THE EFFECT OF MARKET ORIENTATION AND COMPETITIVE STRATEGY ON MARKETING PERFORMANCE
A SURVEY ON FURNITURE PRODUCT INDUSTRY
IN WEST JAVA, INDONESIA

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Abstract
Low marketing performance of furniture products companies is indicated with the achievement of sales targets which is still hard, the low level of profits, and low growth in the number of customers. It is presumably because competitive strategy that has not been appropriate as well as weaknesses in the developing market orientation. The research objective is to assess the influence of market orientation and competitive strategy on marketing performance of furniture products industry in West Java. The nature of the study is causalities. The unit of analysis is furniture industry and the observation unit is the merchant of furniture products businesses in
West Java. Based on data owned by the Ministry of Industry 2014 known the number of furniture businesses/entrepreneurs either from wood or rattan totaled 392. Based on Slovin's formula, obtained a sample size of 80 respondents. The observation time using the coverage time (time horizon) that is cross section/one shoot means that information or data is collected directly and empirically at one particular time. To examine the relationship between variables is used Partial Least Square. The findings reveals that market orientation and competitive strategy are influential to marketing performance, which is competitive strategy has a greater influence than market orientation in affecting marketing performance.

Keywords: Market Orientation, Competitive Strategy, Market Performance, Indonesia

INTRODUCTION

Indonesia used to known as one of the largest furniture exporter in the world. In 2006 the position of Indonesian furniture exports in the world is ranked eighth in the order of highest ranking China, Canada, Mexico, Italy, Vietnam, Malaysia, and Taiwan (Source: USAID & SENADA, a Study of Barriers For Furniture Industry, Study Results In Java).

Based on research conducted by USAID, it was revealed that the development of Indonesia's furniture exports, according to data from 2001 to 2006 showed an increasing trend. In 2004, Indonesia's furniture export value reached US $ 1,129,502,649 and increased to US $ 1,326,300,209 in 2005. The growth of Indonesia's furniture export value of the 2004 and 2005 amounted to 6.14%. While from 2006 to 2011. The industry experienced a significant decline in the exports value.

The furniture industry in Central Java and East Java is still relatively more superior and developed compared to the furniture industry in other provinces in Indonesia. While in West Java, according to SME Development Bureau Directorate of Credit, Rural Banks and SMEs Bank Indonesia (2013), in general, it can only meet the needs of the local market and only few are able to fulfill the export market. On the other hand according to the Department of industry and trade of West Java (2015), furniture industry in West Java is classified as one of industry that is seeded in the future. The furniture industry is one of the craft items that have a sizeable market opportunity. Raw materials are generally wood furniture, rattan, and metal. Wood is one of plantation crops, so the wood furniture industry is closely related to the productivity of timber plantations. When compared with the region of Central Java as well as in the district of Jepara, for example for the year 2010 the number of business units furniture industry reached 3,955 with a workforce that is absorbed reached 52,443 people, which then increased in 2011 to 4,022
business units with a workforce absorbed by 53,334 people. It shows that the development of
the furniture industry in West Java is still not as good as in Jepara.

From the above phenomenon, it was revealed that the furniture industry, especially in
West Java, face problems in marketing performance as indicated by the difficulty in increasing
sales performance, where the value of exports is a barometer of the low performance of the
industry's sales of furniture products over the years. Where according Pimenta da Gama (2011:
645) the measurement of marketing performance on the financial side can be measured by
sales, profit, and cash flow.

The low performance of marketing, allegedly due to the competitive strategy run by the
furniture industry in West Java is not appropriate yet. Barney (2010) argues that competitive
advantage is achieved if the resources of a company is worth that capable in creating products
and services that are valuable, rare (competitors do not have access to get it), can not be
imitated (competitors cannot easily imitate), and appropriate (companies have and can exploit
them). According Wheelen & Hunger (2012) Competitive strategy can be achieved by running
multiple generic strategy based on cost and differentiation.

Current conditions, many furniture products have similar model among the producers.
Producers usually create a model that is a trend in the market without making any extra features
or add the uniqueness of the products so that the products sold similar with competitor's
products. Besides the variety of products that are sold on average almost similar to competitors,
except in a few companies with branded are already quite well known. In terms of price was
relatively similar, thus indicating that the cost leadership has not been implemented properly.
Meanwhile, Teeratansirikool et al (2012) found that in general, the whole positive competitive
strategy significantly improve corporate performance through performance measurement.

