

Determinants of Competitive Advantage and Their Impact on Consumer Satisfaction at Chicken Restaurants in South Jakarta

Kumba Digdowiseiso¹, Rahayu Lestari²

^{1,2}Faculty of Economics and Business, University of National, Jakarta, Indonesia

kumba.digdo@civitas.unas.ac.id

Abstract

Changes in consumer behavior through the appetite of the younger generation, lifestyle, digital technology make producers and marketers start thinking about using a superior marketing strategy among their competitors. Increased sales will be achieved if it can create a competitive advantage among chicken restaurants. This study aims to analyze the effects of market orientation and product innovation on competitive advantage and customer satisfaction. It also investigates the effect of competitive advantage on customer satisfaction. The study was conducted on 150 culinary SMEs (Small-Medium Enterprises) of the Chicken Restaurant in the South Jakarta area. The primary data obtained from interviews with completeness in the form of a questionnaire. While, secondary data is collected from information on SMEs and the internet. We utilized the Structural Equation Modeling (SEM) method with the help of LISREL 8.70 software. Our result found that both market orientation and product innovation together produced a significant effect on competitive advantage. We also found that market orientation, product innovation, and competitive advantage together affected customer satisfaction.

Keywords

market orientation; product innovation; competitive advantage; customer satisfaction



I. Introduction

The chicken-based food businesses are currently mushrooming. Moreover, the behavior of Indonesian consumers related to the taste of food made from chicken is significantly rising. Such condition encourages restaurant owners to further increase their business and to compete with other restaurant owners through various marketing strategies.

Additions and changes to chicken-based food menu variants are steadily increasing, starting from fried chicken, grilled chicken, smashed chicken to crunchy chicken. These variations indicate the superiority of the products they sell. The tastes of Indonesian consumers as a consumer and as a restaurant customer encourage marketers to improve marketing strategies so that they are able to survive in the midst of competition among chicken-based restaurants.

The changing business environment requires companies to be able to create new ideas and to offer innovative products. In conducting product innovation, there are three important things that must be considered, including product advantages, product uniqueness, and product costs (Gatignon & Xuerob, 1997). Companies that always try to design their products according to customer demand will be able to survive in the face of competition because the product is still liked by customers.

Market orientation is a business culture in which the company has a commitment to continue to be creative in creating superior value for customers. Grinstein (2008) viewed market orientation as one of the elements of companies that implemented consumer

orientation. Furthermore, Grinstein (2008) explained that the company's market orientation behavior has three components, namely consumer orientation, competitor orientation, and inter-functional coordination orientation where these components must be supported by a relevant culture.

Previous studies showed that both market orientation and product innovation had a positive and significant effect on customer satisfaction (Hutagalung, 2017) and competitive advantage (Alwi & Handayani, 2018; Dewi et al., 2019). Furthermore, both Evi (2016) and Santosa (2018) proved that competitive advantage produced a positive and significant effect on customer satisfaction. Based on the above background, the purpose of this study is to determine the effects of market orientation and product innovation on competitive advantage and customer satisfaction. We also investigate the effect of competitive advantage on customer satisfaction.

II. Review of Literature

2.1 Market Orientation

According to Narver et al. (1998), market orientation is defined as the most effective and efficient organizational culture in creating behaviors that are important for the creation of superior value for consumers and will be superior performance for businesses. As we explained earlier, market orientation has three important characteristics that constitute competitor orientation, coordination of interrelated functions, and customer orientation. Competitor orientation is a corporate culture that always seeks information about the strategies and products offered by competitors in order to win the competition. Coordination of interrelated functions is demonstrated through dissemination of market information to members of the organization as well as human resource involvement in marketing activities and new product development. Customer orientation can be defined as a group of actions taken by a business to support its sales and services staff in considering client needs and satisfaction their major priorities.

