ANALYSIS OF MARKET ORIENTATION AND INNOVATION CAPABILITIES IN INCREASING COMPETITIVE ADVANTAGE (SURVEY ON MSMEs FASHION IN CIBADAK MARKET, SUKABUMI)

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Abstract

Cibadak Market is a growing center of economic activity, where fashion MSME players face challenges in meeting consumer needs and keeping up with changing fashion trends. Low understanding of market preferences as well as limited innovation and product differentiation has led to decreased competitiveness and customer loyalty. This study aims to determine the effect of market orientation and innovation capability on competitive advantage in fashion MSMEs in Cibadak Market, Sukabumi. This study uses a quantitative approach with an associative descriptive method. The population in this study were all fashion MSME players in Cibadak Market, with a sample size of 32 respondents determined through saturated sampling technique. The results showed that market orientation has a positive and significant effect on competitive advantage. In addition, innovation capability also has a positive and significant influence on competitive advantage. The implementation of good market orientation and high innovation capability can increase the competitiveness of fashion MSMEs in the local market.

Keywords: Market Orientation, Innovation Capability, and Competitive Advantage

INTRODUCTION

The development of the business sector in Indonesia, especially in Micro, Small and Medium Enterprises (MSMEs), is increasingly showing an important contribution to the national economy. This can be seen from the contribution of MSMEs to the national Gross Domestic Product (GDP), which reached 60.51%. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia is estimated to reach 65 million units by 2024. MSMEs play a strategic role in creating jobs, driving economic growth, and accelerating income distribution (Sakinah et al., 2024). The large number of MSMEs in Indonesia encourages increasingly fierce competition among business actors in maintaining their existence.

Cibadak Market, located in a developing area in Sukabumi District, is a center of economic activity with various community trading activities including MSMEs engaged in the fashion sector. In today's fashion world, the rapid trend of changing consumer preferences that want products that are not only of high quality but also have unique and innovative characteristics. Consumers are getting smarter and pay more attention to the sustainability, design, and uniqueness of the fashion products they buy. This requires fashion MSME players in Cibadak Market to not only follow market trends, but also dare to innovate and adapt to the needs of a wider and rapidly growing market.

Competition is the biggest challenge in the business world, without adequate capabilities and competitive advantages, the products produced by a company will not be able to survive and compete with its competitors' products (Nurmalintang, 2017). Competitive advantage arises from various company activities as a whole, from design, production, marketing, to distribution and sales services. (Danial, 2017). Competitive advantage is very important for the continuity of MSMEs, which is achieved through the ability to create added value, meet consumer needs, improve quality, efficiency, and innovation, and offer competitive prices. (Zatia Zatia et al., 2023).

Fashion MSME players in Cibadak Market face serious challenges in achieving competitive advantage caused by a lack of understanding in meeting the needs and desires of consumers and keeping up with the development of fashion trends that are happening, so that the products and services offered often become less relevant to the growing trend, which has an impact on decreasing customer satisfaction and loyalty.

The current fashion phenomenon makes MSME players face crucial problems amid increasingly modern market competition. The low level of product innovation and lack of quality differentiation which causes competitiveness to weaken. This has an impact on the decline in the number of visitors and consumer purchasing power. Limited innovation in design and production processes is a significant obstacle in their business development. The low ability to innovate among fashion MSME players in Cibadak Market is due to the lack of knowledge, skills, creativity, and resources available, making it difficult for them to create innovative products. The products offered often seem monotonous and have no characteristics that distinguish them from competitors' products, so consumers have difficulty seeing their advantages. Based on the survey, many customers feel that the product designs offered by fashion MSMEs in Cibadak Market often lag behind trends and are unable to compete with fashion brands that are more modern, innovative, and adaptive to trend developments. This results in difficulties in attracting consumers who seek uniqueness and

innovation. Therefore, fashion MSMEs in Cibadak Market need to increase innovation to meet consumer expectations and strengthen their competitiveness in an increasingly competitive market.

REVIEW OF LITERATURE

Competitive Advantage

According to (Setiawardani, 2022) explains that competitive advantage cannot be understood by looking at a company as a whole, but seen from the various activities carried out by the company in designing, producing, marketing, shipping, and supporting its products. Competitive advantage is the ability to develop and provide added value to its products that can create benefits for consumers compared to other competitors. The dimensions of competitive advantage consist of price, quality, product innovation, time to market, and reliable delivery. (Hasnatika & Nurnida, 2019).

Market Orientation

According to (Harsono, 2024) explains that Market Orientation is a strategic mindset in which the organization prioritizes understanding and meeting market and customer needs. Market orientation is a response or response to market changes, how the reaction of a company or business organization responds to what customer needs and what customers need for the present and the future in accordance with the development of a product or service offered. The dimensions of market orientation consist of customer orientation, competitor orientation, and market information. (Sari et al., 2020).

