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Achieving sustainable competitive advantage through product innovation and market driving

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ABSTRACT

The purpose of this study is to analyze and provide empirical evidence on; - To examine the relationship between product innovation and sustainable competitive advantage, - To examine the relationship between product innovation and market driving and - To examine the relationship between market driving and sustainable competitive advantage. The population of this study is rabbit meat merchants with a total 110 people in the district of Ngablak Magelang. Techniques of data collection a done by distributing a questionnaire to the respondent and made documentation or records of the sources of the requires data. The analysis used in this study is by using the concept of Structural Equation Model (SEM) with Partial Least Square (PLS) program. The results of the study show that the effect of Product innovation (PI) on sustainable competitive advantage (SCA) is positive significant, The effect of Product innovation (PI) on Market Driving (MD) is positive significant, The effect of Market driving (MD) on sustainable competitive advantage (SCA) is positive significant. The implication of this study found that product innovation, market driving significantly affects sustainable competitive advantage.

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1. Introduction

Competition in the business world is unavoidable, for that, every effort is required to always know, understand what is happening in the market, what customer wants; and understand the changes in the business environment so as to compete with others. For that reason, an attempt to understand what and how to manage a variety of resources owned to win the competition and create competitive advantage must always be created.

Preparation of new products in the face of competition from rivals is one way to win competition through product innovation. Innovation means observing consumers to find and satisfy customers by providing new products, creating innovation in order to have a strategic position in the market and withstand attacks from competitors with the main objective to meet the market demand. As a result, it can be used as a competitive advantage for a business. Therefore, companies are required to provide new thoughts, ideas and innovative products.

This becomes value created by a business to able to continuously be used by customers in form of sustainable competitive advantage to meet customers' demands and complaints of product quality, customer needs, procurement of new markets and the existence of continuous product innovation.

Besides product innovation strategy, location factors may also affect the competitive advantage in the rabbit meat culinary, especially in terms of accessibility. The proximity to the market is also a very important thing to consider in choosing a location.

Driving Market competition could encourage businesses of rabbit meat to pursue high innovation in order to achieve a sustainable competitive advantage. Sustainable competitive advantage is the value created by the company for its customers, continuously. Sustainable competitive advantage can be seen from the accuracy of the company in the market to provide products in response to consumer demands and complaints of product quality, customer needs, procurement of new markets and product innovation.

For years, there is a decline in rabbit outlets establishment. In 2006, there are only 3 outlets. Furthermore, in 2007, 2008, 2011 and 2012, there is only 1 to 2 stalls existing. In addition, rabbit cultivation is mostly done by breeder/community. So that, it creates a potential competitive advantages to create product market (*Market Driving*).

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Due to the emergence of competition in the business world, the owner of the rabbit meat culinary is required to always know and understand what is happening in the market and what the consumer desires, as well as changes in the business environment, so as to compete with other culinary. Therefore, for the rabbit meat, in order to be acceptable by all community, it needs to develop technologies for processing other meat, especially to process meat products preferred by consumers.

The rabbit meat has better quality than the other cattle meats, for example the structure of the meat is more subtle; the color and physical are nearly equal to the chicken; and the nutrients and protein are sufficiently high; fat and cholesterol are low. And the skin and fur can be used to craft business such as hats, shirts, wall hangings, bags, shoes and others. Moreover, It is able to provide opportunities for rabbit meat with innovations on processed meat such as rabbit satay which has a high economic value if compared to other processed meats.

Rabbit meat is a sector having great potential to be bred as providers of meat, because it has the capability of growth and rapid development. It is expected to meet the needs of the Indonesian population about proteins increasing every year. Rabbit meat market is limited to the sale of *sate* (roasted meat) and *curry*. The less popular of rabbit meat causes low levels of cuts in the supply of rabbit meat in large quantities.

Related to the marketing of rabbit meat, therefore, an effort needs to be done by conducting a research related to sustainable competitive advantage through innovation and market driving product for community especially in rabbits.