2.2 Product Innovation

Larsen & Lewis (2007) stated that one of the most important characteristics of entrepreneurs was their ability to innovate. Without innovation, the company will not be able to last long. This is due to the changing needs, wants, and demands of customers. Customers will not always consume the same product. They will look for other products from other companies that are felt to satisfy their needs. For this reason, continuous innovation is needed if the company will continue to stand with its business. Innovation is something related to goods, services or ideas that are perceived as new by someone. Although the idea has been around for a long time but this can be said to be an innovation for people who have just seen or felt it.

2.3 Competitive Advantage

Competitive advantage is the ability of a company to provide added value to its products compared to its competitors and that value does bring benefits to customers (Porter, 1985). So competitive advantage is an important thing to face the competition since competitive advantage can be interpreted as a strategy benefit from a company that cooperates to create an effective competitive advantage in its market. Therefore, the strategy must be designed in such a way as to realize a sustainable competitive advantage so that the company can dominate the market and achieve company goals.

2.4 Customer Satisfaction

According to Kotler & Keller (2015), satisfaction is a person's feeling of pleasure or disappointment that arises after comparing the expected performance to the actual performance. In other words, someone feels satisfied if the results obtained are at least able to meet their expectations, while someone feels dissatisfied if the results obtained do not meet their expectations. Satisfied consumers also tend to give good references to products or services to others. The increase in the value of the company's shares, the higher the company value, the higher it will be (Katharina, 2021). In the current economic development, manufacturing companies are required to be able to compete in the industrial world (Afiezan, 2020). The existence of the company can grow and be sustainable and the company gets a positive image from the wider community (Saleh, 2019). According to Yunita and Waruwu, customer loyalty is a form of customer loyalty to the satisfaction that has been felt at every time shopping so as to foster a sense of loyalty and become a regular customer. (Mella & Waruwu in Harahap, 2021). Customer loyalty can occur after the customer is satisfied, and customers will feel satisfied if they get the best service quality (Rizal Zulkarnain, et. Al, in Marliyah, 2021). The customer value can be triggered by some factors related to association, i.e. marketing and individual environment, which provide support or motivation to use the service as expected (Kusumadewi, 2019). According to Priansa in Nusjirwan, 2020) "Implementation of communication activities to customers within the company is carried out formally, however, currently there are also companies that practice their communication activities to consumers in an informed manner so that they can explore in-depth information from customers".

2.5 Analytical Framework

Companies that apply market orientation have a competitive advantage in terms of customer knowledge and this advantage can be used as a source to create products that are in accordance with customer desires and needs (Porter, 1985). Companies that are able to create or design product innovations based on consumer desires can be a weapon in surviving in the midst of competition because products are still in demand by consumers. In the end, product innovation is a strategy to increase the value of the product as the key to success that brings the company a competitive advantage (Porter, 1985). Previous studies also supported the theoretical framework. For example, Alwi & Handayani (2018) and Dewi et al. (2019) showed that both market orientation and product innovation can increase competitive advantage

Meanwhile, market orientation and product innovation is closely related to customer satisfaction (Narver et al., 1998; Kotler & Keller, 2015). Customer expectations for product innovation and market orientation generated by the company will get a high value from customer satisfaction and will further create customer pleasure. For this logic, Hutagulung (2017) proved that both market orientation and product innovation can significantly improve customer satisfaction. Meanwhile, competitive advantage can be achieved by submitting offers that are more satisfying to customers compared to its competitors. This competitive advantage is very important for a business in retaining customers and presence in the industry (Porter, 1985). Previous studies from Evi (2016) and Santosa (2018) confirmed that competitive advantage was positively and significantly correlated on customer satisfaction.

All in all, we set the hypothesis, as follows:

H1: There is a positive and significant influence between market orientation and competitive advantage;

H2: There is a positive and significant influence between product innovation and competitive advantage;

H3: There is a positive and significant influence between market orientation and customer satisfaction;

H4: There is a positive and significant influence between product innovation and customer satisfaction;

H5: There is a positive and significant influence between competitive advantage and customer satisfaction.