These conditions, also allegedly occurred because the company has not been optimally
implement market orientation. Companies of furniture products have not been optimally use the
information media and carrying out periodic surveys to explore customer needs and
requirements. In addition they are also relatively not been able to apply for external analysis in
observing and adapting competitors' weaknesses and strengths, so that the business process is
still running conventionally. It causes relatively customers have not received a superior value
from furniture products manufacturer. Yet according to Narver & Slater (1990), market
orientation is an organizational culture that encourages behavior in creating superior value for
customers, which in turn will encourage the creation of sustainable superior performance. The
conceptual model of market orientation consists of three (3) dimensions: (1) Customer
Orientation; (2) Orientation Competitors and (3) interfunction coordination.
Based on the above background, this study aimed to investigate the effect of market orientation and competitive strategy on marketing performance of furniture products in West Java.

LITERATURE STUDY

Market Orientation

Mahmoud et al (2011, p.318) stated “Market orientation is a business philosophy that puts the customer first and is widely recognized for its path to competitive advantage”. Kohli & Jaworski (1990) argued that market orientation is defined as the collection of information; dissemination of information, and quick response to customer needs and preferences of current and future. Others say, market orientation is one of the topics of interest and importance in observing the phenomena that occur in a company or a business unit, particularly with regard to the company’s strategy in conducting marketing activities of products and services and the management strategy of a company. Even academics and business practitioners consider that the market orientation is the center of marketing and strategy management (Narver & Slater, 1990).

Refer to Narver & Slater (1990), market orientation is an organizational culture that encourages behavior in creating superior value for customers, which in turn will encourage the creation of sustainable superior performance. The conceptual model of market orientation consists of three (3) dimensions: (1) Customer Orientation; (2) Orientation Competitors and (3) interfunction coordination. Customer and competitor orientation includes all activities involved in obtaining information about buyer and its competitors on the target market and spread through the business, while interfunctional coordination based on customer and competitor information which consists of businesses coordinated.

Customer orientation is a comprehensive understanding of customer purchasing targets with the aim to create superior value for buyers continuously. Meanwhile, competitor orientation means that companies understand the short-term strength, long-term capabilities and weakness, as well as strategies of the potential competitors. This understanding includes whether competitors using new technologies in order to retain existing customers. As for interfunctional coordination is the use of the company’s resources are coordinated in creating superior value for customers targeted (Narver dan Slater, 1990).

Opoku & Essien (2011) refer to Kohli dan Jaworski stated that: “market orientation is defined as ‘organisation-wide generation of market intelligence pertaining to current and future customer needs dissemination of intelligence across department and organisation wide responsiveness to it’ (p. 6). thus, the market orientation construct proposed in this definition includes intelligence generation, intelligence dissemination and responsiveness”.
Competitive Strategy

Hubbard dan Beamish (2011, p.20) stated on business strategy “how one particular organisation positions itself relative to competitors to create sustainable competitive advantage within its industry”. Wheelen dan Hunger (2012, p.183) explained that: “competitive strategy raises the following question: 1. Should we compete on the basis of lower cost (and thus price), or should we differentiate our products or services on some basis other than cost, such as quality or service? 2. Should we compete head to head with our major competitors the for biggest but most sought-after share the market, or should we focus on a niche in which we can satisfy a less sought-after but also profitable segment of the market?”

Michael Porter proposes two generic strategies for outperforming other corporations in a particular industry: lower cost and differentiation. The strategies are called generic because these can be pursued by any type of size of business firms, even by not-for profit organization (Wheelen & Hunger, 2012, p.185).