2. Literature review

2.1. Sustainable competitive advantage

A corporate is said to have sustainable competitive advantage when the existed or potential competitors can not duplicate or it will cost much to imitate. When following strategic resources based view, corporate's resources must be valuably utilizing chances/or neutralizing threats, this must be scarce, imperfect imitable, and not bias to have equal changes for sustainable human resources (Dirisu, Joy, Iyiola, & Ibiidunni, 2013).

Innovative and competitive are able to affect competitive advantage. It needs to be taken into account that corporate ability to innovate causes competitive advantage. Considering that innovation may require resources to change an organization/business into competitive corporate, besides, corporate's resources are important to make innovation. Other important factors are such as consumers' behavior may be considered as strength which can affect their behavior that finally can affect innovative behavior and innovation of a corporate entirely (Filová, 2015).

Tighter competition and more critical consumers in selecting a product demand corporates to be more innovative in producing their products, product success will lead to its market performance, this is where a product will be considered by consumers, whether the products have something difference and competitive compared to other products of other competitors (Racela & Olimpia, 2014). Each corporate which competes in an industry must have competitive strategy, either explicitly or implicitly. Actually, competitive strategy is based on developing general formula about how a business will take a competition, what actually becomes its goal, and what policy is needed to achieve the goal. Competitive strategy refers to a combination between final goal and instrument (policy) where a corporate affords to get there (Zaini, Hadiwidjojo, Rohman, & Maskie, 2014).

The types of competitive advantage include: the entry of new competitors, the threat of substitute product substitution, the

power of buyers and suppliers bid, and the competition among competitors. Competitive advantage is a position where a company controls over a business competition arena, they have advantage that are not easily imitated, making a company can seize and maintain market as leadership position.

Some indicators used to measure competitive advantage are product uniqueness, product quality, and competitive price. The first indicator refers to product uniqueness of a company which combines arts and customer desire. Product quality refers to quality of design from company quality. While competitive price, the last indicator, is an ability of company to adjust its product price to general price in the market (Dirisu et al., 2013).

In long term competitive advantage, companies acquire sustainable competitive advantage through their ability in developing a set of main competence so that they can service their targeted customers better than their competitors. The main competence refers to a set of unique competence which is developed in a company in its main fields, such as quality, customer service, team coaching innovation, flexibility, responsiveness so that it can surpass its competitors (Srivastava, Franklin, & Martinette, 2013).

The existence of innovation or product innovation is basically to fulfill market request. So that innovative product is one of things which can be used as competitive advantage for companies. Product innovation is a way to improve value as a concordance of Business Corporation which can bring companies to achieve competitive advantage and market leader (Schreiber, Ermer, Figuerido, & Zeni, 2016).

The finding of the study showed that the higher new product innovation, the higher sustainable competitive advantage, which means that new product innovation really has an effect on sustainable competitive advantage of an organization. Because it is not easily imitated, then this is a competitive strategy to support the success of a Vendor for a long period of time (Kuntjoroadi & Safitri, 2014).

Based on the thought above, the hypothesis proposed in this study is:

H1. Product Innovation has positive effect on sustainable competitive advantage.

2.2. Product innovations

Yusof, Roddin, and Awang (2015) declares that definition according to us countil on competitiveness is the transformation of knowledge be process, products and services new. Innovation can also defined as application new ideas into products, process or other aspects in an activity company. Innovation focused against process for commercialize idea into something we consider. Innovation splits into five different types namely new products, method of new production, supply source new eksploitasi new markets and new ways to manage business.

Yasil, Koska, and Buyukbese (2015) defines innovation in different ways that most of the focus on improving the technology or development of products. Capability of innovation as the company performance through different types of innovation to achieve an increase in overall in the innovation. Innovation must use the production and marketing technology to produce new product, service to consumers and attributes new products to consumers. Panigrahy and Pradhan (2015) said that innovation was a new idea of recombination old ideas unique considered new by individuals engaged and can be developed internally. The companies innovation is to involve the generation or adopt an idea or new behavior so it can become a new product or service, the production of new technology any surgical procedure or a new strategy or strategy new management.

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