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## **Iconic Product Advantage for Improving Marketing Performance of Indonesian Small and Medium Enterprises**

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**Abstract:**

**Purpose:** To examine the role of iconic product advantage to improve marketing performance.

**Design/Methodology/Approach:** This study uses primary data obtained from interviews based on a list of questions to 103 respondents of Salted Egg SMEs in Brebes Regency, Central Java Province, Indonesia.

**Findings:** All hypotheses are accepted, market orientation influences iconic product advantage, product innovation influences iconic product advantage, dynamic capability influences iconic product advantage, iconic product advantage influences marketing performance.

**Practical Implications:** There is no research that examines the market orientation of marketing performance that is bridged by the iconic product advantage. This research proves that the iconic product advantage bridges the market orientation with the marketing performance of Brebes Salted Egg SMEs that is supported by product innovation and dynamic capability.

**Originality/Value:** Iconic product advantage is novelty in this study. Iconic product advantage is the superiority of the company by making products that become icons or symbols that serve as a reminder for consumers with the symbols contained in the product.

**Keywords:** Product innovation, dynamic capability, iconic product advantage, marketing performance, Brebes salted egg SMEs.

**JEL codes:** M30, M31.

**Article Type:** Research study.

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## **1. Introduction**

Company has a goal to realize growth and survival for the long term. In a global era marked by the same competition due to objectives and complex and high levels of acceleration, companies are required to have the ability to develop strategic choices in the field of marketing management so that they are able to adapt the dynamic environment (Teece *et al.*, 1997). Therefore, markets must be managed through systematic efforts to place profits from superior market performance (Narver and Slater, 1990). The marketing concept states that to achieve organizational goals such as market share and profitability depends on the company's ability to determine the needs and desires of the target market and satisfy it more effectively and efficiently compared to its competitors (Agarwal *et al.*, 2003). Market orientation is a popular term used by practitioners in the field of marketing as an implementation of the marketing concept. More than four decades, market-oriented corporate strategy is seen by academics and practitioners as a main pillar to achieve superior company performance in both manufacturing and service companies (Salyova *et al.*, 2015). Empirical studies aimed at analyzing marketing concepts and market orientation have been carried out more than forty years ago. Many academics and practitioners have been interested in writing literature related to market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990; Day, 1994; Han *et al.*, 1998).

In recent years market orientation has increased and is seen as a key element in achieving company performance (Han *et al.*, 1998). Market orientation is very important in modern marketing management (Narver and Slater, 1990). Market-oriented companies are considered to have higher market knowledge and have a better ability to deal with customers, this ability is seen as able to guarantee companies to obtain higher profits compared to companies that are less market-oriented (Day, 1994).

This research is motivated by the existence of research gaps the influence of market orientation on marketing performance. Several studies have proven that market orientation produces superior company performance (Ellis, 2006; Morgan *et al.*, 2009; Kumar *et al.*, 2011; Hussain *et al.*, 2016). Several other studies give different results, namely market orientation has no effect on marketing performance (Selnes *et al.*, 1996; Harris and Ogbonna, 2001; Gules *et al.*, 2015). This research is motivated by the business phenomenon of the number of business units, the number of workers, the production volume and the sales volume of Brebes salted egg SMEs which have fluctuated (Table 1). Salted egg is a typical product of Brebes Regency which is famous for its deliciousness. In the Brebes Regency symbol, there is a picture symbol in the shape of an ovoid and an image symbol of onion. The picture symbol explains that salted eggs and onions are the specific product of Brebes Regency. The Brebes Regency Industry and Trade Investment Office (2020) states that salted eggs are one of the mainstay and flagship commodities as well as an icon of Brebes Regency. With the business phenomenon and research gap, the author bridges with the iconic product advantage. Iconic product advantage is the

superiority of the company by making products that become icons or symbols that serve as a reminder for consumers with the symbols contained in these products (Hanfan, 2017).

