

Analysis of the competitive advantages of UMKM in the fashion sector in Medan City using a mediator approach

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ARTICLE INFO

Article history:

Received Nov 28, 2023
 Revised Dec 01, 2023
 Accepted Dec 08, 2023

Keywords:

Capability;
 Internet;
 Marketing Innovation;
 Medan;
 UMKM.

ABSTRACT

The fashion sector is a factor that has the potential to support economic recovery. Problem Formulation : (1) How does marketing capability influence competitive advantage? (2) How is the influence of innovation ability on competitive advantage? (3) How does marketing ability affect competitive advantage by using the internet as a mediator? and (4) How does the ability of innovation affect competitive advantage by using the internet as a mediator? Research Objectives : To find out and analyze the effect of marketing ability on internet usage. To find out and analyze the effect of innovation ability on competitive advantage. To find out and analyze the effect of marketing ability on competitive advantage with shopping culture as a mediator variable. And to find out and analyze the effect of innovation ability on competitive advantage with shopping culture as a mediator variable. The sampling technique in this study used a non-probability sampling technique. Sampling was carried out with a single stage cluster. The number of samples or respondents in this study were 110 respondents. Data analysis was carried out using the Partial Least Square (PLS) method using SmartPLS version 3 software. Results : The results of the study show that (H1) is supported or accepted, (H2) is supported or accepted, (H3) is supported or accepted, (H4) is supported or accepted, the test results show that there is a positive and significant influence between the ability of innovation on competitive advantage through the use of the internet as a mediator on the competitive advantage of UMKM in Medan city in the fashion industry is accepted

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1. INTRODUCTION

The fashion sector is one factor that has the potential to support economic recovery. The Ministry of Industry (Kemenperin) is encouraging the fashion industry (textiles and apparel) to increase its role in national economic recovery. The Making Indonesia 4.0 program emphasizes that the textile and apparel industry is one of the priority sectors to be developed. In 2020, the export performance of the textile and apparel industry reached US\$10.62 billion with a contribution to non-oil and gas processing industry GDP of 6.76%. On activities "Opening Ceremony of InaFashion Smesco Online Expo 2021", This activity encourages the fashion industry to rise in the face of the current pandemic. So it is part of the government's support to maintain people's consumption power and

help UMKM in the local fashion industry to become one of the main drivers of the national economy. In 2020, clothing exports by Indonesian UMKM reached US\$ 154.47 million. UMKM were able to export to foreign markets reaching US\$ 133.49 million. In March 2021, non-oil and gas exports in the clothing and accessories sector classified as knitted managed to grow by 18.82% (mom) to US\$ 360 million. Meanwhile, exporters of non-knitted clothing and accessories managed to grow by 12.81% at around US\$ 350 million. These two sectors are included in the top 20 non-oil and gas exports in Indonesia.

Empowering UMKM (Micro, Small and Medium Enterprises) in the midst of globalization and high competition means that UMKM must be able to face global challenges, such as increasing product and service innovation, developing human resources and technology, and expanding marketing areas. Marketing capabilities use a marketing mix approach which consists of 8 (eight) capabilities, namely price, product, distribution, promotion, information system sales, marketing planning and marketing implementation (Davicik & Sharma, 2016), marketing resources and capabilities drive business strategy, to gain an advantage in competition and improve company performance. Companies with even basic marketing capabilities are able to create value for customers, achieve competitive advantage and better financial performance (Morgan et al., 2012). UMKM can expand their customer base and attract customers both nationally and internationally. In the context of developing countries, it is hoped that UMKM can become suppliers for large companies and focus on developing marketing capabilities and gaining a better competitive advantage (Acikdilli et al., 2022). Marketing capabilities have a positive and significant effect on sustainable competitive advantage (Mainardes et al., 2022). These results show that the better the marketing capabilities of UMKM that supply large companies, the better the sustainable competitive advantage. (Davicik & Sharma, 2016), which states that companies with well-developed marketing capabilities can produce more value for customers, achieve competitive advantage and good financial performance.

Information technology is a solution that is able to answer the need for complete information for a company, where information technology can accommodate business processes. Through the internet, all information in the world can be found or searched using keywords. Internet and electronic media users in Indonesia are increasing day by day, creating an opportunity for MSME business actors/prospective actors to develop and expand their businesses. Because this is what will make UMKM strong and will continue to survive in the future, helping to become a defense for the economy so that it does not experience bad things for life (Febriantoro, 2018).

