Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)
e-ISSN: 2621-606X
Vol. 8. No. 3 (2025)
Page: 12270-12286

THE INFLUENCE OF PRICE, PRODUCT INNOVATION, AND SERVICE QUALITY ON COMPETITIVE ADVANTAGE (STUDY ON HARTINI MSME CUSTOMERS IN PONOROGO)

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Abstract

This research seeks to examine how price, product innovation, and service quality affect the competitive advantage of Hartini MSMEs in PonorogoUtilizing a quantitative method with an associative approach, this study gathers data by administering surveys to 100 respondents who are Hartini MSME consumers, using intentional sampling procedures. Data analysis was carried out by multiple linear regression using SPSS assistance, accompanied by classical assumption testing to ensure model feasibility. It was found through the analysis that all three independent variables together have a significant and positive impact on competitive advantage. Partially, each variable also showed a significant effect, with product innovation being the most dominant factor in driving competitiveness. These findings provide strategic insights for MSMEs to continue to innovate and improve product and service quality in the face of increasing competition.

Keywords: Price, Product Innovation, Service Quality, Competitive Advantage, MSME

INTRODUCTION

The business environment has become more and more competitive as a result of industrial growth in the era of globalization. Globalization allows business actors from various circles to operate in the same market, both locally and internationally, thus requiring business actors to be able to compete not only with domestic competitors, but also foreign ones (Lestari et al., 2019). In this context MSMEs have a strategic role in sustaining the national economy. MSMEs not only absorb labor, but also contribute to strengthening the economic structure through the creation of innovations, products, and services. However, in order to survive and develop, MSMEs must have the right marketing strategy to reach a wider market and create a competitive advantage.

According to data from the Ministry of Cooperatives and SMEs (2024) cited through Indonesia.go.id, the number of MSMEs in Indonesia has exceeded 65 million units, spread across various business fields. This growth also has an impact on the high intensity of competition between business actors. This requires MSMEs to constantly improve competitiveness through strengthening internal and external performance, keeping up with technological developments, and developing business strategies that are adaptive to market dynamics. One of the important concepts that must be considered by MSME actors is competitive advantage, namely the company's ability to create more value than competitors through value creation strategies (Dahana et al., 2021).

Porter (1985) in Suryanti et al. (2022) argues that a competitive advantage is essential for long-term corporate success in a competitive industry. This advantage can be obtained through the implementation of generic strategies such as low cost, differentiation, and focus on specific segments. Marketing strategy, in this case, becomes the main tool in creating value through activities that include product development, pricing, and service to consumers (Latief & Asniwati, 2023). These three factors, which include price, product innovation, and service quality, are the main pillars in building competitive advantage.

Price is an important element in the marketing mix because it is directly related to the perception of value by consumers. Prices that are in accordance with product quality and benefits can increase purchase interest and customer loyalty (Dewi & Falah, 2022). On the other hand, product innovation is crucial in differentiating a business from its competitors. Continuous innovation encourages the creation of products that are unique and relevant to market needs, while strengthening the business position in competition (Latief & Asniwati, 2023). In addition, service quality also determines customer perception and satisfaction with a business. Good and responsive service can create consumer loyalty and provide a positive image in the market (Anggara, 2022; Salsabila et al., 2023).

In Ponorogo Regency, MSMEs are growing quite significantly, with a total of 24,326 business units spread across various sub-districts (PERDAGKUM Office of Ponorogo Regency, 2024). One of the prominent MSME players is Hartini MSME, a culinary business that has been established since 1993 and is widely known for its signature products such as gingerbread and opak gapit. This MSME has successfully expanded its market share to outside the region and recorded the highest turnover compared to similar competing MSMEs. This success is supported by an affordable price strategy, diverse product innovations, and satisfactory service. However, the increasingly fierce competition requires Hartini's MSMEs

to continuously evaluate these three aspects in order to maintain and improve their competitive advantage in a changing market.

This study seeks to examine, in light of this history, how price, product innovation, and service quality affect the competitive advantage of Hartini MSMEs in Ponorogo.This research is expected to contribute both theoretically in the development of marketing science and practically as strategic input for MSME players in designing adaptive and competitive business policies.