III. Research Methods

This research is a survey research with a quantitative approach in which the aim of this study investigates causal relationships. Specifically, we want to analyze the effects of market orientation and product innovation on customer satisfaction through competitive advantage. To test the hypothesis, previously we set our respondents as the traders of Fried Chicken, Smashed Chicken, Grilled Chicken, and Crunchy Chicken in South Jakarta. Samples were taken as many as 150 respondents using purposive sampling technique.

The research variables are the independent variables consisting of market orientation, product innovation; competitive advantage as an intervening variable; and the dependent variable of customer satisfaction. Tests were carried out on various instruments related to the Structural Equation Model to see the suitability of the model. Hypothesis testing was done using Lisrel 8.70 software.

IV. Discussion

The structural equation model is presented as follows:

$$CA = 0.073*MO + 0.60*PI, \text{ Errorvar.} = 0.43, R^2 = 0.20$$

(1)

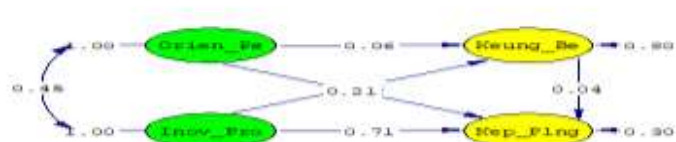
(0.13)	(0.18)	(0.12)
0.58	3.36	3.58

$$CS = 0.021*CA + 0.14*MO + 0.59*PI, \text{ Errorvar.} = 0.054, R^2 = 0.70$$

(2)

(0.060)	(0.072)	(0.14)	(0.024)
0.35	1.92	4.18	2.23

Based on equation 1, the path coefficient of the market orientation is 0.073 while the coefficient of product innovation is 0.60. Meanwhile, on equation 2, the path coefficient of the market orientation is 0.14 while the coefficients of product innovation competitive advantage are about 0.59 and 0.021, respectively.



Chi-Square=87.19, df=48, P-value=0.00046, RMSEA=0.074

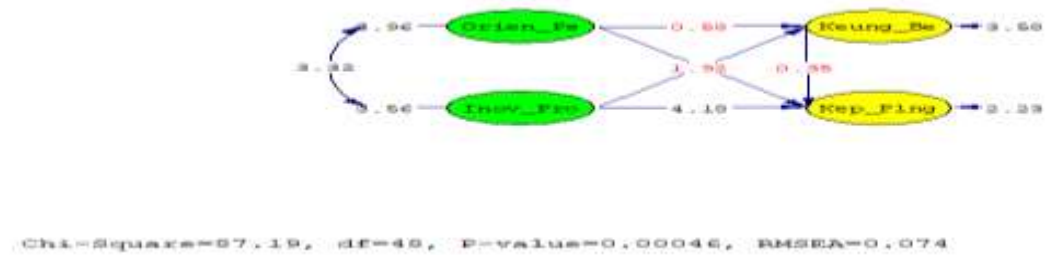


Figure 1. Structural Hypothesis

Source: Authors' own calculation, 2021

Based on Figure 1, the calculated F value > F table, and thus both market orientation and product innovation have a significant and joint effect on competitive advantage. Also, market orientation, product innovation, and competitive advantage have a significant and simultaneous effect on customer satisfaction. The value of the coefficient of determination (R^2) in equation 1 is 0.20. It means that the magnitude of the variation that explains the influence of market orientation and product innovation on competitive advantage is 20%. The remaining 80% is influenced by other factors not examined. Meanwhile, the value of the coefficient of determination (R^2) in equation 2 is 0.70, meaning that the magnitude of the variation that describes the influence of market orientation variables, product innovation, and competitive advantage on customer satisfaction is 70%. The remaining 30% is influenced by other factors not examined.