This research adopts a human resource-based view theory (*resource-based view/RBV*) proposed by (Barney, 1991) regarding the marketing capabilities used by UMKM as a basis for developing their competitive advantages (Davicik and Sharma, 2016); (Acikdilli et al., 2022). *Middle theory* used in this research is dynamic capabilities theory. Dynamic capabilities have dimensions viz *sensing* and *learning*, Where *teaching* is a company's ability to gain new knowledge and apply updates from that knowledge to an organization. Internal capabilities *sensing* This aims to ensure that a company will be ready to face pitfalls when running a business and adapt responsively to a new environment (Linares et al., 2020). And to realize sustainable competitive advantage, market strategy requires the resources and capabilities that the market has in managing these resources in the production process. *Apply theory* in this research consists of marketing ability, innovation ability, and internet use.

Competitive advantage is a company's ability to manage and improve all the resources it has in order to create products that are better than competitors in all aspects so that consumers feel satisfied and the company's market share becomes wider. To develop products, company efforts must always create new products, as well as improve or modify old products, so that they can always meet market demands and consumer tastes.

Marketing capability is an integrated process where a company uses its marketing, customer, supplier, and alliance knowledge as a differentiator in achieving superior performance (Yu et al., 2017). Kability Marketing is the company's ability to carry out various marketing functions as an integration process designed to apply the company's collection of knowledge, skills and resources related to current market needs. Resources in this case are assets, skills, abilities, organizational processes, coordination, information or knowledge that are under the company's

control and can be used to develop competitive strategies. Marketing capabilities can have an impact on company performance in various economic conditions (Wang & Kim, 2017).

Is the ability to apply creativity into something that can be implemented and provide added value to the company's resources (Suryana & Bayu, 2012). Innovation is something that is considered new, such as a new idea, new theory, new hypothesis, or a new method of management in an organization or company. (Soleh, 2008), classifies innovation into several types, among others administrative innovation, technical innovation, product innovation, process innovation, market innovation, incremental innovation.

The potential for internet and electronic media users in Indonesia is increasing day by day, creating an opportunity for MSME business actors/prospective actors to develop and expand their businesses. Because this is what will make UMKM strong and will continue to survive in the future. As well as being a defense for the economy so that it does not experience bad things for life (Febriantoro, 2018). According to (Ahmadi & Hermawan, 2013):68, the Internet is a global communication network that connects all computers in the world even though they have different operating systems and machines. Using the internet is not only for obtaining information, but also for other purposes (Pancaningrum, 2017). Individuals, small businesses and large businesses are starting to market their services or products via the internet. These online marketing efforts are carried out through blogs to the use of professional websites or even online stores (Pancaningrum & Risdwiyanto, 2013).

(Davicik & Sharma, 2016) stated that marketing resources and capabilities drive business strategies to strengthen advantages in competition and improve company performance. Companies that have basic marketing capabilities have the capability to create value for customers to achieve competitive advantage and better financial performance extended to UMKM which are suppliers to large companies (Morgan et al., 2012). The conceptualization put forward by (Vicente et al., 2015) states that innovation capability has different dimensions. Researchers found that innovation capabilities can take advantage of internationalization processes or global markets to reach a wider market share (Losada-Otálora & Casanova, 2014). Previous research shows that UMKM that innovate can produce higher sales growth than companies that do not innovate themselves (Love et al., 2016). The knowledge and experience a customer has with the internet may depend on their use of the internet. The advent of the internet and mobile devices has changed people's shopping behavior. This new lifestyle trend has caused a shift in consumer behavior in choosing products (Teofilus et al., 2019). The use of the internet in business has changed from its function as a tool for electronic information exchange to a tool for business strategy applications, such as: marketing, sales and customer service (Yulia et al., 2020).

The aim of this research is to determined and analyze the Influence of Marketing capabilities on competitive advantage, to determined and analyze the influence of innovation capabilities on competitive advantage, to determined and analyze the influence of marketing capabilities on competitive advantage with shopping culture as a mediator variable, and to determine and analyze the influence of innovation ability on competitive advantage culture as a mediator variable.

