

# Application of Product Innovation, Digital Marketing and Product Quality to Competitive Advantage in SMEs in the Village of Pari City, Serdang Bedagai Regency

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**Abstract**— This study identifies the location of the Pari kabupaten serdang bedagai. Its type is quantitative and asosiatif, with around 35 respondents who are either residents or members of the UKM that is present in the Pari kabupaten. Desa Pari is one of the most unggul towns in the area. Its main focus is on the government's policies, which only allow for effective construction in the areas of farm and husbandry. However, among the other resources available in this city, there are still UMKM that can improve a certain area, but the government still focuses on preservation and development. The development policy carried out by the Pari City Village Government focuses on the agricultural and livestock sectors because these sectors are still the main sectors in the village economy. community competence, in Pari village itself, the community, especially parents, only criticize elementary school education and being fishermen, there are many roles of education that will also advance the village or compete in education. high school and not continuing to college, the lack of education will affect the lack of results of their work, and what's more, with their understanding of quality work in the Pari village, it is not possible to find out which performance is quality or not.

**Keywords:** Skills, Education, Quality of Performance and Competence

## I. INTRODUCTION

Pari town village is classified as very active in improving the economy and on the other hand Pari village is a very active MSME development, there are lots of processed products that are sold as the main income in Pari village. The level of progress of an area can be developed with innovations. As well as good work results, especially in the skills that exist in Pari village and the spirit of working together to welcome progress. If we look at the results of an SME in the village of Pari City which has its own raw materials, either from sea fish or very good natural resources, these two create an advantage in the village because we are able to provide slightly cheaper prices. compared to other competitors. Pricing will also influence the development of SMEs.

Creative innovation is a process or result of developing knowledge, skills and experience to create or improve products, processes or services that are unique and different

from existing ones. Creative innovation involves using creativity and new thinking to produce innovative and effective solutions. Creative innovation can help companies improve operational efficiency and effectiveness, thereby reducing production costs and increasing productivity. Creative innovation can also help companies create better and unique products or services, so that they can provide added value for customers and increase customer satisfaction. In this case, creative innovation can help companies improve the quality of the products or services offered, so that they can increase customer trust and increase market share. To be able to compete in an increasingly tight market, companies must continue to develop creative innovations that can provide added value for customers and increase competitiveness. Companies must also create a strong culture of innovation and always follow changing market trends. In this case, the innovation carried out in the village of Pari City has not been optimal so it still requires innovation or assistance from outside parties in developing a new product..

Kota Pari Village has designed an e-commerce application for SMEs based in the village. This shows that SMEs in Kota Pari Village have utilized digital technology to market their products. Kota Pari Village has tried to increase sales through the application of digital marketing such as e-commerce, social media and marketplaces. SMEs in Pari City have received branding and digital marketing training to increase sales and expand the market. Everything that is done by the village of Pari City meets the needs of the community, but the competition for excellence is often lost, one of which is the innovation or quality of a product, so it needs to expand development based on digital marketing..

Product quality is a certain characteristic of a product that is able to meet consumer expectations. Product quality is the totality of goods and services related to consumer desires which in terms of product excellence are suitable for sale according to expectations. Product quality is the ability of a product to carry out its functions, including durability, reliability, accuracy, convenience. Product quality is a product's ability to perform its functions, this ability includes durability, reliability, accuracy, ease of operation, and product repair, as well as other product attributes. Product quality is everything related to the physical condition, nature, function



of a product. products and/or services that are able to meet predetermined needs. In running a business, product quality really determines the level of consumer satisfaction and also the future of the company. Good product quality can provide benefits for the company, such as increasing consumer trust, increasing consumer loyalty, and increasing sales. To achieve the desired product quality, quality standardization is needed. This method is intended to ensure that the products produced meet predetermined standards so that consumers will not lose confidence in the product in question. In this case, it often happens that the raw materials or manufacturing methods are still traditional, so the quality results are not optimal and look a little less than good quality. Ease of Use

## II. COMPETITIVE ADVANTAGE

Competitive advantage is the ability or capability possessed by a business or enterprise to obtain higher profits compared to its competitors, which is obtained through characteristics and resources with better performance. A company is said to have a competitive advantage if it can generate and maintain more profits than its competitors.

Competitive advantage is a concept of competitive advantage that is not only understood by looking at a company as a whole, but from the various different activities carried out by the company in innovating products, producing, marketing, delivering and supporting its products to be better than its closest competitors.

