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RESEARCH ARTICLE

Market Sensing Capability and Product Innovation Advantages in Emerging Markets: The Case of Market Entry Quality and Marketing Performance of Batik Industry in Indonesia

Gita Sugiyarti
University of 17 August 1945, Semarang, Indonesia
gitaayuaris@gmail.com

Elia Ardyan
Surakarta Economics College, Indonesia

Abstract: The purpose of this study is to test the effect of market sensing capabilities and product innovation advantage on market entry quality and marketing performance in emerging markets. The samples of this research are 122 respondents. The analysis used in this study is structural equation modeling (SEM). To process the data, AMOS version 21 is employed. The results show that (1) the product innovation advantage can improve market entry quality and market performance, (2) the quality of market entry has significant and positive effect on marketing performance, and (3) the capability to market sense positively and significantly affect the quality of market entry, but there is no significant effect on marketing performance.

Keywords: Market Sensing Capability, Product Innovation Advantages, Market Entry Quality and Marketing Performance

JEL Classifications: L25, L26, M31

The company's strategy to enter the market has become a major issue in formulating strategy (Pehrsson, 2008) in emerging markets. This strategy has an effect on performance (Kirca, 2005) and the duration to determine the method and to allocate sufficient resources (Ekeledo & Sivakumar, 1998). Further, Pehrsson (2008) explained that market entry strategy is highly dependent on external (things that are outside the company) and internal factors (the resources owned by the company). In this study, the internal factors become the focus of discussion.

Resources-based view sees the importance of resources for the company. Penrose (1959), Wernerfelt (1984), and other experts (Barney, 1991; Day, 1994; Hunt, 2001; Hunt & Morgan, 1996) emphasized the importance of the resource factor in creating the competitive advantage of a company. Although resources are important in a company, not all the resources are able to create competitive advantage. Resources that are able to create a competitive advantage have at least four characteristics: (1) the resources should be valuable, (2) resources should be rare, (3) resources must deny imitation, and (4) the

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resources have no substitute (Barney, 1991; Peteraf, 1993).

There are two capabilities that should be owned by small and medium-sized enterprises (SMEs): capability to innovate and to sense market. The capability to innovate means that SMEs are able to produce something new. This will lead the company to have better innovation compared to competitors. Besides the capability to innovate, market sensing capability is also required. In current era of highly competitive business, a company's business success depends on its capability to predict market opportunities and to carefully see the organization's resources in capturing any opportunities. SMEs should have the capability to sense market (Day, 1994; Heusinkveld, Benders, & Berg, 2009; Lankinen, Rökman, & Tuominen, 2007; Lindblom, Olkkonen, Kajalo, & Mitronen, 2008; Olavarrieta & Friedmann, 2008; Tseng & Lee, 2014), particularly those in the batik industry, to make them understand the market needs and be able to predict trends in the future. By having the capability of sensing the market, an SME can improve its success in innovation and accelerate its market entry (Ardyan, 2016), as well as improve performance.

This study contributes to the literatures related to emerging markets involving the driving factors from the domestic market entry and marketing performance for Batik SMEs in Indonesia. The approach used is not the international market, but the domestic one where in fact, competition in the fashion industry in Indonesia itself is very tight. We see that the product innovation advantage and dynamic capabilities (market sensing capability) of Batik SMEs are determining factors to win the competition. The purpose of this study is to test the effects of market sensing capabilities and product innovation advantage on market entry quality and marketing performance in emerging markets.

Literature Review

Market Sensing Capability

Empirical studies about the market's capability appear in the academic literature (Morgan, Zou, Vorhies, & Katsikeas, 2003; Ribeiro, Brashear, Monteiro, & Damazio, 2009; Weerawardana, 2003). If it is viewed from the perspective of resource-based theory of the firm, the competitive advantage is derived from the unique capability of the organization (Amit & Schoemaker, 1993; Day & Wensley, 1988). Therefore, in the business, there is a need to understand the contribution of the marketing discipline to business competitiveness, which includes the identification of the capability to sense the relevant and more accurate market (Day, 1994; Weerawardana, 2003), an empirical analysis of the capability of the market and various performance indicators (Vorhies, 1998), and the previous studies about the capability of the market and the factors that drive the development of the organization. Market orientation is regarded as an important factor in determining the development of the market sensing capability (Tsai & Shih, 2004).

There is an influence on market sensing capabilities towards the sensitivity of the company determining its performance. If the market conditions are not good enough, this will cause the market to have lower demand for the products and/or services. The high demand for the product/service is triggered by strategies used by the producers, and society's demand. Sensitivity of companies allows them to develop anticipatory and proactive activities based on the changes that occur outside and inside the company. Market sensing capabilities, when connected with the company's performance, will be affected by changes in the external environment (Hult, Ketchen, & Nichols, 2003; Slater & Olson, 2001). In addition, market sensing capabilities is associated with the organization's sensitivity (Slater & Narver, 1995). Market sensing capabilities are important priorities in creating, disseminating, and explaining the information about the customer's needs (Kohli & Jaworski, 1990; Sinkula, 1994). The companies' sensing capabilities with the market expectation enable them to expand their business using a strategy to enter the market, thereby potentially developing sensitivity of the organizations that has an impact on the company's performance.