**Table 1.** The Number of Business Units, Workers and Production Volume of Brebes Salted Egg SMEs

Year	Business unit	Labor (person)	Production Volume (item)	Sales Volume (rupiah)
2011	27	92	4.987.872	6.484.233
2012	35	117	3.072.000	4.608.000
2013	39	133	3.672.000	6.426.000
2014	52	160	4.420.110	7.735.193
2015	52	160	4.420.110	7.735.193
2016	30	63	6.882.383	18.582.434
2017	52	160	5.000.000	12.500.000
2018	134	335	8.040.000	20.100.000
2019	134	335	8.040.000	20.100.000

*Source:* Brebes Regency in Figures for 2011 - 2019.

## 2. Methodology

The research uses primary data, that is data obtained by interviews based on a list of questions to a number of respondents selected for this research. The research design used in this study is descriptive research. The questionnaire was processed and analyzed with AMOS 22.0. This research was conducted with a population of 150 salted egg SMEs in Brebes Regency, Indonesia. The samples used by 103 respondents, this samples meets the minimum standard sample criteria suggested by Hair *et al.* (2010). Table 2 shows the definition of variables and the types of indicators of each variable.

**Table 2.** Variable Definition and Indicator

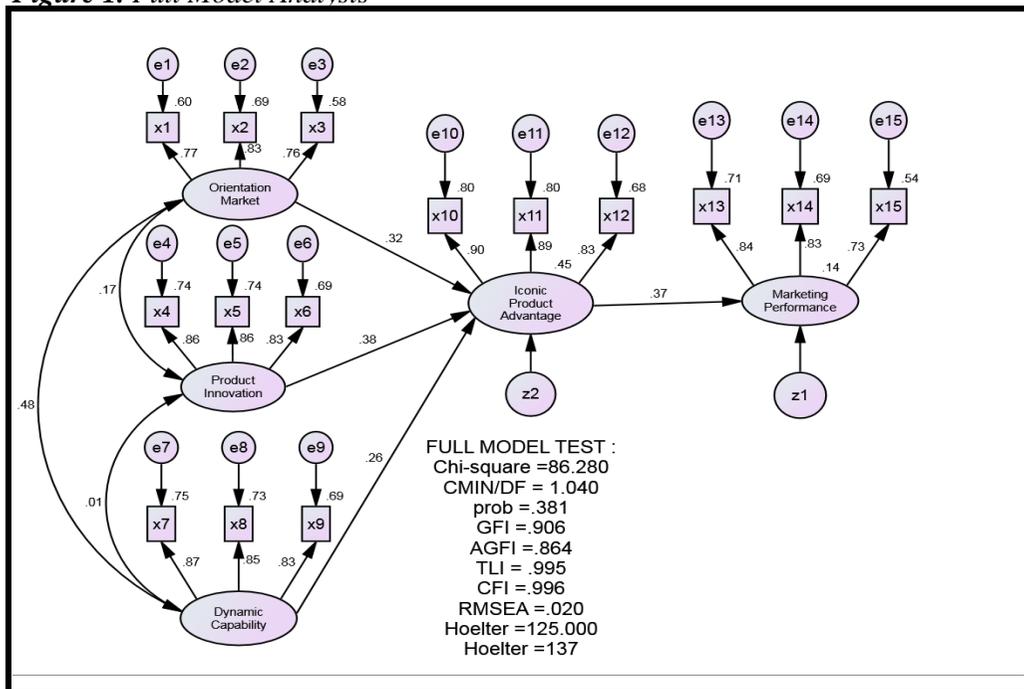
Variable	Definition	Indicator
Market Orientation	Strategically target customer targets and build organizations that focus on customer service, provide an inward - focused competition base, provide services that are in line with consumer expectations, so that they win a competition (Craven and Piercy, 2015).	X1: Consumer desires. X2: Consumer satisfaction. X3: Competition (Pelham, 1997).
Product Innovation	The company's mechanism to adapt in a dynamic environment, therefore companies are required to be able to create new thoughts, new ideas and offer innovative products and service improvements that satisfy customers (Hurley and Hult, 1998).	X4: New thoughts create products. X5: Expertise in making new products. X6: Improved services that satisfy customers (Hurley and Hult, 1998).