REVIEW OF LITERATURE

Price

Price is a crucial component in the marketing mix that has a major influence on consumer decisions in making purchases. As explained by Kotler and Armstrong (2012) in Gunarsih et al. (2021), price is defined as the amount of money that consumers must spend to obtain goods or services. More than just a transaction tool, price also reflects the value and quality of the product in the eyes of consumers. If the price is not set appropriately, it can damage consumers' perceptions of the product, despite its high quality. Therefore, the right pricing strategy is a key factor in building and maintaining a business's competitive advantage.

Price-related factors considered important in marketing include the affordability of the price, its suitability to product quality and benefits, and its competitiveness with comparable offerings in the market. Price affordability implies that the price must be adjusted to the purchasing power of the target consumers. Price compatibility with quality emphasizes the importance of perceived value, namely that the price paid should reflect the quality of the product received. Meanwhile, price compatibility with benefits refers to the balance between price and utility obtained by consumers. Price competitiveness shows the company's ability to set competitive prices when compared to competitors' products (Akbar et al., 2023).

Product Innovation

Product innovation is an important process in business development because it allows companies to present products that are more relevant to market needs and tastes. According to Kotler and Armstrong (2016) in Wijaya (2019), product innovation is the result of a creative process that involves the creation and development of new goods or services, or the improvement of existing products, with the aim of creating more value for consumers. Maulana (2020) states that product innovation reflects the functional progress of a product so that it can provide a competitive advantage for the company. In a dynamic market, innovation is one of the main ways to differentiate yourself from competitors and maintain business continuity.

The three main indicators of product innovation according to Kotler (2007) in Dean Mavilinda & Susanti (2022) are product design, product quality, and product variants. Product design plays a role in shaping visual identity and aesthetics that attract consumers, and can increase the perceived value of the product. Product quality reflects the product's ability to consistently meet consumer expectations, both in terms of taste, function, and durability. Meanwhile, product variants show the variety of choices offered to answer the diverse preferences of consumers. These three indicators together form an effective product innovation force in supporting competitive advantage.

Service Quality

Service quality is a crucial element in shaping customer satisfaction and loyalty. According to Pertiwi et al. (2022), service quality shows the extent to which a business is able to meet or exceed customer expectations through satisfaction-oriented interactions. High-quality service not only increases the likelihood of repeat purchases, but it also improves the public's perception of the business. Service quality is one of the additional values that competitors find hard to replicate in the context of MSMEs because it depends on firsthand client experience.

Reliability, assurance, responsiveness, empathy, and tangible proof are the five primary aspects of service quality that Tjiptono (2019) identified in Estamarinda et al. (2021). Responsiveness reflects the willingness and speed of employees to help customers. Assurance includes a sense of security provided through the competence and professional attitude of the staff. Empathy refers to personal attention to customer needs, and physical evidence relates to the appearance of facilities, equipment, and employee appearance that creates a professional impression. All these dimensions contribute to the customer's overall experience, which ultimately determines loyalty and market perception of the business.

Competitive Advantage

Competitive advantage is the company's ability to create higher value for consumers than its competitors, thus enabling the company to obtain a superior position in the market. Kotler and Armstrong (2003) state that competitive advantage occurs when companies are able to offer better or different benefits, thus attracting consumer interest even though the costs may be higher. This concept emphasizes the importance of effective resource management, marketing strategy, and differentiation to remain relevant in dynamic market competition.

According to Maryani (2019), analyzing and managing a company's internal strengths and weaknesses is the key to gaining a competitive edge. In the meantime, Porter & Michael (2007) in Ningrum (2022) proposed three key strategies for establishing a competitive edge: low cost, differentiation, and focus. The low-cost strategy aims to create efficiency so that companies can set lower prices without reducing quality. Differentiation strategies emphasize the creation of products or services that are unique and have added value in the eyes of consumers. Meanwhile, the focus strategy seeks to target certain market segments more effectively than competitors. These three strategies, when applied appropriately, can strengthen the company's competitiveness and improve business sustainability in the long run.