### Competitive Advantage Indicators

#### 1) Superior quality of the products created

It is the company's ability to offer product quality and good performance in creating superior value for customers. Product quality here means the suitability of a product which is in line with the buyer's needs. Businesses that have a competitive advantage strategy in terms of quality will have superior competitiveness and can provide added value to customers compared to their competitors.

#### 2) Selling price

One indicator of competitive advantage is the selling price, namely the selling price of the product including bills, costs incurred in packaging, shipping, placement and other costs spent until the product reaches consumers. The benchmark for a company that has a competitive advantage compared to its competitors is when a company can understand the desires of its consumers, especially regarding product prices, because product prices can influence buyers' decisions.

#### 3) Production costs

A good company is a company that is able to reduce production costs so that the products produced can be affordable and sought after by its customers. Production costs themselves include costs for processing the product, obtaining raw materials for the product, costs for paying employee wages and other costs incurred until the resulting product is ready to be put into the warehouse as inventory or sold directly to consumers.

#### 4) Asset capabilities

These are assets (wealth) owned by the company that can be used to support the process of creating competitive advantage. The production process requires using machines, to procure machines requires capital. The capacity of this asset is not limited to capital alone but also in the form of other resources. For example, SDA (Natural Resources), HR (Human Resources) and other resources.

#### 5) Skills and capacity capabilities.

Business managers or employees must have the skills and capacity to carry out their duties. Companies in creating competitive advantage really need human resources who have expertise, because it is undeniable that product differentiation and service differentiation require expertise, on the other hand, businesses that do not have expertise will fail to create competitive advantage in their industrial environment. Capacity capability is a benchmark in business in terms of production capability. Companies that have maximum production capabilities will be in line with maximum production efficiency results as well. Industrial businesses that implement a competitive advantage strategy certainly pay great attention to efficiency in production.

Product innovation is an effort that must be made by business actors to create, improve, develop and perfect the product. However, in general the products developed are not only commodities, but also innovative food, beverage, agricultural and animal products that can improve services.

Based on Law Number 19 of 2002, this product innovation is a series of development and application of science and technology in one product. Positive benefits of product innovation include consumer feedback, changing product combinations from existing ones, and discovering new products. So, product innovation is a new way to solve problems faced by many consumers. It could be because there is no product that can solve this problem, or there are other products already on the market.

In 2018 the number of internet users in Indonesia reached 171.17 million people. This figure is equivalent to 64.8% of Indonesia's total population of 264.16 million people. When compared to the previous year, there was an increase in internet users in Indonesia reaching 27.92 million people or a growth of 10.12%. This is proven by data from the penetration and behavior survey of internet users released by APJII (Association of Indonesian Internet Service Providers) in May 2019. Meanwhile, the survey results for the social media most frequently visited by Indonesians were 50.7% using social media Facebook, 17.8% using Instagram, 15.1% using YouTube, 1.7% using Twitter, and 0.4% using LinkedIn (Franedya, 2019).

According to Wardhana (2015), digital marketing strategy influences competitive advantage sequentially starting from the most dominant, namely: ease of product search, availability of special offers, ability to identify and attract new customers, availability of product information or articles that support and provide product guidance. for consumers, the ability to create brand visibility and awareness, the ability to strengthen the brand image received by consumers, the availability of testimonial displays, the availability of the latest information via SMS-blogs, the availability of service assistance to consumers, the availability of online

communication with entrepreneurs, the availability of online opinion support, the availability required supporting images such as photos or product illustrations, availability of video displays capable of visualizing the product or supporting presentations, availability of transaction tools and various payment media, availability of attached documents containing information in pdf, doc, xls formats , ppt or other, and the availability of visitor records.

Product quality is the totality of the characteristics of a product (goods or services) that support its ability to meet consumer needs and expectations. Product quality is very important in running a business, because good product quality can determine the level of consumer satisfaction and also the future of the company. Here are some things to understand about product quality

According to Kotler and Armstrong (2013) quality is a characteristic of a product in its ability to meet specified and definite needs. According to Garvin and A. Dale Timpe (2011) quality is an advantage possessed by the product. Quality in the consumer's view is something that has quality in the producer's view when releasing a product which is usually known as true quality.