Dynamic Capability	Capability to form, reform, configure, and reconfigure company capabilities so that they can respond to changes in the environment well (Teece et al., 1997).	X7: Capability to form products. X8: Capability to reshape the product. X9: Capability to configure the product (Teece, et al., 1997).
Iconic Product Advantage	Superiority of the company by making products that become icons or symbols that serve as a reminder for consumers with the symbols contained in these products (Hanfan, 2017).	X10: Superiority of salted eggs as regional icons. X11: Difference in the taste of salted eggs. X12: Salted egg types that are difficult to imitate (Hanfan, 2017).
Marketing Performance	A measure of achievement of overall marketing process activities in the company (Song and Parry, 1997).	X13: Company effectiveness. X14: Sales growth. X15: Profit growth (Song and Parry, 1997).

Source: Data processed for this research.

Full model analysis can be seen in Figure 1:

Figure 1. Full Model Analysis



Source: Data processed for this research.

The full model analysis produces for the goodness of fit Chi-Square value = 86.280; CMIN / DF = 1.040; probability = .381; RMSEA = .020; GFI = .906; AGFI = .864; TLI = .995; CFI = .996. Furthermore, the last goodness of fit statistic is critical N developed by Hoelter (1983). The critical analysis of N Hoelter's 0.05 and Hoelter's 0.01, namely Hoelter's 0.05 = 125; Hoelter's 0.01 = 137 all of which met the fit criteria because the number of samples was 103 below the Hoelter's value as recommended by Hair *et al.* (2010). The analysis in Table 3 shows that the model suitability test produces a good level of acceptance.

**Table 3.** Goodness of Fit for the Full Model

Goodness of Fit Index	Cut-Off Value	Analysis	Evaluation
Chi-Square	Expected to be small	86.280	Good
CMIN/DF	$\leq 2.00$	1.040	Good
Probability	$\geq 0.05$	.381	Good
RMSEA	$\leq 0.08$	.020	Good
GFI	$\geq 0.90$	.906	Good
AGFI	$\geq 0.90$	.864	Marginal
TLI	$\geq 0.95$	.995	Good
CFI	$\geq 0.95$	.996	Good
Hoelter's 0,05	$\leq 125$	103	Good
Hoelter's 0,01	$\leq 137$	103	Good

*Source:* Data processed for this research.

The loading factor significance test aims to evaluate whether an indicator used confirms that the indicator can together with other indicators explain a variable. The loading factor value required is must reach  $\lambda \geq 0.50$  (Hair *et al.*, 2010).

**Table 4.** Test of Loading Factor

Variable	Value of Loading Factors
Market Orientation	X1: .773, X2: .830, X3: .761
Product Innovation	X4: .863, X5: .858, X6: .831
Dynamic Capability	X7: .869, X8: .852, X9: .831
Iconic Product Advantage	X10: .897, X11: .894, X12: .827
Marketing Performance	X13: .842, X14: .828, X15: .735

*Source:* Data processed for this research.

Table 4 shows that the value of the lambda coefficient ( $\lambda$  coefficient) or loading factors shows that all indicators have values above 0.5; because all criteria meet the requirements, then the model is worth testing. To find out the extent of the accuracy, and validity of a measuring instrument in research, validity is needed, while knowing the reliability of a research measuring instrument requires a high level of reliability. Testing the validity and reliability of the next variable is to calculate the construct reliability value and minimum extracted variance to state that accuracy and reliability have been reached at 0.50.