RESEARCH METHOD

This research uses an associative method with a quantitative approach because it focuses on collecting and processing data in the form of numbers to statistically test the relationship between variables. It is believed that the quantitative method is suitable for elucidating how independent variables impact the dependent variable, namely competitive advantage. This method also makes it possible to test hypotheses that have been formulated previously based on the existing theoretical framework (Sugiyono, 2020).

Operational Definition

Operational definitions are used to describe the concepts of research variables into indicators that can be measured concretely. In this study, there are three independent

variables, namely Price (X_1), Product Innovation (X_2), and Service Quality (X_3), and one dependent variable, namely Competitive Advantage (Y). The measurement of the price variable involves four indicators price affordability, alignment with quality, alignment with benefits, and competitiveness in the market (Akbar et al., 2023). Product Innovation variables are measured through product design, product quality, and product variants (Kotler, 2007 in Dean Mavilinda & Susanti, 2022). Meanwhile, Service Quality uses five SERVQUAL dimensions, namely physical evidence, reliability, assurance, responsiveness, and empathy (Tjiptono, 2019 in Estamarinda et al., 2021). Competitive Advantage is measured by three indicators according to Porter, namely low cost, differentiation, and market focus (Porter & Michael, 2007 in Ningrum, 2022).

Population, Sample, and Sampling Technique

This study has a population in the form of all customers of Hartini MSMEs in Ponorogo who have made purchase transactions and have experience with the products and services offered. The sample in the study was determined as many as 100 people using non-probability sampling techniques, specifically the purposive sampling method. This technique was chosen because the researcher set certain conditions, namely that respondents must have purchased Hartini MSME products at least three to four times and be able to provide data in accordance with the research variables (Sugiyono, 2020: 85).

Data Collection Techniques

Data for this study were collected by distributing questionnaires to the respondents. The questionnaire is compiled based on the indicators of each variable and measured using a Likert scale of 1 to 5, which describes the respondent's level of agreement with the statements submitted. In addition to questionnaires, researchers also conducted documentation studies to support and strengthen data obtained directly from the field (Sugiyono, 2020).

Data Analysis Technique

Using linear regression methods, the data were processed in SPSS. Reliability and validity assessments will be conducted before performing regression. After that, a classical assumption test was conducted to ensure that the data were suitable for regression. The t-test is used in hypothesis testing to assess the impact of each variable separately, while the F-test is used to ascertain the joint effect of the independent variables on competitive advantage (Sugiyono, 2020).

RESULTS AND DISCUSSION

Validity Test

The validity check aims to evaluate the extent to which an instrument can measure the intended concept appropriately. Each indicator is linked to the overall score of the variable it represents in this procedure. If the computed r value is greater than the r table value of 0. 195, the item is deemed valid.

Table 1
Validity Test

Variable	Indicator	r count	r table	Description
Price **(X1)**	X1.1	0, 195	0, 845	VALID
	X1.2	0, 195	0, 912	VALID
	X1.3	0, 195	0, 834	VALID
	X1.4	0, 195	0, 620	VALID
Produk Innovation **(X2)**	X2.1	0, 195	0, 980	VALID
	X2.2	0, 195	0, 978	VALID
	X2.3	0, 195	0, 970	VALID
Service Quality **(X3)**	X3.1	0, 195	0, 898	VALID
	X3.2	0, 195	0, 953	VALID
	X3.3	0, 195	0, 934	VALID
	X3.4	0, 195	0, 781	VALID
	X3.5	0, 195	0, 577	VALID
Competitive advantage **(Y)**	Y.1	0, 195	0, 924	VALID
	Y.2	0, 195	0, 911	VALID
	Y.3	0, 195	0, 877	VALID

Source: Test Results and Analysis using SPSS, 2025

All of the research instrument's items demonstrate the value of r count > r table, according to the tables at the top, indicating that the tools utilized for each variable are legitimate. In other words, each indicator is capable of accurately measuring its variable construct.