Product Innovation Advantage

Drucker (1954) explained the functions of entrepreneurial innovation. Innovation becomes an important part in the company. Innovation will bring the company's success (Christian, 1963). Companies that succeed in creating innovation are usually successful in improving the driving factors for innovation. In the literature, the driving factors of innovation include: (1) companies that have knowledge on the market and are able to transfer knowledge

(Wang & Wang, 2012); (2) networking (Bao, Sheng, & Zhou, 2012; Clifton, Keast, Pickernell, & Senior, 2010); (3) companies that do not close to the innovation (Laursen & Salter, 2006), (4) market-oriented (Im & Workman, 2004); (5) success in conducting research and development (Santamara, Nieto, & Barge-Gil, 2009); and (6) entrepreneurial orientation (Avlonitis & Salavou, 2007). In addition to these things, the success of innovation is determined also on the ability of the company in a new understanding of the existing product (Gofman, Moskowitz, & Mets, 2009).

Porter (1990) said that one of the challenges for the company is to achieve a competitive advantage through innovative activities. Two most important dimensions of the company are innovation and novelty (Vahs & Brem, 2013). Companies that adopt innovations include the generation, development, and implementation of new ideas or new behavior (Damanpour, 1991). Innovation can be in the form of new products or services, new technology on production processes, and new administrative structure (Boer & During, 2001; Christian, 1963; Damanpour, 1991). Companies that have advantages in terms of innovation will have one of them. Companies that excel in innovation will have an impact on its performance (Ardyan, 2016; Vaccaro, Parente, & Veloso, 2010; Wang & Wang, 2012). Product innovation excellence is measured by product modifications for existing products so that it can produce unique products, develop and produce new products with good quality, and variety of products so that the price can be competitive (Liao, Wang, Chuang, Shih, & Liu, 2010).

Quality of Market Entry

Quality of market entry is the quality of ease or difficulty for the company to become a member of the group of companies competing to produce close substitutes to the products they offer. A good company is the one that has advantage over other new companies and is also the one that has the capability to overcome the obstacles of resources and markets, and achieve economies of scale of operation. This kind of company no longer proves its existence at regular business, but it proves its competence in exploring new areas. Challenges of entering new markets are very hard and such companies will use a wide range of means to enter the market.

The ease and difficulty in maintaining or entering new markets (Isoraite, 2009; Leeflang, Verhoef, Dahlstrom, & Freundt, 2014) are regarded as issues for companies that want to succeed. How the company's ability to take advantage and overcome all difficulties (Matthing, Kristensson, Gustefsson, & Parasuman, 2006; Sundgren & Styhre, 2003) become the key to success in entering the market. Treacy and Wiersema (1995), in their study, emphasized the need of companies to see and focus on the ability to value disciplines, which include:

1. operational excellence aiming to become an industry leader in the aspect of quality, price, and convenience (Yarimoglu, 2014). Companies are required to have cost efficiency in delivering products, and tight control operation as well as planned management system, which focuses on reliable and fast integrated transaction with the applicable standards;
2. product leadership in the form of three challenges faced by companies (Kesting, lhoi, Song, & Niu, 2015); Companies should always be creative, and the ideas that emerge should be commercialized as soon as possible, and most importantly the company is required to create a rival for its own newest product/service (cannibalization of products); and
3. customer intimacy, and the companies must always try to adjust their products or services with special needs of each customer.

Johnson and Tellis (2008) explained that the quality of market entry can be measured by indicators of cost for products substitute, need of capital, the quality of service by newcomers, and product differentiation of new players.

Marketing Performance

Marketing performance is a measure of achievement gained from the activities of the overall marketing process of a company or organization. In addition, marketing performance can be also be viewed as a concept that is used to measure the extent to which the market performance has been achieved by a product the company produced. Vargo and Lusch (2008) stated that marketing performance includes the level of sales growth, market share, the growth rate of profit before tax, and overall performance. From a managerial perspective, Clark (2000) explained that marketing performance is seen from efficiency perspective, the

adaptation perspective, effectiveness perspective, and satisfaction perspective. Clark (2000) explained about the dimensions and indicators of marketing performance. Basically, marketing performance is divided into four main dimensions: mental customer results (brand awareness, relevance to customer, perceived differentiation, perceived quality, image, preference customer satisfaction, and loyalty), market results (sales, sales to new customer, sales trend, market share, market trend, number of customer, number of new customer, and penetration), behavior customer results (customer loyalty, churn rate, number of customer complain, and share of wallet), and financial results (company profitability, gross margin, customer profitability, cash flow, and customer lifetime value).

Hypotheses

Market Sensing Capability and Quality of Market Entry

Favorable development of the ability to sense the market is very important for these marketing activities: gather information on the market needs and selection of target market segmentation; develop new services to meet the needs of targeted segments through product development activities; pricing the services/products and communication services; and the benefits offered to the target market.