**Table 5.** *Construct Reliability and Variance Extracted Full Model*

Indicator	Estimate	Squares Loading	Error	Construct Reliability	Variance Extract
X1	0.773	0.597529	0.402471		
X2	0.83	0.6889	0.3111		
X3	0.761	0.579121	0.420879		
Jumlah	2.364	1.86555	1.13445	0.831257011	0.62185
X4	0.863	0.744769	0.255231		
X5	0.858	0.736164	0.263836		
X6	0.831	0.690561	0.309439		
Jumlah	2.552	2.171494	0.828506	0.887143128	0.723831333
X7	0.869	0.755161	0.244839		
X8	0.852	0.725904	0.274096		
X9	0.831	0.690561	0.309439		
Jumlah	2.552	2.171626	0.828374	0.887159079	0.723875333
X10	0.897	0.804609	0.195391		
X11	0.894	0.799236	0.200764		
X12	0.827	0.683929	0.316071		
Jumlah	2.618	2.287774	0.712226	0.905866788	0.762591333
X13	0.842	0.708964	0.291036		
X14	0.828	0.685584	0.314416		
X15	0.735	0.540225	0.459775		
Jumlah	2.405	1.934773	1.065227	0.844475426	0.644924333

*Source:* Data processed for this research.

The results of the calculation of construct reliability values presented in Table 5 show that construct reliability and variance extracted have values above 0.5. This shows that the indicators used have good validity and reliability to explain the variables.

### 3. Development of Hypotheses

#### 3.1 Effect of Market Orientation on Iconic Product Advantage

Pranoto *et al.* (2019) examined the role of learning between organizations that contribute to transforming a green entrepreneurial orientation and market orientation towards increasing sustainable competitive advantage. There is a strong tendency that inter-organizational learning plays an important role as an intervening variable that operates by receiving input from green entrepreneurship orientation and market orientation, which acts as an exogenous construct. Therefore, greater inter-organizational learning directs companies to achieve greater sustainable competitive advantage. Maruta *et al.* (2017), who analyzed the effects of market orientation, entrepreneurial orientation, and imitation strategy on the competitive advantage of leather bag and luggage SMEs in East Java, showed that market orientation, entrepreneurial orientation, and imitation strategy had a positive and significant impact to the competitive advantage of UKM leather bags and luggage in East Java. The higher the market orientation, the stronger the entrepreneurial orientation, and

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the better the imitation strategy. Thus the competitive advantage of UKM leather bags and luggage in East Java is also higher. Therefore the research hypothesis is:

*H1: Market orientation influences the iconic product advantage.*

### **3.2 Effect of Product Innovation to Iconic Product Advantage**

Using a sample of 74 high-performance businesses in Costa Rica, Lafuente *et al.* (2018) used fuzzy analysis (qualitative comparative analysis) to evaluate how the development of sustainable and traditional product innovation strategies was conditioned by business learning abilities and entrepreneurial orientation in knowledge-business intensive (KIBS) and non-knowledge intensive business. KIBS companies are found to improve knowledge and customer-oriented orientations that characterize their businesses and contribute short-term work to improve the personal service characteristics needed to achieve optimal traditional and sustainable product innovation. Kuncoro and Suriani (2017) also found the effect of product innovation on sustainable competitive advantage in rabbit meat traders in NgablakMagelang Regency. Therefore the research hypothesis is as follows:

*H2: Product innovation influences the iconic product advantage.*

### **3.3 Effect of Dynamic Capability to Iconic Product Advantage**

Research by Naguib *et al.* (2017) examined the relationship between dynamic capabilities (experience, routine, skills, company characteristics, knowledge and technology) and the sustainability of competitive advantage in the Egyptian pharmaceutical sector. The results of the study support the idea that there is a significant relationship between four of the six dynamic capabilities (experience, skills, characteristics and knowledge of the company) and the sustainability of competitive advantage for pharmaceutical companies in Egypt. This research helps pharmaceutical companies in Egypt properly direct their investments and determine weaknesses in their dynamic capabilities that need to be addressed. Banerjee *et al.* (2018) who reviewed the evolution of the dynamic capability approach from a resource-based view over many years and how it is suitable for companies to survive in a dynamically changing environment. It also draws attention to how resources and capabilities in the internal environment help build dynamic capabilities and their component factors and help create competitive advantage. The development of these resources and capabilities is important for companies to overcome challenging external environments and lead to competitive advantage. The competitive advantage created by the company for itself is the foundation for organizational performance and has a significant relationship with it. Therefore the research hypothesis is:

*H3: Dynamic capability influences the iconic product advantage.*

### 3.4 Effect of Iconic Product Advantage to Marketing Performance

Organizations are now turning to many standard techniques for achieving competitive advantage, and if they are sustainable, the organization benefits from competitive advantage. When the market grows more saturated, only organizations with the highest sustainable competitive advantage benefit the most. Elijah and Millicent (2018) confirm that the effects of corporate strategy, resource and competitive environment and human resource strategy on sustainable competitive advantage cannot be denied and they have many impacts on company performance.

Potjanjaruwit (2018) who studies the factors that cause technological capabilities and collaboration between organizations that influence the competitive advantage of startups in Thailand. The sample used in this study consisted of entrepreneurs and startup executives in Thailand selected by using the stratified random sampling method. The results found that the factors that cause technological capabilities and collaboration between organizations have a direct positive effect on startup competitive advantage, and competitive advantage has a direct positive effect on startup performance in Thailand. In addition, it is clear that technological capabilities and collaboration between organizations have a direct effect on startup performance in Thailand, where all previous effects are statistically significant. Therefore the research hypothesis is:

*H4: Iconic product advantage influences the marketing performance.*

## 4. Conclusion and Recommendations

After being analyzed and processed with analytical tools, the following hypotheses have been proved (Table 6):

**Table 6.** *Testing Hypotheses*

Variable Relationship			Estimate	S.E.	C.R	P	Conclusion
Iconic Product Advantage	<--	Orientation Market	.441	.155	2.838	.005	H1 Accepted
Iconic Product Advantage	<--	Product Innovation	.433	.106	4.101	***	H2 Accepted
Iconic Product Advantage	<--	Dynamic Capability	.283	.116	2.445	.015	H3 Accepted
Marketing Performance	<--	Iconic Product Advantage	.332	.098	3.390	***	H4 Accepted

*Source: Data processed for this research.*

The hypothesis testing concluded that H1 was accepted, with a value of CR = 2.838  $\geq$  1.96 with a probability value = .005. H2 is accepted, with a value of CR = 4.101  $\geq$

1.96 with a probability value = .000. H3 is accepted, with a value of CR = 2,445  $\geq$  1,96 with a probability value = .015. H4 is accepted with a value of CR = 3.390  $\geq$  1.96 with a probability value = .000 (Table 6).

Managerial implications arising from this research are that salted egg SMEs must strategically set consumer targets and build an organization that focuses on customer service, provides an inward-focused competition base, provides services that are in line with consumers' expectations, so that they can win in competition. SMEs must be able to adapt the dynamic environment, therefore companies are required to be able to create new thoughts, new ideas and offer innovative products and improved services that satisfy customers. SMEs must also be able to shape products, reshape products, configure products, and reconfigure products so that they can deal with environmental changes well. The superiority of SMEs in making products that are icons or symbols that serve as a reminder for consumers with the symbols contained in these products must also be increased so that the bias can improve their marketing performance.

The practical implications resulting from this research are the iconic product advantage influenced by market orientation, product innovation and dynamic capability by 44.9%. While marketing performance is influenced by market orientation, product innovation, dynamic capability and iconic product advantage of 13.6%. So that the iconic product advantage can be maximally increased by SMEs, it must pay attention to market orientation, product innovation and dynamic capability. Furthermore, SME marketing performance can increase to the maximum by paying attention to market orientation, product innovation, dynamic capability and iconic product advantage.

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