ANALYSIS OF PRODUCT INNOVATION, PRODUCT QUALITY AND CUSTOMER SATISFACTION ON COMPETITIVE ADVANTAGE (SURVEY OF MSMEs IN SOEDIRMAN STREET FOOD SUKABUMI)

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Abstract

Micro, Small and Medium Enterprises (MSMEs) are types of productive businesses owned by individuals or business entities that meet the criteria as micro businesses. One of them is Soedirman Street Food Sukabumi which is a gathering place for micro, small and medium enterprises (MSMEs) in the food and beverage sector, which has problems in competitive advantage as well as product innovation, product quality and customer satisfaction. The purpose of this study was to determine how product innovation, product quality and customer satisfaction affect competitive advantage. The population in this study were MSMEs at Soedirman Street Food Sukabumi. The sample used amounted to 34 respondents and was obtained through saturated sampling technique. The method used is a quantitative method with an associative descriptive approach. The results of the f test statistics (simultaneously) there is a simultaneous and significant influence of the variables of product innovation, product quality and customer satisfaction on competitive advantage. Based on the statistical results of the t test (partial test) product innovation has a negative and insignificant effect on competitive advantage. While product quality and customer satisfaction have a positive and significant effect on competitive advantage.

Keywords: Product Innovation, Product Quality, Customer Satisfaction and Competitive Advantage

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are types of productive businesses owned by individuals or business entities that meet the criteria as micro enterprises. The development of the Indonesian economy is greatly influenced by the role of MSMEs, which are able to improve the community economy independently and support national economic growth. The existence of MSMEs not only impacts economic growth, but is also an important factor in maintaining social stability and strengthening the structure of the domestic industry (BPS, 2020).

One of the culinary destinations in Sukabumi City is Soedirman Street Food, which is a gathering place for micro, small and medium enterprises (MSMEs) in the food and beverage sector. The development of this area coincides with the emergence of local government partnerships with MSMEs that provide assistance in the areas of promotion, training, and licensing. However, based on field observations, it was found that many MSME players in Soedirman Street Food still face various challenges in developing their businesses.

Competitive advantage is the result of the implementation of strategies that have been designed by a business, whether on a micro, small or medium scale (Saori et al., 2020). Competitive advantage refers to the ability of a business to offer more value than its competitors, either through product uniqueness, operational efficiency, or superior customer experience. Competitive advantage is one of the main focuses in business strategy to win in an increasingly competitive market. In the context of MSMEs, competitive advantage is the main key so that businesses not only survive but also thrive in the midst of changing market dynamics (Dalimunthe, 2017).

With the increasing intensity of competition, companies need to understand the right way to manage their various resources. Success in winning the competition is highly dependent on the company's ability to create competitive advantage. This advantage can be achieved if the company is able to offer more value to customers than those offered by competitors (Oktavinus et al., 2019).

The main challenge faced by MSMEs in Soedirman Street Food Sukabumi is the low level of innovation in product development. Although there are various viral food trends that can be used as inspiration, many businesses have not actively innovated their products, both in terms of taste, presentation, and menu variations. This lack of innovation causes the attractiveness of the product to be low, so customers tend to look for alternatives in other places that offer something more unique and different. In addition to innovation, product quality is also a major concern. Based on surveys conducted, many customers feel that the quality of food served is not entirely consistent. Some products are considered less in line with customer expectations, both in terms of taste, texture, and cleanliness of presentation. This inconsistent product quality can lead to low customer retention rates and potentially reduce the reputation of MSMEs at Soedirman Street Food.

Not only that, customer satisfaction is also a factor that affects the competitiveness of MSMEs in Soedirman Street Food Sukabumi. Some customers feel that the services provided by business actors still need to be improved, especially in terms of responsiveness to customer requests and friendliness in serving. Customers who are dissatisfied tend to be reluctant to return and prefer other places that provide a better experience. Thus, improving

service quality is an aspect that cannot be ignored in an effort to increase competitive advantage.

REVIEW OF LITERATURE

Competitive Advantage

Competitive advantage is defined as the advantage a company has that enables it to perform more effectively than its competitors (Firdaus & Sakinah, 2022). Competitive advantage is a position that is superior to competitors, which is achieved by providing lower value or greater benefits, despite the higher price offered (Ernawati & Ali, 2024). The dimensions of competitive advantage consist of price, quality, delivery, product innovation and time to market (Dalimunthe, 2017).

Product Innovation

Product innovation is an inspiring new idea that can be developed. Innovation is used directly to achieve strategic goals and growth objectives in order to compete with other businesses (Prasetyo & Febriani, 2020)**.** Product innovation is an idea about a product that is considered new by consumers. Along with the times and shifting market preferences, consumers are increasingly selective in choosing products that are able to meet their needs and desires (Taopik et al., 2024)**.** Product innovation has three dimensions including product features, product design and product quality (Prasetyo & Febriani, 2020)**.**

Product Quality

Product quality is anything that can be offered in the market to attract attention, buy, use, or consume that can satisfy all needs or desires (Saputra & Putra, 2021). Product quality is the strength of a product in performing its functions which include product resistance to damage, guaranteed safety of consumption, accuracy of taste and texture, ease of presentation, and product-related services (Ramdhan et al., 2023). The dimensions of product quality consist of performance, durability, conformance to Specifications, features, reliability, aesthetics dan perceived Quality (Lystia et al., 2022).

