Competitive advantage: Empirical evidence from the small business of culinary

Wan Suryani[1], Marissa Claudya[2]

Department of Management, Universitas Medan Area, Indonesia[1,2]

Abstract

The purpose of this study is to examine the characteristics of the current competitiveness of small culinary businesses, especially in the implementation of entrepreneurial marketing and innovation. This study used a sample of 80 small culinary businesses in Medan City, Indonesia. The analysis using the partial least square method was used to test the constructed model that was built. The results of this study indicate that small culinary businesses organically understand and feel the benefits of entrepreneurial marketing and innovation in increasing competitiveness. However, the impact can still be accelerated by improvements through the intervention of policymakers.

Keywords: Small businesses; culinary; competitive advantage

Introduction

Entrepreneurial marketing is a term that is often associated with marketing activities in a small business and has limited resources and must rely on creative and uncomplicated marketing tactics that rely on the use of personal social networks (Morris, Schindehutte, & Allen, 2005). Entrepreneurial Marketing Implementation can generate more value for customers and organization. Entrepreneurial marketing also explains how decision makers can use limited resources to solve problems optimally (Fillis, 2010).

Theoretically, entrepreneurial marketing should produce innovation because the key to entrepreneurial marketing is the limitation and creativity in dealing with it. According to the Australian Institute for Commercialization (2011), innovation is a dynamic process in which adaptation is needed to deal with changes in resources, technology or economy or even changes in company expectations for innovation. Innovation as an effort by companies through the use of technology and information to develop, produce and market new products for the industry. Therefore, ensuring entrepreneurial marketing has an impact on increasing innovation power (Lundvall, 2004).

Besides having an impact on innovation, entrepreneurial marketing also has a positive impact on competitive advantage. Competitive advantage is the ability of a company to achieve economic benefits above the profits that competitors can achieve

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[1] *wansuryani77@yahoo.com*

in the market in the same industry (Bennett & Smith, 2002; Della Corte & Aria, 2016). Small business that have competitive advantages always have the ability to understand changes in market structure and are able to choose effective marketing strategies. Meanwhile, in Indonesia, there are still many business actors who do not understand the concept of the marketing strategy for the continuity of their business. Various studies show that small businesses in Indonesia still face many obstacles, ranging from financing, expensive production costs, quality human resources to marketing and distribution (Rofik, Lestari, & Septianda, 2018; Suliswanto & Rofik, 2019; Utami, Rofik, & Cahyaningtyas, 2020)

Currently, the culinary business is not just culinary but also leads to tourism (Haiming Liu & Lianlian Lin, 2009; Saeroji & Wijaya, 2017; Tsai, 2013). Several reports also show that the Indonesian culinary industry will continue to grow positively, therefore, many large investors are starting to look to the culinary sector[2]. The entry of medium and large scale investors is one of the threats to small and micro scale culinary players (e.g., small culinary businesses). Therefore, this study aims to obtain the latest data, whether small businesses can implement marketing as one of the important points of driving competitiveness. The data is fundamental to see to what extent the readiness of small businesses to compete with medium and large investors in the competition to seize a growing market.

For the academic, this research will be an expansion of the latest literature on aspects of small business management in the culinary sector; for policymakers, this paper can be used as a basis for decision making related to small business empowerment; and for small business practitioners, this paper can be used as an auto criticism to continue innovation in maintaining and increasing competitiveness.

Research Method

The type of research used in this research was explanatory. This explanatory research tests a hypothesis between one variable and another which influences one another. The population used in this study were all small business in the culinary field registered at the Medan City Cooperative Office. Using Slovin's approach, this study took 80 samples. Referring to the background stated, this research builds a research construct that focuses on the influence of entrepreneurial marketing and innovation on competitive advantage. This study used structure equation modeling (SEM) to test the constructs that are built. The use of SEM is based on efficiency considerations where SEM is able to explain the direct and indirect effects of exogenous variables on endogenous variables. In more detail, the construct model that is built can be seen in Figure 1.

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[2] *See more detail the foundation of the statement in some article below:*

a.   *Gaya Hidup Masyarakat Menjadikan Bisnis Kuliner Menjanjikan, https://www.cnnindonesia.com/gaya-hidup/20170118121405-262-187137/gaya-hidup-masyarakat-menjadikan-bisnis-kuliner-menjanjikan*

b.   *Industri Makanan dan Minuman Masih Jadi Andalan, https://kemenperin.go.id/artikel/18465/Industri-Makanan-dan-Minuman-Masih-Jadi-Andalan*

c.   *Sektor Kuliner Indonesia Tumbuh 12,7%, https://ekbis.sindonews.com/berita/1388028/34/sektor-kuliner-indonesia-tumbuh-127*
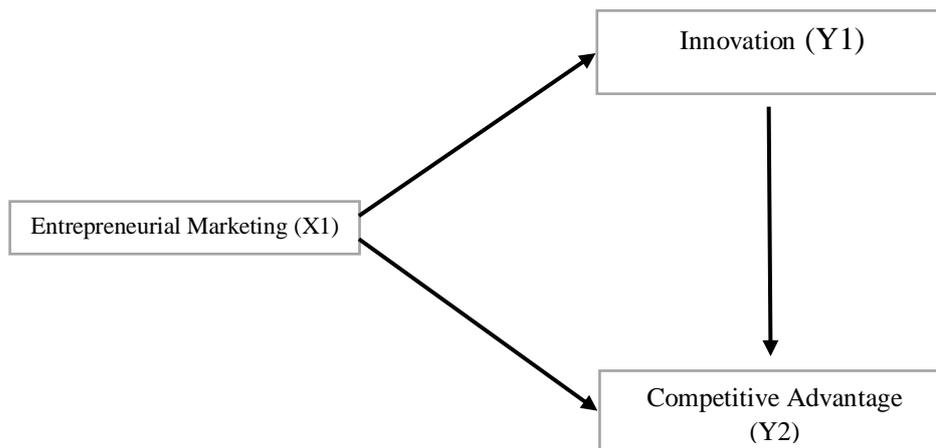
Figure 1. Research framework

Result and Discussion

Convergent validity aims to determine the validity of each relationship between the question items used and the latent variables. The convergent validity of the measurement model with the reflexive indicator was assessed based on the correlation between the item score or component score. From Table 2, it is known that all factor loading values of the Entrepreneurship Marketing (X), Innovation (Y1) and Competitive Advantage (Y2) indicators are greater than 0.6. This shows that the indicators are valid.