Pearce & Robinson (2013, p.195) argues that “generic strategy is a core idea about how a firm can best compete in the marketplace”. Based on the scheme developed by Michael Porter, Pearce & Robinson (2013, p.195) stated that: “many planners believe that any long-term strategy should derive from a firm’s attempt to seek a competitive advantage based on one of three generic strategies:

1. Striving for overall low-cost leadership in the industry
2. Striving to create and market unique products for varied customers groups through differentiation
3. Striving to have special appeal to one or more groups of customer or industrial buyers, focusing on their cost or differentiation concern”

To be competitive on its market, there are some strategies can be run by organization strategies to establish and defend a firm desired strategic position against its competitors as suggested by Ireland et al. (2013), there are five business-level: cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation

Marketing Performance

Pimenta da Gama (2011, p.645) explain: “The word “marketing” is commonly used to delineate very different things. On the one hand, it is considered as a management philosophy that seeks to express the why and how a company should adapt to and influence its market. On the other hand, it embodies the corporate subsystem, often with the name of the department, which develops a set of tasks regarding marketing implementation. In both definitions, although with differing emphasis, it is possible to identify three dimensions underlying the concept:
(1) an action dimension;
(2) an analysis dimension; and
(3) a culture dimension”


Based on above statement, can be understood that marketing performance show the efficiency and value within marketing.

Conceptual Model
The objective of this study is to investigate the influence of market orientation and competitive strategy on marketing performance of furniture products in West Java, either simultaneously and partially. Then composed a conceptual model in the figure below:

![Conceptual Model](image)

**Figure 1: Conceptual Model**

**METHODOLOGY**
This study uses applied research with a quantitative design using conclusive research approach. Malhotra (2010:104) stated that “conclusive research is to test specifics hypothesis and examine specific relationship”. Conclusive research design consist of descriptive and causality

The unit of analysis of this study is furniture industry and the unit of observation is businesses of furniture in West Java. The coverage of time (time horizon) is cross section/one
shoot, means that information or data is collected directly at the place on the certain time, on 2015. Analysis design used to examine the relationship between variables is Partial Least Square.

The population of this study is merchant of furniture product in the area of research that are West Java. The unit of analysis is furniture industry and the unit of observation is merchant businesses of furniture in West Java. Based on the data of Ministry of Industry in 2014 known the number of businesses of excellence furniture of wood or rattan totaled 392. Sample size of 80 is calculated by using Slovin Formula. The samples will be distributed equally to several areas of industrial centers of wood and rattan furniture in West Java.

Data collected was subject to measurement model and structural model testing using Structural Equation Modeling (SEM).

**ANALYSIS AND FINDINGS**

**The analysis of Structural Model** (Inner Model)

The analysis of Structural Model (inner model) show the relationship among latent. Inner model is evaluated by:

a. The value of R Square on endogenous construct. The value of R Square is determination coefficient of endogenous construct. Refer to Chin (1998), R Square value as amount as 0.67 (strong), 0.33 (moderate) and 0.19 (weak).

b. Prediction relevance (Q square) or known as Stone-Geisser's. This test done to measure prediction capability with blindfolding procedure. If the value is 0.02 (low), 0.15 (moderate) dan 0.35 (big). This test only done to endogenous construct with reflective indicators.

Below is the value of R Square and Q-Square of construct:

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach Alpha</th>
<th>R Square</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation</td>
<td>0.5666</td>
<td>0.9442</td>
<td>0.9358</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Strategy</td>
<td>0.5015</td>
<td>0.8751</td>
<td>0.8328</td>
<td>0.5015</td>
<td></td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0.5637</td>
<td>0.7945</td>
<td>0.6112</td>
<td>0.8454</td>
<td>0.5637</td>
</tr>
</tbody>
</table>

The table show that the value of $R^2$ is in the strong criterion (bigger than 0.6 = strong), and the value of Q square also large, so that can be concluded that research model has been support by empirical condition or can be said that the model is fit.
The analysis of Measurement Model (Inner Model)

Measurement model analysis points to the link between manifest variables (indicators) with each of the latent variables. Analysis of the measurement model aimed at testing the validity and reliability of the dimensions and indicators used in measuring each variable research that is the construct. Analysis of the measurement model can be explained by value:

a. Discriminant validity; here can be seen from the value of square root of average variance extracted (AVE). The suggested value is greater than 0.5

b. Construct Validity, that is explained by the value loading factor. According to Chin (2000) if loading factor of measurement model greater than 0.50 or t count value of loading factor is greater than t table at the significance of 5%, then the dimension can be stated as valid in measuring variable.

c. Composite Reliability and Cronbachs Alpha is used to measure the reliability of dimension in measuring variable. If the Cronbachs Alpha value is greater than 0.70 (Nunnaly, 1994), the dimension and indicators are stated as reliable in measuring variable.