Innovation Capability

Innovation capability according to (Prasetya & Bagas, 2023) states that innovation capability is seen as one of the key factors that contribute to increasing competitive advantage for companies in the 21st century and innovation is also a key factor for the survival of an organization. Every company needs to create innovation in every product or service offered so that consumers do not feel saturated with existing products (Falentina et al., 2022). Innovation capability is an aspect that affects an organization's ability to manage innovation, describing a process that starts with an idea, development results or findings as well as the introduction of new products, processes and new services in the market. (Muhlisin, 2021). The dimensions of innovation capability consist of product innovation, process innovation, and marketing innovation. (Sakinah et al., 2024)

RESEARCH METHOD

The method used in the research uses descriptive and associative research using quantitative methods. The population in this study were UMKM Fashion actors in Cibadak Market using saturated sampling technique, all members of the population were sampled. Saturated samples were taken, namely Fashion UMKM in Cibadak Market, which amounted to 32 samples of Fashion UMKM actors in Cibadak Market. The data collection techniques used were observation, interviews, and questionnaires.

RESULTS AND DISCUSSION

Classical Assumption Testing

Normality Testing

Table 1.
Normality Test Results

		Unstandardized Residual
N		32
Norma Parameters a,b	Mean	.0000000
	Stb. Deviation	8.42129222
Most Extreme Differences	Absolute	.127
	Positive	.114
	Negative	-.127
Test Statistic		.127
Asymp. Sig. (2-tailed)		.200[c.d]

Source: Results of Questionnaire Data Processing, 2025

The normality test for market orientation (X1) and innovation capability (X2) variables on competitive advantage (Y) shows a significance value of 0.200, because this value is greater than the significance of 0.05, the residual data is declared normally distributed.

Multicollinearity Testing

Table 2.
Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	97.863	10.860		9.011	.000		
	Market Orientation	.962	.272	.527	3.541	.001	.928	1.077
	Innovation Capability	.552	.157	.523	3.514	.001	.928	1.077

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

Testing the Variance Infation Factor (VIF) in the research results of the SPSS output coefficients table, the independent variables, namely market orientation and innovation capability, have a VIF of no more than 10.00 and a Tolerance value of no less than 0.1. So it is stated that the multiple linear regression model of the independent variable on the dependent is free from statistical classical assumptions and can be used in research.

Autocorrelation Testing

Table 3.
Autocorrelation Test Results
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.701[a]	.491	.434	8.334	1.873

a. Predictors: (Constant), Market Orientation, Innovation Capability
b. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

The autocorrelation test results were obtained with a Durbin-Watson value of 1.873. The value (Du) is obtained from the Durbin-Watson Table by considering the number of independent variables (k = 2) and the number of samples (n = 32), so that Du = 1.573 and 4 - Du = 2.427 are obtained. Since the Durbin-Watson value is between Du and 4 - Du (1.573 < 1.873 < 2.427), it can be concluded that there is no autocorrelation in the regression model in this study.

Heteroscedasticity Testing

Table 4.
Heteroscedasticity Test Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.531	5.713		-.093	.927
	Market Orientation	.283	.143	.353	-1.979	.057
	Innovation Capability	-.032	.083	-.070	-.390	.700

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

The results of the Heteroscedasticity Test show that the significance value of the market orientation variable is 0.057, and the significance value of the innovation capability variable is 0.700. Both values are greater than the specified significance level, which is 0.05, so it can be concluded that in this study, there are no differences between observations in each sample.

Multiple Correlation Coefficient Testing

Table 5.
Multiple Correlation Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.701[a]	.491	.434	8.334	.491	9.817	2	29	.001

a. Predictors: (Constant), Market Orientation, Innovation Capability

Source: Results of Questionnaire Data Processing, 2025

The results of the Multiple Correlation Test show that the linear correlation value between the Market Orientation and Innovation Capability variables on Competitive Advantage is 0.701. Referring to Guilford's criteria with a 5% error (α = 0.05), the coefficient interval of 0.60-0.799 is included in the strong relationship category. Empirically, it can be concluded that with a correlation value of 0.701, there is a strong linear relationship between Market Orientation and Innovation Capability to Competitive Advantage.