Reliability Test

The objective of the reliability test is to determine how consistently the instrument measures a concept. The instrument is considered reliable if the Cronbach's Alpha value exceeds 0. 60. The findings of the reliability analysis are as follows:

Table 2.
Reliability Test

Variable	Cronbach's Alpha Count	Cronbach's Alpha Minimum	Description
Price (X1)	0,823	0,60	Reliabel
Produk Innovation (X2)	0,974	0,60	Reliabel
Service Quality (X3)	0,895	0,60	Reliabel

Competitive Advantage (Y)	0,888	0,60	Reliabel

Source: Test Results and Analysis using SPSS, 2025

Based on the table above, the reliability test results show that the instruments in variables X1, X2, X3, and Y are classified as reliable because their respective Cronbach's Alpha values exceed 0.60. This indicates that all items in each variable have good internal consistency. Thus, the instrument is suitable for data collection in research.

Classical Assumption Test

Normality Test

The Kolmogorov-Smirnov statistical test and examination of the Normal P-P plot graphs are two methods used for normality testing.

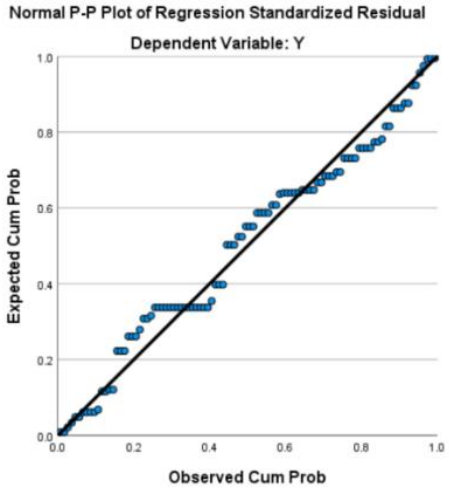

Figure 1
Normality Test
Source: Test Results and Analysis using SPSS, 2025

The diagram clearly shows that the assumption of normality is supported by the distribution of points that follow a straight line with no notable deviations.

Table 3
Normality test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,99513745
Most Extreme Differences	Absolute	0,085
	Positive	0,075
	Negative	-0,085
Test Statistic		0,085
Asymp. Sig. (2-tailed)[c]		0,072

Monte Carlo Sig. (2-tailed)[d]	Sig.		0,072
	99% Confidence Interval	Lower Bound	0,065
		Upper Bound	0,079

Source: Test Results and Analysis using SPSS, 2025

According to the table, the Kolmogorov-Smirnov test results indicate that the Asymp. Sig. (2tailed) value is 0. 072. This number is higher than the significance threshold of 0. 05, which suggests that the residual data is normally distributed. Therefore, we may say that the regression model's normality assumption is met.

Multicollinearity Test

In the regression model, the multicollinearity test is used to identify a strong linear association between the independent variables. Inaccurate regression coefficient estimates can result from high multicollinearity. Using SPSS, one may detect multicollinearity by looking at the Tolerance and VIF values. A dataset is said to be free of multicollinearity if the tolerance value is greater than 0. 10 and the VIF is less than 10.

Table 4
Multicollinearity Test

Coeficients[a]			
Variabel	Collinearity Statistics		Information
	Tolerance	VIF	
Price (X1)	0,875	1,143	Non- Multikolinieritas
Produk Innovation (X2)	0,682	1,466	Non- Multikolinieritas
Service Quality (X3)	0,661	1,512	Non- Multikolinieritas
a. Dependent Variable: Y			

Source: Test Results and Analysis using SPSS, 2025

The multicollinearity check results show that the regression model is free of multicollinearity because each independent variable has a VIF < 10 and a tolerance value > 0. 10. As a result, the dependent variable (Y) may be precisely predicted by integrating the three independent variables (X1, X2, and X3).

Heteroscedasticity Test

An important assumption in regression analysis is constant residual variance (homoscedasticity). This test is done by looking at the distribution pattern on the scatterplot graph between the standardized residual value SRESID and the standardized predicted value ZPRED.