Table 1 shows that the values of AVE > 0.5, it show that all of variables in estimated model is meet the criteria of discriminant validity. Composite reliability and Cronbachs Alpha of all variables > 0.70, the can be concluded that all of variables have good reliability.

| Measurement Mode | Original Sample (λ) | Standard Error (STERR) | T Statistics (|λ/STERR|) |
|------------------|---------------------|------------------------|------------------|
| X11 <- Customer  | 0.787               | 0.047                  | 16.633           |
| X12 <- Customer  | 0.690               | 0.057                  | 12.079           |
| X13 <- Customer  | 0.807               | 0.041                  | 19.694           |
| X14 <- Customer  | 0.834               | 0.034                  | 24.180           |
| X15 <- Customer  | 0.729               | 0.060                  | 12.241           |
| X21 <- Competitor| 0.801               | 0.056                  | 14.313           |
| X22 <- Competitor| 0.743               | 0.061                  | 12.254           |
| X23 <- Competitor| 0.801               | 0.051                  | 15.690           |
| X24 <- Competitor| 0.764               | 0.050                  | 15.215           |
| X25 <- Competitor| 0.841               | 0.045                  | 18.723           |
| X31 <- Interfunctional Coordination | 0.777 | 0.050 | 15.513 |
| X32 <- Interfunctional Coordination | 0.811 | 0.041 | 19.941 |
The results of the analysis of the measurement model to the variables on the dimensions of research shows that all dimensions are valid with the value of t count > 1.99 (t table at α=0.05). Following figure show the result of complete path diagram:

Figure 2. Complete Path Diagram of Research Variables
Simultaneous hypothesis testing

Table 3. Simultaneous hypothesis testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>$R^2$</th>
<th>F count</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation and competitive strategy $\rightarrow$ Marketing Performance</td>
<td>0.845</td>
<td>209.89*</td>
<td>Hypothesis accepted</td>
</tr>
</tbody>
</table>

* significant at $\alpha=0.05$ (F table =3.115)

According to the table above test is known that with a 95% confidence level ($\alpha=0.05$) simultaneously there is the influence of market orientation and competitive strategy on marketing performance in the furniture industry in West Java, where the influence of these variables is equal to 84.5%.
Partial Hypothesis Testing

Table 4. Partial Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>$\gamma$</th>
<th>SE</th>
<th>T</th>
<th>R-square</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation $\rightarrow$ Marketing Performance</td>
<td>0.354</td>
<td>0.105</td>
<td>3.359*</td>
<td>0.308</td>
<td>Hypothesis accepted</td>
</tr>
<tr>
<td>competitive strategy $\rightarrow$ Marketing Performance</td>
<td>0.596</td>
<td>0.109</td>
<td>5.463*</td>
<td>0.537</td>
<td>Hypothesis accepted</td>
</tr>
</tbody>
</table>

* significant at $\alpha=0.05$ (t table =1.991)

In the above table partially known that two variables have a significant influence on marketing performance in which competitive strategy has a greater influence than market orientation. Based the hypothesis testing, obtained a research finding as below figure:

DISCUSSION OF FINDINGS

Research Finding illustrates that competitive strategy play a greater role in improving the performance of product marketing furniture in West Java. Competitive strategy is the company's ability to position the product in the market that is relatively superior to competitors. In this case, competitive strategy is assessed from two dimensions, cost leadership and product
differentiation, in which differentiation products have a greater influence than the cost leadership. It explains that the factors that play a dominant role in improving the performance of marketing is product differentiation, and cost leadership. According to Hitt, Ireland, Hoskisson (2015), differentiation strategies are integrated set of actions to produce goods or services (at an acceptable cost) to be different. The role of competitive strategy on performance has also been demonstrated in research of Guarda, Augusto Silva (2011) who argued that competitive advantage can improve performance. Sajjaviriya & Ussahawanitchakit (2015) found that sensing advanced markets have important positive effects on production excellence, customer education, success of marketing movement, and the effectiveness of the competitive effect. Additionally, Abidin, Adros, and Hassan (2014) found for small firms and medium, differentiation strategy enables them to achieve business performance highs, and a number of clients are satisfied, while for large-sized enterprise, the strategy gives a positive improvement in the number of projects handled.