Based on the results of the analysis, hypothesis testing, and discussion above, it can be found a model as shown in Figure 2.

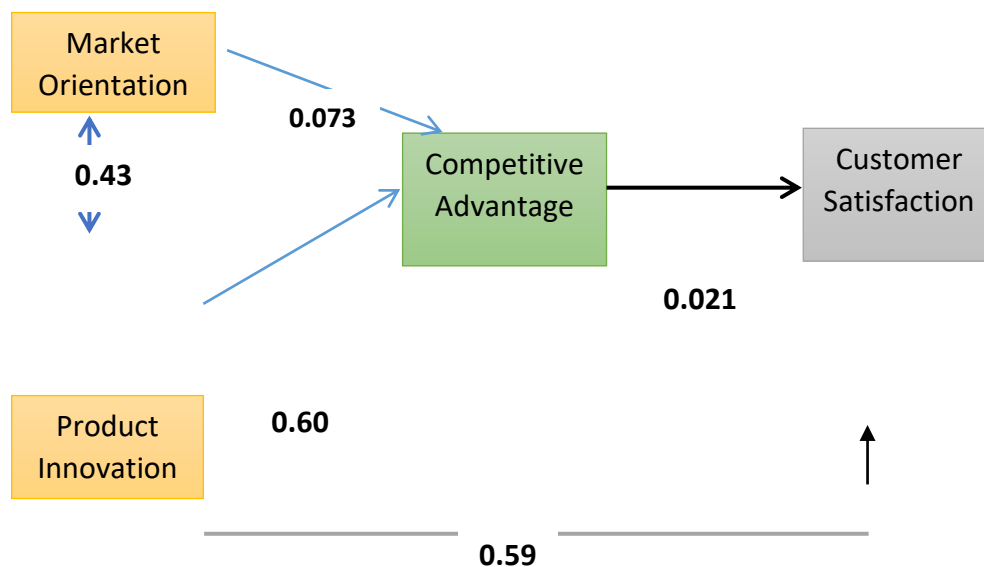


Figure 2: Research Results

Source: Authors' own calculation, 2021

To increase customer satisfaction, especially on the element of "dissatisfaction" felt by customers while receiving and waiting for services, then chicken food traders in South Jakarta must be able to improve product innovation, especially in the element of "Product

quality development". Also, they are expected to be able to develop product quality that has been made and sale, as well as to create competitive advantage, especially on the element of "Exploration of opportunities". They are also expected to increase the exploration of the opportunities related to food menus with chicken-based ingredients that reflect their characteristics, innovation and creativity.

Customers are starting to show their behavior related to fulfilling tastes so that they are satisfied. Thus, innovation and creativity of the traders are certainly expected by the customers, which is accompanied by the provision of services and handling services. According to the expectations and desires of the customers, these traders will be able to compete and be able to provide more customer satisfaction so that the profits are expected to increase with market orientation.

V. Conclusion

This research was conducted on 150 traders located on South Jakarta. Here, this study aimed to investigate whether market orientation and product innovation had a positive and significant effect on competitive advantage and customer satisfaction. This study also analyzed whether competitive advantage produced a positive and significant effect on customer satisfaction. However, the results indicated that market orientation produced an insignificant result on competitive advantage and customer satisfaction. It means that customers only accept and feel the other side of the traders' marketing other than market orientation. In addition, traders will not be able to increase their competitive advantage. On the other hand, product innovation had a significant effect on competitive advantage and customer satisfaction. It means that the improved product innovation can lead to a competitive advantage and customer satisfaction. This study also found that competitive advantage has an effect but not significant on customer satisfaction. Such result indicates that merchants who excel in competing with the size of sales achievement do not necessarily satisfy their customers.