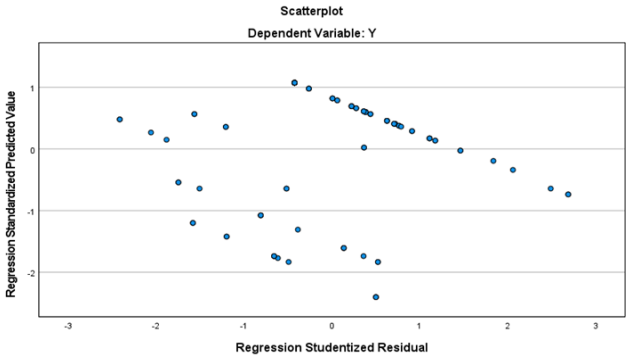

Figure 2
Heteroscedasticity Test
Source: Test Results and Analysis using SPSS, 2025

Figure 4's scatterplot, which displays a random distribution of data points around the horizontal line, reveals that there is no heteroscedasticity issue and that the residual variance is constant. The Glejser test supports this conclusion, where a significance value > 0.05 indicates homoscedasticity.

Table 5
Heteroscedasticity Test

Coefficients[a]						
Variabel		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,478	0,456		3,241	0,002
	X1	-0,037	0,022	-0,180	-1,698	0,093
	X2	-0,025	0,021	-0,138	-1,144	0,256
	X3	0,011	0,022	0,058	0,477	0,634
a. Dependent Variable: abs_RES						

Source: Test Results and Analysis using SPSS, 2025

According to the Glejser test findings, every variable has a significance value above 0. 05. We may conclude that there are no heteroscedasticity issues with this regression model. Thus, the model has fulfilled one of the classical assumptions of linear regression and can be used in further analysis.

Autocorrelation Test

One of the many methods used in testing autocorrelation is by looking at the Durbin-Watson value. If the d value is in between dL and 4 - dU, then it can be concluded that there is no autocorrelation.

Table 6
Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863a	.745	.737	101.057	1.746
a Predictors: (Constant), X3, X1, X2					
b Dependent Variable: Y					

Source: Test Results and Analysis using SPSS, 2025

The DurbinWatson statistic is 1. 746, as seen in the table. The dL value is 1. 5922 and the dU value is 1. 7582, according to the test standards. The value of 1. 746 falls between 1. 5922 and 2. 2418 in this instance, indicating that the regression model does not exhibit any symptoms of autocorrelation.

Multiple Linear Regression Analysis

The purpose of this multiple linear regression is to ascertain how far the three independent variables have a concurrent and partial impact on the company's competitive advantage.

Table 7
Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,101	0,746		4,159	0,000
	X1	0,162	0,036	0,251	4,549	0,000
	X2	0,262	0,035	0,466	7,465	0,000
	X3	0,215	0,036	0,376	5,929	0,000
a. Dependent Variable: Y						

Source: Test Results and Analysis using SPSS, 2025

Referring to the findings of the multiple linear regression analysis presented in the table above, a regression equation can be created that summarizes the relationship between the variables in this study:

$$Y = \alpha + \beta 1.X1 + \beta 2.X2 + \beta 3.X3 + \varepsilon$$

$$Y = 3{,}101 + 0{,}162.X1 + 0{,}262.X2 + 0{,}215.X3 + 0{,}746$$

Then the statement can be written as:

1. The constant (a) of 3.101 indicates that when all independent variables (Price, Product Innovation, and Service Quality) are zero or have no effect, the Competitive Advantage value remains at 3.101. This describes the basic or minimum level of Competitive

Advantage owned by Hartini MSMEs, without being influenced by the three research variables.

2. The regression coefficient for the Price variable (X1) is 0. 162, with a significance of 0. 000, showing that Price has a considerable beneficial impact on Competitive Advantage. This implies that, all other things being equal, the Competitive Advantage will improve by 0. 162 units if the Price Perception increases by one unit.
3. Product Innovation has a positive and substantial impact on Competitive Advantage, according to the regression coefficient value for the Product Innovation variable (X2) of 0.262 at a significance level of 0.000. Competitive advantage will improve by 0.262 units for every unit increase in product innovation. Out of the three independent factors examined, this had the largest impact.
4. According to the regression coefficient for the service, Service Quality has a beneficial and substantial effect on Competitive Advantage. The significance value of the quality variable (X3) is 0. 215, which is 0. 000. Therefore, for every unit increase in service quality, competitive advantage will rise by 0.215 units.