While in the area of West Java, according to the Bureau of MSME Development Directorate of Credit, Rural and SME Bank Indonesia, in 2013, in general, the furniture industry in West Java can only meet the needs of the local market and only few are able to meet the export market. It is related to the lack of differentiation of the products when compared to products from other regions. In addition, there are other factors that affect the performance of the marketing of furniture products, such as the weakening of the rupiah. For export purposes, the weakening rupiah against the dollar could be profitable, but if there are materials to be imported, and its target audience is local, of course, will increase the company's costs. Another factor is the weakening economy.

Meanwhile, market orientation also play a role in improving the performance of product marketing furniture. Refer to Narver & Slater (1990), market orientation is an organizational culture that encourages behavior in creating superior value for customers, which in turn will encourage the creation of sustainable superior performance. The conceptual model of market orientation consists of three (3) dimensions: (1) Customer Orientation; (2) Orientation Competitors and (3) interfunction coordination. Customer and competitor orientation includes all activities involved in obtaining information about buyer and its competitors on the target market and spread through the business, while interfunctional coordination based on customer and competitor information which consists of businesses coordinated.

The results are consistent with Friesen (2013) which showed that market orientation has a positive correlation with the relative market share, the overall performance and the success of new products. These results also in line with Zaman et al. (2012) on the impact of internal
marketing on organizational commitment of banks, market orientation and business performance.

CONCLUSION AND RECOMMENDATIONS

Competitive strategy has the greatest role in the achievement of marketing performance compared to the market orientation. Implementation of product differentiation, through the creation of product excellence that are not owned by other companies, the creation of variation products better than the competitor’s products, creating convenience for customers to have the products, the creation of unique products compared to competitors, are any aspects that predominantly able to improve marketing performance. Another aspect that plays a role in improving the performance of marketing is cost leadership, which is implemented through the establishment of more efficient operational costs, product pricing more competitive than competitors, and the determination of the cost of services more efficient.

Referring to the results of studies showing that competitive strategy has a dominant influence in improving the performance marketing industry furniture products, it is recommended the management to improve the following aspects of this:

a. Product differentiation, through the improvement of the ability of company in:
   1. The creation of product excellence that are not owned by other companies
   2. The creation of variation products better than the competitor’s products
   3. Creating convenience for customers to have the products
   4. The creation of unique products compared to competitors

b. Cost leadership, through the improvement of the ability of company in:
   1. The establishment of more efficient operational costs
   2. Product pricing more competitive than competitors
   3. The determination of the cost of services more efficient.

Referring to the results of studies showing that the market orientation affect in improving marketing performance, it is recommended that the management of the furniture products industry in West Java to improve the following aspects of this:

a. Customer orientation, through the improvement of:
   1. The intensity in implementing periodic observations to determine the wants and needs of customers and to know the staff understanding of customer orientation
   2. The ability of management to provide a diversity of features and completeness of product information for customers, the creation of the diversity of products that fit customer needs and requirements, and improve speed in serves customers.
b. Competitor orientation, through the improvement of:
   1. The ability of management to use the information tools to understand the advantages and disadvantages of competitors
   2. Encourage employee participation in external training
   3. Develop a formal meeting to improve staff understanding of strengths and weaknesses of competitors, more intensively
   4. Develop a formal meeting to understand the opportunities arising from the weaknesses of competitors, more intensively
   5. The ability to respond to changes in competitors precisely

c. Interfunctional coordination, through the improvement of:
   1. Develop a formal meeting for internal coordination, more intensive
   2. Develop an informal meeting for internal coordination, more intensive
   3. Develop more complete data base of employee

The research findings in this paper, is expected to be a reference for academics to conduct research development, by making these findings as part of the premise in preparing the framework. Other academics can do research on the furniture products industry, with materials as diverse as wood, rattan, metal, or other alternative materials, both in West Java or in other province, or within the scope in Indonesia.

REFERENCES