2. RESEARCH METHOD

This type of research is quantitative descriptive. The location of the research was carried out in Medan City. The research period starts from September 2022 to February 2023. The population in this research are MSME actors in the fashion sector within the city of Medan. The sample in this study was set at 110 respondents, which are obtained based on the number of indicators in the study x 10. The sampling technique in this research uses *teknik non probability sampling*, the types of data used are primary data and secondary data. Data collection in this research used a survey.

Data analysis was carried out using the method *Partial Least Square* (PLS) use *SmartPLS software version 3*. Validity testing is applied to all question items for each variable. There are several stages of testing that will be carried out, namely through validity testing *convergent validity*, *average variance extracted (AVE)*, and *discriminant validity*. To test reliability can be done via *composite reliability*, a variable can be said *reliable* when it has value *composite reliability* ≥ 0.7 (Sekaran & Bougie, 2016).

The structural model was evaluated using *R-square* for the dependent variable, *Stone-Geisser Q-square test* for *predictive relevance* and *t test* and the significance of the structural path parameter coefficients. In using method PLS, start by looking at the R-Square for each dependent latent variable. The interpretation is the same as the interpretation of regression. Changes in the R-Square value can be used to assess the influence of certain independent latent variables in the dependent latent variable whether they have a substantive influence (Ghozali & Dan, 2017). Apart from looking at the R-Square value, The PLS model was also evaluated by looking at the R-Square predictive relevance for the constructive model. R-square measures how well the observed values are generated by the model and also its parameter estimates.

3. RESULTS AND DISCUSSIONS

Based on the results of research conducted on 110 respondents through distributing questionnaires and interviews with owners of fashion UMKM in Medan, characteristic regarding the type of business, length of business in the fashion sector and location of business can be obtained

Tabel 1 Characteristic of Research Respondent

Characteristic	Frequency	Percentage
Type Of Business in The Fashion Sector		
Clothes	27	25%
Shoe	6	5%
Bag	5	5%
Accessories	13	12%
Etc	59	54%
Amount	110	100%
Length of Business		
>1 Tahun	28	25%
1-3 Tahun	34	31%
3-6 Tahun	21	19%
6 Tahun Lebih	27	25%
Amount	110	100%
Location of Business		
Medan Tuntungan	5	4,5%
Medan Johor	9	8,2%
Medan Amplas	16	14,5%
Medan Denai	11	10,0%
Medan Area	2	1,8%
Medan Kota	9	8,2%
Medan Polonia	1	0,9%
Medan Baru	5	4,5%
Medan Selayang	4	3,6%
Medan Sunggal	4	3,6%
Medan Helvetia	3	2,7%
Medan Petisah	2	1,8%
Medan Timur	11	10,0%
Medan Perjuangan	4	3,6%
Medan Tembung	21	19,1%
Medan Deli	1	0,9%
Medan Labuhan	2	1,8%
Amount	110	100%

Value of R^2 of the internet usage variable is 0.764 and the competitive advantage variable is 0.459. The relationship between the marketing capability variable and the internet usage variable and between the innovation capability variable and internet usage each has a value of 0.764(76%). Meanwhile, the marketing capability variable with the competitive advantage variable and the innovation capability variable with the competitive advantage variable each have a value of 0.459 (46%). While the rest is influenced by other variables not examined in this research. significance values between constructs, *t* – statistics and *p* – values. This research hypothesis testing was carried out with the help of SmartPLS (partial least square) 3.0. These values can be seen from bootstrapping. The rules of thumb used in this research are with a significance level of *p* – value of 0.05 (5%) and the coefficient is positive.