Coefficient of Determination

The accuracy of the regression model in mapping the contribution between variables is shown quantitatively by the determination (R2). The coefficient of determination ranges from 0 to 1, which, when represented, falls between 0 and 100%.

Table 8
Coefficient of Determination

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.863a	.745	.737	101.057
a. Predictors: (Constant), X3, X1, X2				
b. Dependent Variable: Y				

Source: Test Results and Analysis using SPSS, 2025

The R Square (R^2) value of 0. 745, as shown in the output results in Table, suggests that a combination of Price (X1), Product Innovation (X2), and Service Quality (X3) variables can account for 74. 5% of the variation in the Competitive Advantage (Y). The regression model, according to this, possesses significant explanatory capability. Other variables not included in the model or components of uncertainty account for the remaining 25.5% of the variation.

Hypothesis Testing

Simultaneous Test (F Test)

The validity of the regression model as a whole is assessed using the F test. If the F count is greater than the F table or the significance value (Sig) is less than 0. 05, then H_0 is rejected and H1 is accepted, and vice versa. The regression model is appropriate, and the three independent variables, taken as a whole, have a considerable influence on the dependent variable, as shown by this.

Table 9
Simultaneous Test (F Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	285,960	3	95,320	93,337	.000[b]
	Residual	98,040	96	1,021		
	Total	384,000	99			
a. Dependent Variable: Y						
b. Predictors: (Constant), X3, X1, X2						

Source: Test Results and Analysis using SPSS, 2025

The test findings indicate that the F table value is 2. 70 and the F count is 93. 337, where the F count > the F table (93. 337 > 2. 70) and the significance value (ρ) of 0. 000 is less than α = 0. 05. As a result, it may be deduced that Price (X1), Product Innovation (X2), and Service Quality (X3) together have a substantial impact on the dependent variable, Competitive Advantage (Y).

Partial Test (t test)

The effect is considered significant if the t value> t table and the significance value <0.05. In this study, with a significance level (α) of 0.05 and degrees of freedom (df) = 100 - 3 - 1 = 96, the t table value is 1.98498.

Table 10
Partial Test (t test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,101	0,746		4,159	0,000
	X1	0,162	0,036	0,251	4,549	0,000
	X2	0,262	0,035	0,466	7,465	0,000
	X3	0,215	0,036	0,376	5,929	0,000
a. Dependent Variable: Y						

Source: Test Results and Analysis using SPSS, 2025

According to the t test findings, Price (X_1), Product Innovation (X_2), and Service Quality (X_3) each demonstrate a significant and positive influence on Competitive Advantage (Y) when considered separately. The t value for the Price variable is 4.549 with a significance of 0.000; for Product Innovation is 7.465 with a significance of 0.000; and for Service Quality, the t value is 5.929 with a significance of 0.000. All calculated t values> t table (1.985) and their respective significance values are below 0.05, so the conclusion is that the three variables partially contribute to increasing the Competitive Advantage of Hartini MSMEs.

The effect of Price, Product Innovation, and Service Quality simultaneously on competitive advantage

The results of the analysis and hypothesis testing with the F test (simultaneous) in this study, show that the variables Price (X_1), Product Innovation (X_2), and Service Quality (X_3) simultaneously have a significant effect on Competitive Advantage (Y). The F count (93. 337) > F table (2. 70) and the results of a high value (0. 000) <0. 05 provide clear evidence of this. Hence, because the Price (X1), Product Innovation (X2), and Service Quality (X3) variables all have a simultaneous and significant positive impact on competitive advantage (Y), it may be inferred that H0 is rejected and H1 is accepted. As a result, it is possible to conclude that the competitive advantage of Hartini MSMEs is influenced by three independent variables: price, product innovation, and service quality.