After convergent validity, the next evaluation is to see discriminant validity with cross loading. Discriminant validity of the measurement model is assessed based on cross loading measurement. If the construct with the principal measurement of each indicator is greater than the measure of other constructs, then the latent construct predicts the indicator better than other constructs. Based on the cross loading value, it can be seen that all the indicators that make up each variable in this study (the values in bold) meet discriminant validity because they have the largest outer loading value for the variables it forms and not the other variables. Thus all indicators in each variable in this study have met the requirements for discriminant validity.

Model Evaluation

Evaluation of the measurement model with the square root of average variance extracted is to compare the AVE root value with the correlation between constructs. If the root AVE value is higher than the correlation value between constructs, then good discriminant validity is achieved. Also, an AVE value greater than 0.5 is highly recommended. The next test to analyze the outer model is to look at the latent variable construct reliability as measured by two criteria, namely the composite reliability and Cronbach alpha from the indicator block that measures the construct. The construct is declared reliable if the Composite reliability value and the Cronbach alpha value are above 0.70. The AVE value for the three constructs is greater than 0.5, so it can be concluded that the evaluation of measurement models has good discriminant validity.

Table 1. Outer model

Variable	Coefficient	(STDEV)	T-Statistics	P-Value
X1.1←X	0.655	0.071	9.243	0.000
X1.2←X	0.913	0.016	57.996	0.000
X1.3←X	0.860	0.035	24.431	0.000
X1.4←X	0.857	0.032	26.764	0.000
Y1.1←Y1	0.907	0.025	36.975	0.000
Y1.2←Y1	0.926	0.014	64.119	0.000
Y2.1←Y2	0.911	0.023	40.059	0.000
Y2.2←Y2	0.901	0.030	30.505	0.000

Table 2. Cross loading factor

Variable	Y1	Y2	X
X1.1	0.470	0.528	0.658
X1.2	0.746	0.752	0.914
X1.3	0.788	0.706	0.862
X1.4	0.727	0.678	0.858
Y1.1	0.909	0.691	0.719
Y1.2	0.928	0.759	0.815
Y2.1	0.774	0.910	0.719
Y2.2	0.656	0.901	0.748

The results showed that the Entrepreneurship Marketing variable (X) had a direct influence on innovation (Y1). Entrepreneurship Marketing Variable (X) has a positive effect on Competitive Advantage (Y2). The innovation variable (Y1) has a positive effect on Competitive Advantage (Y2). Furthermore, the results of the final research on the indirect variables also shows that the entrepreneurial marketing variable has a total / indirect effect on competitive advantage which is positive significant. The r-square values for Y1 and Y2 as seen in Table 3 show that the effect of entrepreneurial marketing on innovation is quite high. This is also almost the same as the effect of entrepreneurial marketing and innovation on competitive advantage. The Q-square value that is greater than 0 also strengthens the model that is feasible to be used as a predictive model.

This result in line with several empirical findings that state that entrepreneurial marketing is capable of increasing competitiveness (Genc, Dayan, & Genc, 2019; Lechner & Dowling, 2003). The role of entrepreneurial marketing in increasing competitiveness is because business people are forced to use limited resources to get the maximum possible product. Therefore, we suspect that the conditions of coercion faced by small business actors will naturally shape entrepreneurial marketing. Studies on innovation and its effect on competitiveness are also widely conducted and the majority state that innovation is the main key in maintaining and improving competitiveness. The rapid development of technology and information has made consumption patterns and consumer tastes change (Herliana, 2015; McAdam, McAdam, Dunn, & McCall, 2014).

Table 3. Inner model

Variable Relationships	Original Sample	Average	Standard Deviation	T-Statistics	*P*-Value
X → Y1	0.837	0836	0.036	23,100	0.000
X → Y2	0.810	0.809	0.043	18,981	0.000
Y1 → Y2	0.378	0.375	0.137	2,767	0.006
R-Square	Y1	0.701			
	Y2	0.699			
Q-square	0.739903				

However, we emphasize that it is better if the government also provides various assistance that can provide a faster acceleration increase. For example, identifying the critical role of SMEs in Nigeria is constrained by several elements, such as the existence of laws, procedures, and regulations that thwart the growth of the sector. This study also emphasizes that policymakers should adopt the right scheme to improve the SME sector (Eniola & Entebang, 2015). One thing that can be tried is with policies such as the use of e-government, for which there is empirical evidence that it has a positive effect on the financial performance of the small firm (Thompson, Rust, & Rhoda, 2005).

Conclusions

This study illustrates that organically, small culinary businesses has tried to optimize entrepreneurial marketing and innovation to improve competitiveness. We suspect that the easier access to information makes business people understand that entrepreneurial marketing and innovation are the keys to being able to compete with similar business actors on a larger scale. However, we also ensure that policy makers need to give priority to small culinary businesses players starting from training and also assistance so that competitiveness that is organically good enough can be improved. We believe that the coefficient of innovation, which is still 0.378 with the intervention from the government, will be accelerated to increase the scale of the small culinary businesses.

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