### III. RESEARC METHODS

#### Types of Research Scope

This research uses quantitative methods, with research methods using primary and secondary data. In scientific studies, the scope of research is defined as a method of limiting the problems and knowledge to be studied. If it is related to the process of making research, then scope means the limits of the subject that we will research. In this sense, the scope can be in the form of limitations on the problem being addressed and the number of subjects studied and the material to be discussed as well as the variables that we will examine.

#### A. Method of collecting data

Data collection was carried out to obtain the information needed to achieve the research objectives. The researcher will later distribute questionnaires to residents in Kota Pari Village, Pantai Cermin District, Serdang Bedagai Regency.

#### B. Data Analysis Methods

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables. A good regression model should not have correlation between independent variables (Ghozali, 2011: 106). To determine whether or not there are symptoms of multicollinearity, you can see the magnitude of the Tolerance and VIF (Variance Inflation Factor) values through the SPSS program.

#### C. Multiple Linear Regression Analysis

The analysis model used in this research is the multiple linear regression model. According to Sugiyono (2014: 277), multiple linear regression analysis predicts the condition (rise and fall) of the dependent variable (criterium), if two or more independent variables as predictor variables are manipulated (increased). lower the value). The multiple linear regression analysis model is useful for finding out the regression coefficients and their significance so that they can be used to answer hypotheses.

- $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$

- Information:
- $Y =$  Competitive Advantage (Dependent Variable)
- $X_1 =$  Product Innovation  $X_1$
- $X_2 =$  Digital Marketing  $X_2$
- $X_3 =$  Product Quality  $X_3$
- $e =$  Error term (estimator error) Equation ICoefficient of Determination

### IV. COEFFICIENT OF DETERMINATION

The coefficient of determination ( $R^2$ ) essentially measures how far the model's ability is to explain variations in the dependent variable. The coefficient of determination value is between zero and one. A small  $R^2$  value means that the ability of the independent variables to explain variations in the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali, 2016). USING THE TEMPLATE

#### Normality Test Results

The Normality Test is a test carried out with the aim of assessing the distribution of data in a group of data or variables, whether the data distribution is normally distributed or not.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Predicted Value
N		30
Normal Parameters <sup>a,b</sup>	Mean	33.7333333
	Std. Deviation	.78734232
Most Extreme Differences	Absolute	.101
	Positive	.101
	Negative	-.055
Test Statistic		.101
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

#### Simultaneous Significant Test (F Test) *buildings but very tall trees. Authors and Affiliations*

This test was carried out to find out whether product innovation, digital marketing and product quality simultaneously have a positive and significant effect on competitive advantage at the confidence interval or hypothesis testing level of 5%.

Based on Table 4.33, it can be seen that the F test produces  $F_{count} 15,795 > F_{table} 3,385$  ( $n-k-1$  at  $k = 30-4-1 = 25$  so that  $H_a$  is accepted and  $H_o$  is rejected, meaning that product innovation, digital marketing and product quality influence competitive advantage. So the previous hypothesis ( $H_a$ ) is accepted.

The partial test shows how far the independent variables product innovation, digital marketing and product quality are from the dependent variable, namely competitive

advantage. To determine whether or not the proposed hypothesis is accepted, a partial test (t test) is carried out.

Coefficients <sup>a</sup>			
	Model	t	Sig.
1	(Constant)	2.431	.000
	Inovasi Produk	.3.531	.001
	Digital Marketing	2.329	.001
	Kualitas Produk	1.260	.006
a. Dependent Variable: Keunggulan Bersaing			

#### Coefficient of Determination Test Results (R<sup>2</sup>)

According to Ghozali (2016), the coefficient of determination test aims to measure the extent of the model's ability to explain dependent variations. The coefficient of determination value is between zero and one. A small R<sup>2</sup> value indicates that the ability of the independent variable to explain the dependent variable is very limited.

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741 <sup>a</sup>	.720	.689	4.647
a. Predictors: (Constant), Inovasi Produk, Digital Marketing, Kualitas Produk				
b. Dependent Variable: Keunggulan Bersaing				

Based on Table 4.35, it can be seen that the Adjusted R square value of 0.689 can be called the coefficient of determination, this means that 0.689 (68.9%) of competitive advantage can be obtained and explained by product innovation. Digital marketing and product quality, while the remaining 31.1% is explained by variables outside the model which were not examined. This means that in this research an explanation has been given of the independent variables which have a positive effect, that of these three variables has given a result of 68.9%, meaning there is still 31.1%. What's more, the anti-researcher is the one who will provide input into this research to make it more perfect

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