The effect of Price on competitive advantage

According to the results of the multiple linear regression, Price (X_1) has a coefficient of 0.162, with a t-statistic of 4.549 and a significance value of 0.000, suggesting a positive impact on competitive advantage This implies that Hartini MSMEs's pricing strategy can increase the market competitiveness of their goods. Since the significance value is 0. 000 < 0. 05 and the t count is 4. 549 > the t table value of 1. 985, the t test results indicate that the Price variable has a partially significant impact on competitive advantage. As a result, hypothesis H2 is accepted, indicating that the Price variable has a substantial partial impact on the competitive advantage.

This finding is also in line with research by Syairi, A., & Supriyanto, A. (2023), which states that appropriate pricing can have a positive influence on the competitive advantage of a product. Indicators of the Price variable, such as the affordability of prices perceived by consumers to product quality, show that Hartini's MSME products have competitive prices and are in accordance with quality, which in turn increases consumer buying interest and strengthens the product's position in market competition.

Effect of Product Innovation on competitive advantage

The multiple linear regression analysis shows that the Product Innovation (X2) has a beneficial impact on competitive advantage, as evidenced by a regression coefficient of 0. 262, a t-value of 7. 465, and a significance level of 0. 000. The greater the degree of product innovation used by Hartini MSMEs, the greater the competitive edge gained. With a significance value of 0. 000 <0. 05 and a t count of 7. 465> t table 1. 985, the t test results indicate that the Product Innovation variable has a partial but notable impact on competitive advantage. As a result, we reject hypothesis H_0 and accept hypothesis H_2, concluding that product innovation has a substantial impact on competitive advantage. Product innovation indicators in Hartini's MSMEs include product design, quality, and variety, such as gingerbread that maintains traditional flavors but is packaged with appealing and useful displays, all of which increase product competitiveness. These innovations not only attract local people, but also have the potential to expand the market. This result aligns with the study conducted by Shafanada, C.A., & Andarini, S. (2024), which indicates that Product Innovation significantly and positively influences competitive advantage.

Effect of Service Quality on competitive advantage

The results of multiple linear regression analysis, the regression coefficient for the Service Quality variable (X3) is 0. 215, the t-value is 5. 929, and the significance level is 0. 000, which shows that service quality has a positive influence on competitive advantage. A

higher level of service quality from Hartini MSMEs results in a better competitive edge. With a significance level of 0. 000 <0. 05 and a t score of 5. 929 > t table 1. 985, the t test results demonstrate that the Service Quality variable has a partial but significant influence on the competitive advantage. Therefore, hypothesis H_3 is accepted, which means that Service Quality significantly affects competitive advantage.

Indicators of service quality in Hartini MSMEs include empathy, assurance, responsiveness, reliability, and physical facilities provided. Good service quality makes consumers feel valued and comfortable, which leads to increased loyalty and strengthening the position of UMKM Hartini in the market. This finding is in line with the research of Salsabila, T., P., S., Nursyamsi, J., & Utomo, J. (2023), which shows that service quality positively and significantly affects competitive advantage.

CONCLUSION

Based on the test results regarding the effect of Price, Product Innovation, and Service Quality on competitive advantage at Hartini MSMEs in Ponorogo, the F test shows that the calculated F value (93.337) surpasses the F table value (2.70), and the low significance leads to the rejection of H_0 and acceptance of H_1. At Hartini MSMEs in Ponorogo, the variables Price (X1), Product Innovation (X2), and Service Quality (X3), when combined, have a positive and significant impact on competitive advantage (Y), as seen by this. Furthermore, the t test demonstrates that the t count is higher than the t table, demonstrating that each of the independent variables contributes to competitive advantage. Meanwhile, the t test for Product Innovation also shows that t> t table, which means that Product Innovation has a partially significant effect on competitive advantage In a similar manner, service quality demonstrates that t table is less than t count, suggesting that the service quality variable has at least a partial impact on competitive advantage. In light of this, it can be said that in Ponorogo, the competitive advantage of Hartini MSMEs is greatly influenced by price, product innovation, and service quality.

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