References

- Afiezana, A., et.al. (2020). The Effect of Free Cash Flow, Company Size, Profitability and Liquidity on Debt Policy for Manufacturing Companies Listed on IDX in 2016-2019 Periods. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 3 (4): 4005-4018.
- Alwi, T., & Handayani, E. (2018). Keunggulan Bersaing UKM yang Dipengaruhi oleh Orientasi Pasar dan Inovasi Produk. *Jurnal Pengembangan Wiraswasta*, 20:3, 193-202.
- Dewi, A.A.A.M.W., Indrayani, L., & Tripalupi, L.E. (2019). Pengaruh Orientasi Pasar dan Inovasi Produk terhadap Keunggulan Bersaing Usaha Kerajinan Perak di Desa Celuk Kecamatan Sukawati Kabupaten Gianyar. *Jurnal Pendidikan Ekonomi*, 11:2, 466-475.
- Evi. (2016). Analisis Pengaruh Tingkat kesuksesan produk baru dan keunggulan bersaing terhadap kepuasan konsumen dan peningkatan kinerja pemasaran. Master Thesis, Universitas Veteran Yogyakarta, Yogyakarta.
- Fahlevi, R.R., Asmapane, S., & Oktavianti, B. (2018). Pengaruh Kinerja Keuangan Terhadap Harga Saham Pada Perusahaan Perbankan yang Terdaftar Di Bursa Efek Indonesia. *Akuntabel*, 15:1, 39-48.
- Gatignon, H., & Xerob, J.M. (1997). Strategic Orientation of the Firm and New Product Performance. *Journal of Marketing Research*, 34:1, 77-90.

- Grinstein, A. (2008). The relationships between market orientation and alternative strategic orientations: A meta-analysis. *European Journal of Marketing*, 42:1/2, 115-134.
- Harahap, I., Nasution, Y.S.J., and Chairina. (2021). Analysis of Muslim Customer Loyalty Shopping for Fashion in the Traditional Inpres I Market in Kisaran. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 4 (1): 28-38.
- Hutagalung, L.W. (2017). Pengaruh Orientasi Pasar dan Inovasi Produk terhadap Kepuasan Konsumen Oriflame Cabang Medan. Undergraduate Thesis, Universitas Sumatera Utara, Medan.
- Katharina, N., et.al. (2021). Influence Capital Structure, Liquidity, Size the Company, Debt Policy and Profitability towards Corporate Value on Property Company, Real Estate and Building Construction Listed on the Stock Exchange Indonesia Period 2016-2019. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 4 (2): 2241-2256.
- Kotler, P., & Keller, K.L. (2015). *Marketing Management* (15th ed.). London: Pearson Education.
- Kusumadewi, R. (2019). The Role of Marketing and Individual Environment Association in Elevating the Customer Value. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 2 (4): 451-460.
- Larsen, P., & Lewis, A. (2007). How Award-Winning SMEs Manage the Barriers to Innovation. *Creativity and Innovation Management*, 16:2, 142-151.
- Marliyah, Ridwan, M., and Sari, A.K. (2021). The Effect of E-Service Quality on Satisfaction and Its Impact on Customer Loyalty of Mobile Banking Users (Case Study of Bank Syariah Mandiri KCP Belawan). *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 4 (2): 2717-2729.
- Narver, J.C., Slater, S.F., & Tietje, B. (1998). Creating a Market Orientation. *Journal of Market Focused Management*, 2:3, 241-255.
- Nusjirwan, Regen, R., and Nardo, R. (2020). The Role of Service Quality and Trust in Building Customer Satisfaction and Loyalty. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 3 (4): 4059-4069.
- Porter, M.E. (1985). *The Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Free Press.
- Saleh, A., Dalimunthe, A.H., and Lubis, F.H. (2019). Development of Banking CSR Model for Community Empowerment Slum Area in Medan City. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Vol 2 (3): 39-50.
- Santosa. (2018). Pengaruh Kualitas Pelayanan dan keunggulan bersaing terhadap keunggulan bersaing. *OPSI*, 1:1, 99-115.