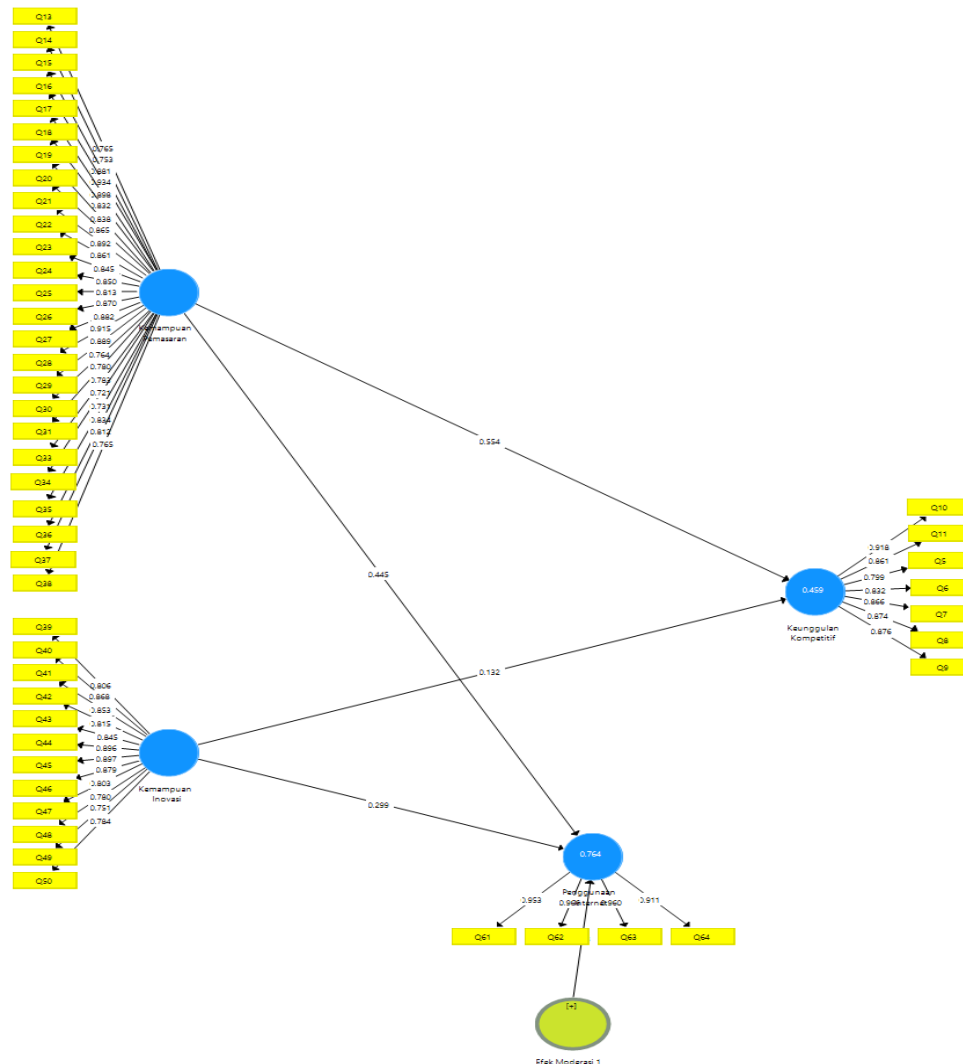


Figure 1. Result of research method

4. CONCLUSION

The analysis results that have been obtained through the method *direct effect* shows that the marketing capability variable has a positive and significant effect on the competitive advantage of fashion UMKM in Medan City with a P - Value of 0.743 which refers to the conclusion that the hypothesis is accepted. This research is also supported by the results of (Mainardes et al., 2022) which shows that marketing capabilities have a positive and significant effect on competitive advantage. The results of this research are also in line with (Morgan et al., 2012) and (Davicik & Sharma, 2016), who state that well-developed marketing capabilities can produce more value for customers and achieve competitive advantage and better financial performance. The analysis results that have been obtained through the method *direct effect* shows that the innovation capability variable has a positive and significant effect on the competitive advantage of fashion UMKM in Medan City with a P - Value of 0.805 which refers to the conclusion that the hypothesis is accepted. The results of this research are in line with research by (Abdulai Mahmoud & Hinson, 2012) which states that companies that have competitive assets and are able to translate them into innovative products will benefit from more competitive performance. The analysis results that have been obtained through the method *direct effect* shows that the marketing capability variable has a positive and significant effect on competitive advantage through the use of the internet as a

mediator variable in fashion UMKM in Medan City with a P - Value of 0.729 which refers to the conclusion that the hypothesis is accepted. Likewise with the results of analysis through methods *direct effect* shows that the innovation ability variable has a positive and significant effect on competitive advantage through the use of the internet as a mediator variable in fashion UMKM in Medan City with a P - Value of 0.770 which refers to the conclusion that the hypothesis is accepted.

Based on the results of the research above, there are several suggestions that researchs can provide which may later be useful. As for the suggestions namely to UMKM in the fashion sector in the city of Medan to continue to increase the resources they have and UMKM actors to able to come up with new ideas or ideas to continue to increase their competitive advantage and become more familiar with the use of the internet which will later be able to bring UMKM to understand their marketing and innovation capabilities.

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