Testing the Coefficient of Determination

Table 6.
Determination Coefficient Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.491	.434	8.334

a. Predictors: (Constant), Market Orientation, Innovation Capability

Source: Results of Questionnaire Data Processing, 2025

$R = r^2$

So it can be calculated

$Kd = 0.701^2 \times 100\%$

$Kd = 0.491.401 \times 100\%$

$Kd = 49\%$

Based on the table above, it is known that the R Square value (coefficient of determination) for the Market Orientation and Innovation Capability variables is 0.491.401, which means that it has an influence of 49% on Competitive Advantage. While 51% is influenced by other variables not discussed in this study.

Simultaneous Testing (F-test)

Table 7.
Simultaneous Significant Test Results (F-Test)
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1488.412	2	744.206	9.817	.001[b]
	Residual	2198.463	29	75.809		
	Total	3686.875	31			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Market Orientation, Innovation Capability

Source: Results of Questionnaire Data Processing, 2025

Based on the results of the F test, the significance value for the simultaneous influence of X1, X2 on Y is 0.001 <0.05. The value of F table with α = 5% is F (k; n - k) shows the value of F (3.32), it is concluded that F count 9.817> 3.32 which means that the independent variable affects the dependent variable or the influence of market orientation variables, and innovation capabilities on competitive advantage.

Multiple Linear Regression Testing

Table 8.
Multiple Linear Regression Calculation Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	97.863	10.860		9.011	.000
	Market Orientation	.962	.272	.527	3.541	.001
	Innovation Capability	.552	.157	.523	3.514	.001

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

Based on Table 8, it can be seen that the value of the multiple linear regression equation in this study is as follows:

a = 97.863

b1 = 0.962

b2 = 0.552

The multiple linear regression equation for two predictors (Market Orientation and Innovation Capability) is obtained, namely:

$$Y* = 97.863 + 0.962\ X1 + 0.552\ X2$$

From the multiple linear regression equation above, it can be concluded:

1. Constant value of = 97.863 has a positive value, which indicates a unidirectional influence between the independent variable and the dependent variable, which includes market orientation, innovation capability. Then, the value of competitive advantage 97.863 has a unidirectional influence between the dependent variable and the independent variable.
2. The market orientation coefficient of 0.962 has a positive value; this indicates that if the market orientation variable increases, the competitive advantage will increase by 0.962. Assuming other independent variables are considered constant. The positive sign means that it shows a unidirectional influence between market orientation variables on competitive advantage.
3. The coefficient of innovation capability is 0.552; this value shows a positive influence of the innovation capability variable and competitive advantage. This shows that if the innovation capability variable increases, the competitive advantage variable will increase by 0.552. The positive sign means that it shows a unidirectional influence of the innovation capability variable on the competitive advantage.

Partial Testing (T Test)

Table 9.
T-test results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	97.863	10.860		9.011	.000
	Market Orientation	.962	.272	.527	3.541	.001
	Innovation Capability	.552	.157	.523	3.514	.001

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

To determine the effect of independent variables of market orientation and innovation capability partially on the dependent variable of competitive advantage as follows:

Hypothesis Testing Market Orientation on Competitive Advantage

The results of testing the effect of market orientation variables on competitive advantage show a Sig value of 0.001 <0.05, which means significant, while the t value of 3.541> 2.045 means significant. Significance here H0 is rejected and H1 is accepted. Based on this, it can be interpreted that the market orientation variable partially has a significant effect on competitive advantage.

Hypothesis Testing of Innovation Capability on Competitive Advantage

The results of testing the effect of innovation capability variables on competitive advantage show a Sig value of 0.001 <0.05, which means significant, while the t value of 3.514> 2.045 means significant. Significance here H0 is rejected and H1 is accepted. Based on this, it can be interpreted that the innovation capability variable partially has a significant effect on competitive advantage.

CONCLUSION

Based on the results of research and discussion related to the analysis of market orientation and innovation capabilities in increasing competitive advantage in fashion MSMEs in Cibadak Sukabumi Market, the following conclusions can be drawn:

1. Based on the research results, the market orientation variable is in a very high position. This shows that fashion MSME players in Cibadak Market have implemented a business approach that focuses on understanding and fulfilling consumer needs and wants through market research, in order to create products that are relevant and superior in the market. In addition, the two variables that are in a high position are innovation capability and competitive advantage. Both variables show that attractive designs and value-added products can increase competitiveness. This encourages continuous innovation that not only pays attention to aesthetics, but also to product functionality. These three variables reflect that MSME actors have the right market orientation, are able to innovate progressively and sustainably to improve product competitiveness, and are able to compete excellently in the market.
2. The results of research and testing of Market Orientation variables have a positive and

significant effect on Competitive Advantage in fashion MSMEs in Cibadak Market, Sukabumi.
3. Research activities and testing of Innovation Capability variables proved to have a positive and significant impact on Competitive Advantage in fashion MSMEs in Cibadak Market, Sukabumi.

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