Customer Satisfaction

Customer satisfaction is an assessment of the choices resulting from certain purchasing decisions and experiences in using products or services (Bahrudin & Zuhro, 2018). Customer satisfaction is a reaction that arises as a result of consumer experience, either in whole or in part. If the experience gives a positive impression, then the consumer will feel satisfied. Conversely, if the experience is disappointing, dissatisfaction will arise (Rahmawati et al., 2019). Customer satisfaction has three dimensions including conformity to expectations, interest in visiting again and willingness to recommend (Indrasari, 2019).

RESEARCH METHOD

The method used in the study used descriptive and associative research using quantitative methods. The population in this study were MSME actors at Sudirman Street Food Sukabumi, using saturated sampling techniques, where all members of the population were used as samples. Saturated samples were taken, namely MSMEs at Soedirman Street Food Sukabumi with a total sample of 34 MSMEs. 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		34
Norma Parameters a,b	Mean	.0000000
	Stb. Deviation	3.66105762
Most Extreme Differences	Absolute	.071
	Positive	.052
	Negative	- .071
Test Statistic		.071
Asymp. Sig. (2-tailed)		.200[c.d]

Source: Results of Questionnaire Data Processing, 2025

The normality test for the variables of Product Innovation, Product Quality, and Customer Satisfaction on Competitive Advantage shows a significance value of 0.200. Because this value is greater than 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)	7.522	4.214		1.785	.084		
	Product Innovation	-.175	.100	-.216	-1.747	.091	.573	1.746
	Product Quality	.465	.074	.765	6.243	.000	.596	1.679
	Customer Satisfaction	.433	.119	.385	3.647	.001	.893	1.120

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

Multicollinearity testing on each independent variable, namely Product Innovation, Product Quality and Customer Satisfaction, has 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	.600[a]	.360	.296	3.83975	1.954

a. Predictors: (Constant), Product Innovation, Product Quality, Customer Satisfaction
b. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

The autocorrelation test results with a Durbin-Watson value of 1.954. The Du value is obtained from the Durbin-Watson table listed in the attachment, taking into account the number of independent variables (k = 3) and the number of samples (n = 34), so that the Du value is 1.652 and the 4 - Du value is 2.348. The results show that Du < Dw < 4-Du (1.652 < 1.954 < 2.348) it can be concluded that in this study there is no autocorrelation.

Heteroscedasticity Testing

Table 4.
Heteroscedasticity Test Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.923	4.621		3.229	.003
	Product Innovation	-.180	.132	-.287	-1.362	.183
	Product Quality	-.036	.087	-.085	-.414	.682
	Customer Satisfaction	-.193	.131	-.248	-1.470	.152

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 Product Innovation variable is 0.183, Product Quality is 0.682, and Customer Satisfaction is 0.152. All three values exceed the significance limit of 0.05, so it can be concluded that 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	.600[a]	.360	.296	3.83975	.360	5.621	3	30	.004

a. Predictors: (Constant), Product Innovation, Product Quality, Customer Satisfaction

Source: Results of Questionnaire Data Processing, 2025

The results of the Multiple Correlation Test show that the value of the linear relationship between the variables of Product Innovation, Product Quality and Customer Satisfaction on Competitive Advantage is 0.600. Based on Guilford's criteria with a 5% error

or α = 0.05, the correlation value is included in the strong relationship category. This means that the variables of Product Innovation, Product Quality and Customer Satisfaction on Competitive Advantage empirically have a strong linear relationship.

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	.600[a]	.360	.296	3.83975

a. Predictors: (Constant), Product Innovation, Product Quality, Customer Satisfaction

Source: Results of Questionnaire Data Processing, 2025

It is known that the coefficient of determination or R Square is 0.360. The R square value is obtained from squaring the R value, namely 0.600 x 0.600 = 0.360000 if rounded to 0.360 or equal to 36%. So it is concluded that the contribution of Product Innovation, Product Quality and Customer Satisfaction to Competitive Advantage is 36%. While the remaining 64% (100% - 36% = 64%) is influenced by other variables not examined in this study. It can be concluded that kd = 0.360 is close to the value of 0, which means it is declared weak.

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	250.637	3	83.546	23.085	.000[b]
	Residual	108.571	30	3.619		
	Total	359.208	33			

a. Dependent Variable: Competitive Advantage
b. Predictors: (Constant), Product Innovation, Product Quality, Customer Satisfaction

Source: Results of Questionnaire Data Processing, 2025

Based on the results of the F test, it can be obtained that the significance value for the simultaneous influence of X1, X2, and X3 on Y is 0.000 < 0.05. For the value of F table with α = 5%, namely F (k; n - k) shows the value of F (2.92) It is concluded that F count 23.085 > 2.92 which means that the independent variable has an effect on the dependent variable or the influence of the variables of Product Innovation, Product Quality and Customer Satisfaction on Competitive Advantage.

