic and p-value, as follows:

Table 5. Original Sample Values (O) and Direction of Relationship

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
IP -> KB	0.367	0.362	0.112	3.277	0.001
IP -> KP	0.360	0.360	0.104	3.467	0.001
KB -> KP	0.575	0.576	0.099	5.790	0.000
OP -> KB	0.494	0.488	0.097	5.084	0.000
OP -> KP	0.536	0.534	0.085	6.346	0.000

Source: Primary data, Processed in 2026

Hypothesis Test:

1. First hypothesis: Market Orientation has a significant effect on Marketing Performance because the t-value statistic of 6.346 > 1.96 and p-values of 0.000 < 0.05.
2. Second hypothesis: Product Innovation has a significant. Hypothesis Test Results effect on Marketing Performance because the t-statistic value of 647 > 1.96 and the p-value is 0.001 < 0.05.
3. The third hypothesis is that Market Orientation significantly influences Competitive Advantage because the t-statistic value of 5.084 is greater than 1.96 and the p-value of 0.000 is less than 0.05.
4. Fourth hypothesis: Product Innovation has a significant effect on Competitive Advantage because the t-statistic value of 3.277 is greater than 1.96 and the p-value of 0.001 is less than 0.05.
5. Fifth hypothesis: Competitive Advantage significantly influences Marketing Performance because the t-statistic value of 5.790 is greater than 1.96 and the p-value of 0.000 is less than 0.05.

Indirect Effect Test: The table below presents the results of the indirect hypothesis testing based on the t-statistic and p-value, as follows:

Table 6. Results of Indirect Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
IP -> KB -> KP	0.211	0.210	0.077	2.721	0.007
OP -> KB -> KP	0.284	0.280	0.071	4.000	0.000

Source: Primary data, Processed 2026

1. The effect of Market Orientation on Marketing Performance through Competitive Advantage is indicated by a t-statistic of $4.000 > 1.96$ and a p-value of $0.000 < 0.05$.
2. The effect of product innovation on marketing performance through competitive advantage is indicated by a t-statistic of Competitive Advantage Product Innovation ->Marketing Performance -> Competitive Advantage

R-Square (R^2) Test: In this test, the Q2value is obtained, which has the same meaning as R^2 ; the higher the R^2 value, the better the fit, as demonstrated by the following data:

Table 7. R-Square Value (R^2)

Variabel	R-Square	R Square Adjusted
KB	0.643	0.636
KP	0.818	0.812

Source: Primary Data, Processed 2026

The table above shows that the value of 0.643 for the competitive advantage (CA) variable indicates that the Market Orientation and Product Innovation variables can account for 64.3% of the competitive advantage while the value of 0.818 for the Marketing Performance (MP) variable indicates that the Market Orientation and Product Innovation variables can explain 81.8% of the Marketing Performance variable.

1. Marketing Orientation (MO) has a positive and significant effect on Marketing Performance (MP) because the significance value P-Value $0.000 < \alpha 0.05$ and T-

Statistic 6.346, so the hypothesis is true and accepted.

2. Product Innovation (PI) has a positive and significant effect on Marketing Performance (MP) because the significance value P-Value $0.001 < \alpha 0.05$ and T-Statistic 3.647, so the hypothesis is true and accepted.
3. Market Orientation (MO) has a positive and significant effect on Competitive Advantage (CA) because the significance level (P-value) is $0.001 < \alpha = 0.05$ and the T-statistic is 5.084, so the hypothesis is true and accepted.
4. Product Innovation (PI) has a positive and significant effect on Competitive Advantage (CA) because the significance level P-Value is $0.001 < \alpha = 0.05$ and the T-Statistic is 3.277, so the hypothesis is true and accepted.
5. Competitive Advantage (CA) has a positive and significant effect on Market Orientation (MO) because the significance level P-Value of 0.000 is less than $\alpha = 0.05$ and the T-statistic is 5.790, so the hypothesis is true and accepted.
6. Market Orientation (MO) has a negative and insignificant effect on Marketing Performance (MP) through Competitive Advantage (CA) because the significance level P-Value of 0.007 is greater than or equal to 0.05 and the T-statistic is 2.721, so the null hypothesis is true and accepted.
7. Product Innovation (PI) has a negative and insignificant effect on Marketing Performance (MP) through Competitive Advantage (CA) because the significance value of the P-Value of $0.000 \leq 0.05$ and a T-statistic of 4.000, so the hypothesis is true and accepted.

Discussion

Market Orientation Has a Positive and Significant Effect on Marketing Performance: The test results indicate that Market Orientation has a significant effect on the Marketing Performance of Batik SMEs in Sidoarjo

Regency, with a significance level of < 0.05 , thus accepting H1. The positive coefficient value indicates that an increase in market orientation can improve marketing performance. In the increasingly competitive batik industry, understanding customer needs, market information, and competitor strategies are key factors in driving marketing performance. The customer orientation indicator received the highest average score of 4.61, while inter-functional coordination received the lowest at 4.00, indicating there is still room for improvement in internal synergy. This finding aligns with William et al. (2023), who state that market orientation has a significant effect on marketing performance.

Product Innovation Has a Positive and Significant Effect on Marketing Performance: Test results indicate that Product Innovation has a significant effect on the Marketing Performance of Batik SMEs in Sidoarjo Regency, with a significance level < 0.05 , thus accepting H1. The positive coefficient value indicates that increased product innovation can enhance marketing performance. In the increasingly competitive batik industry, innovation is a critical factor in creating a competitive edge and attracting customer interest. The innovation culture indicator achieved the highest average score of 4.53, while product innovation had the lowest at 4.46, indicating there is still room for improvement in product development. This finding aligns with Laily and Wahyuni (2018) and Laily et al. (2024), who state that product innovation has a positive and significant effect on marketing performance.