Multiple Linear Regression Testing

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

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.

1	(Constant)	7.522	4.214		1.785	.084
	Product Innovation	-.175	.100	-.216	-1.747	.091
	Product Quality	.465	.074	.765	6.243	.000
	Customer Satisfaction	.433	.119	.385	3.647	.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 is:

a = 7.522
b1 = -0.175
b2 = 0.465
b3 = 0.433

Multiple linear regression equations for three predictors (Product Innovation, Product Quality and Customer Satisfaction) are obtained, namely:

$$Y* = 7.522 + -0.175\ X1 + 0.465\ X2 + 0.433\ X3$$

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

1. The Constant value of = 7.522 has a positive value, this indicates a unidirectional influence between the independent variable and the dependent variable which includes product innovation, product quality and customer satisfaction, the value of competitive advantage 7.522 has a unidirectional influence between the dependent variable and the independent variable.
2. The product innovation coefficient of -0.175 has a negative value, this shows that if the product innovation variable decreases, the competitive advantage will decrease by -0.175.
3. The product quality coefficient is 0.465, this value indicates a positive influence between the product quality variable and competitive advantage. This shows that if the product quality variable increases, the competitive advantage variable will increase by 0.465. The positive sign means that it shows a unidirectional influence between the product quality variable on competitive advantage.
4. The coefficient of customer satisfaction is 0.433, this value indicates a positive influence between the customer satisfaction variable and competitive advantage. This shows that if the customer satisfaction variable increases, the competitive advantage variable will increase by 0.433. The positive sign means that it shows a unidirectional influence between the customer satisfaction variable on competitive advantage.

Partial Testing (T Test)

Table 9.
T Test Results
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7.522	4.214		1.785	.084
	Product Innovation	-.175	.100	-.216	-1.747	.091
	Product Quality	.465	.074	.765	6.243	.000

Customer Satisfaction	.433	.119	.385	3.647	.001

a. Dependent Variable: Competitive Advantage

Source: Results of Questionnaire Data Processing, 2025

To determine the effect of the independent variables of product innovation, product quality, and customer satisfaction partially on the dependent variable competitive advantage as follows:

1. **Hypothesis Testing of Product Innovation on Competitive Advantage**
   The results of testing the effect of product innovation variables on competitive advantage show a Sig value of 0.091 > 0.05, which means insignificant, while the t value of -1.747 < 2.042 means insignificant. Significance here H0 is accepted and H1 is rejected. Based on this, it can be interpreted that the product innovation variable partially has no significant effect on competitive advantage.
2. **Hypothesis Testing of Product Quality on Competitive Advantage**
   The results of testing the effect of product quality variables on competitive advantage show a Sig value of 0.000 < 0.05, which means significant, while the t value of 6.243 > 2.042 means significant. Significance here H0 is rejected and H1 is accepted. Based on this, it can be interpreted that the product quality variable partially has a significant effect on competitive advantage.
3. **Hypothesis Testing of Customer Satisfaction on Competitive Advantage**
   The results of testing the effect of customer satisfaction variables on competitive advantage show a Sig value of 0.001 < 0.05, which means significant, while the t value of 3.647 > 2.042 means significant. Significance here H0 is rejected and H1 is accepted. Based on this, it can be interpreted that the customer satisfaction variable partially has a significant effect on competitive advantage.

CONCLUSION

Based on the results of research and discussion related to the analysis of Product Innovation, Product Quality, and Customer Satisfaction in increasing Competitive Advantage at UMKM Sudirman Street Food Sukabumi, the following conclusions can be drawn:

1. The description of Product Innovation is in the high category, this can be seen from the dimensions and indicators on the product innovation variable which shows that MSME players in Soedirman Street Food Sukabumi have set good product quality standards in terms of raw materials and production processes. Then Product Quality is at a very high value, it can be seen from the dimensions and several indicators that these MSME actors have conformed to specifications with recipes that are able to maintain consistency in taste, and always pay attention to the cleanliness of raw materials, production equipment, and the production site environment. Furthermore, customer satisfaction in these MSME actors produces a very high value, this can be seen from the dimensions and indicators on the customer satisfaction variable that MSME actors have added a new menu which aims to attract more customers to return to visit. And Competitive Advantage is at a high category value, seen from the dimensions and indicators on the competitive advantage variable that MSME actors have launched new products to maintain the attractiveness of MSMEs.

2. Research and testing of product innovation has a negative and insignificant effect on competitive advantage in MSMEs at Soedirman Street Food Sukabumi.
3. Research activities and product quality testing are proven to have a positive and significant impact on competitive advantage in MSMEs at Soedirman Street Food Sukabumi.
4. Customer satisfaction that is researched and tested partially has a significant effect on competitive advantage in MSMEs at Soedirman Street Food Sukabumi.

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