Market Orientation Has a Positive and Significant Effect on Competitive Advantage: The test results indicate that Market Orientation has a significant effect on the Competitive Advantage of Batik SMEs in Sidoarjo Regency, with a significance level of < 0.05 , thus accepting H1. The positive coefficient value indicates that an increase in market orientation can enhance competitive advantage. In the increasingly competitive batik industry,

understanding customer needs, market information, and competitor strategies are critical factors in creating superior value compared to competitors. The customer orientation indicator achieved the highest average score of 4.61, while inter-functional coordination the lowest at 4.00, indicating there is still room for improvement in the organization's internal synergy. This finding aligns with Syahrul et al. (2024), who state that market orientation has a significant effect on competitive advantage.

Product Innovation Has a Positive and Significant Effect on Competitive Advantage: The test results indicate that Product Innovation has a significant effect on the Competitive Advantage of Batik SMEs in Sidoarjo Regency, with a significance level of < 0.05 , thus accepting H1. The positive coefficient value indicates that increased product innovation can enhance competitive advantage. In the increasingly competitive batik industry, innovation is a key factor in creating product differentiation and added value for consumers. The innovation culture indicator received the highest average score of 4.53, while product innovation had the lowest at 4.46, indicating there is still room for improvement in product development. This finding aligns with Randra and Hasin (2024), who state that product innovation has a positive and significant effect on competitive advantage.

Competitive Advantage Has a Positive and Significant Effect on Marketing Performance: The test results indicate that Competitive Advantage has a significant effect on the Marketing Performance of Batik SMEs in Sidoarjo Regency, with a significance level of < 0.05 , thus accepting H1. The positive coefficient values indicate that an increase in competitive advantage can improve marketing performance. In the increasingly competitive batik industry, competitive advantage is a key factor in creating added value for customers and enhancing marketing performance. The competitive pricing indicator received the highest average score of 4.46, while flexibility

and customer relationships scored the lowest at 4.25, indicating there is still room for improvement in strengthening competitive advantage. These findings align with Naninsih et al. (2022), who stated that competitive advantage has a positive and significant effect on marketing performance.

Market Orientation Has a Negative and Insignificant Effect on Marketing Performance Through Competitive Advantage: Test results indicate that Market Orientation has an indirect effect on Marketing Performance through Competitive Advantage, thereby positioning Competitive Advantage as a mediating variable. This suggests that an increase in market orientation not only directly impacts marketing performance but also through an increase in competitive which ultimately strengthens overall marketing performance. These findings indicate that in the increasingly competitive batik industry, the ability to understand customer needs and effectively utilize market information can drive the creation of sustainable competitive advantage. These findings align with Syamsudin et al. (2023), who state that competitive advantage mediates the influence of market orientation on marketing performance.

Product Innovation Has a Negative but Insignificant Effect on Marketing Performance Through Competitive Advantage: The test results indicate that Product Innovation has an indirect effect on marketing Performance through Competitive Advantage, meaning that Competitive Advantage acts as a mediating variable. This suggests that product innovation not only has a direct impact on marketing performance but also enhances it by improving competitive advantage, which ultimately strengthens overall marketing performance. These findings indicate that in the increasingly competitive batik industry, the ability of SMEs to create and develop innovative products can enhance differentiation and add value for customers, thereby strengthening their competitive position. These findings align with Nopriyanto et al. (2023), who state that

competitive advantage mediates the effect of product innovation on marketing performance.

CONCLUSION

Based on the results of hypothesis testing and the discussion of data analysis regarding the influence of Market Orientation, Product Innovation, and Competitive Advantage on the Marketing Performance of Batik SMEs in Sidoarjo Regency, it can be concluded that: (1) Market orientation has a significant positive effect on marketing performance. (2) Product innovation has a significant positive effect on marketing performance. (3) Market orientation has a significant positive effect on competitive advantage. (4) Product innovation has a significant positive effect on competitive advantage. (5) Competitive advantage has a significant positive effect on marketing performance. (6) Competitive advantage mediates the effect of market orientation on marketing performance. (7) Competitive advantage also mediates the effect of product innovation on marketing performance. This although has several limitations, can be used as a reference for further research. The limitations of this study include: (1) The sample size was only 100 respondents, so it does not fully reflect the actual conditions. (2) The research focused only on batik SMEs in Sidoarjo Regency, so the results cannot be generalized to SMEs in other regions. (3) The information provided by respondents in the questionnaire may be biased due to differences in perception, understanding, and honesty in answering the questions. Based on the research conclusions, the researcher offers several recommendations intended to benefit relevant parties and future research, namely: (1) Batik SMEs in Sidoarjo Regency need to maintain and enhance their market orientation, as it has been proven to influence marketing performance, and they must improve coordination among functions that currently score the lowest to optimize marketing performance. (2) Batik SMEs in Sidoarjo Regency need to maintain and improve product innovation because it impacts the improvement

of marketing performance, and they need to enhance the innovation aspect, which remains low, to maximize marketing performance. (3) Batik SMEs in Sidoarjo Regency need to maintain and improve their competitive advantage because it affects marketing performance, and they need to improve flexibility and customer relationships, which are still low, to strengthen marketing performance. (4) Further research is recommended to expand upon this study by adding other variables and using data collection methods other than questionnaires, such as interviews or observations, to ensure more comprehensive research results.

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