The capability to market sense plays a major role in market entry. The capability to perceive market can be considered as the skills and competence of a company to understand the changes that occur in the market together with the people that can possibly operate more effectively in the market (Day, 1994). An empirical study (Cravens, Piercy, & Baldauf, 2009) found that market sensing has a positive and significant impact on the market entry. This is in line with previous studies (Cao, Deivasigamani, Stanly, & Sundel, 2012; Majocchi & Zucchella, 2008). Based on the above description, the first hypothesis can be made:

H1: The capability on market sensing has a positive and significant effect on quality of market entry.

Product Innovation Advantages and Quality of Market Entry

The benefit that can be obtained through the speed and flexibility in developing the company's competitive advantage (Hakkak & Ghodsi, 2015) is effective for rapid deployment of new technologies to enter new markets, or to learn something from a better company. The company should attract parties that can equally benefit from cooperation, even if its position in the market is also getting stronger.

New product development and effective strategy are critical elements that determine the success and survival of a company, but this is not an easy thing to do. New product development requires effort, time, and capabilities, including the risks and costs of failure. A study by Song and Parry (1997) explained that the competitive advantage of a new product is one of the determinants of its success, thus, through product innovation it must have advantages compared with other similar products. It is also in line with the opinion (Cooper & Edgett, 2009) that the advantages of the new product is very important in the circle of the highly competitive global market. These advantages cannot be separated from the development of product innovation so that it can win market competition. Hence, the second hypothesis can be made:

H2: The product innovation advantage has a positive and significant effect on quality of market entry.

Quality of Market Entry and Marketing Performance

Performance marketing is a concept that measure the achievement of companies in the market for a product (Haryanto & Horyono, 2015; Jerman & Zavrsnik, 2012). Each company has an interest to have achievements as a reflection of its business success in market competition (Marques, 2014). Quality strategy can lead the customer's acceptance towards levels of quality, market refinement, and performance (Ghotbabadi, Feiz, & Baharun, 2015). The success of new products on the market is closely related to the strategy applied by the company, which is when the company enters the market and creates quality products (Pop & Borza, 2014). High quality products will reduce the probability of consumers to buy the products from competitors (Dirisu, Iyiola, & Ibidunni, 2013). Further, the right time to enter the market makes the company benefits from growing demand in the market which means the level of marketing performance is increasing (Ravelomanana, Yan, Mahazomanna, & Miarisoa, 2015).

There are three optional strategies to enter quality market (Arasa & Gideon, 2015) to be the first in the market and join the early arrivals or become imitators. First, the company becomes a pioneer in entering the market before other companies do it (Golder & Tellis, 1993; Sabol, Sander, & Fuckan, 2013). Pursuing excellence and leadership in the competition make the competitors difficult to emulate. Companies can gain these benefits when entering the market the first time: cost reduction is based on experience, growth, market share expansion, and profit increase. Second, market entry strategy is to prevent the first pioneer in creating a strong position in the market by using marketing strategies, including positioning, product, price, promotion, and distribution; this requires substantial resources, and a strong commitment to challenge the market leader (Sabol et al., 2013). Third is market entry strategies in maturity stage (Arasa & Gideon, 2015). The benefits from this strategy are that sophisticated technology that has been improved is already available; the company can achieve greater economies of scale; ability to establish better relationships with suppliers, employees, or customers; and the ability to offer lower prices. Those three options of strategies aim to improve marketing performance.

An empirical study by Arasa and Gideon (2015) found that the quality of market entry has a positive and significant impact on the performance of marketing. This is in line with the previous research of Calegario, Houston, and Bruhn (2015). Based on the description above, the third hypothesis can be stated as:

H3: The quality of market entry has a positive and significant effect on marketing performance.

Product Innovation Advantages and Marketing Performance

The advantages of product innovation (Gerlitz, 2015; Habidin et al., 2015) is the main thing of marketing performance to face competition. Product innovation is a strategy for the company to cooperate in creating an effective competitive advantage in the market. The strategy is designed to realize the competitive advantage that companies dominate the market both in existing and new markets. The advantages of product innovation can grow based on the values created by company to the buyer. In general, customers choose to buy a product that has more value than expected. Products are purchased if customers consider the price of the products based on the value offered by the companies.

A research conducted by Li (2000) found a positive impact on product innovation excellence with performance measured by the rate of profit, market share, sales volume, and return on investment. Competitive advantage is the company's capability to process and utilize resources and its capital. Companies that are capable of creating a competitive advantage have the strength to compete with other companies because their products are still demanded by customers. Therefore, the competitive advantage has a positive influence on the increase of marketing performance. Based on the description above, the fourth hypothesis can be stated as:

H4: The product innovation advantage has a positive and significant effect on marketing performance.

Market Sensing Capability and Marketing Performance

Market sensing is when an organization systematically and proactively learn about any changes that affect customers, competitors, and the macro environment; gather valuable knowledge about the market; and continue to see a trend of current and future market developments (Morgan, Slotegraaf, & Vorhies, 2009). Besides, the company will be capable of producing a product or service that is better than its competitors (Fang, Chang, Ou, & Chou, 2014), and able to meet the needs of consumers' expressed and latent needs (Atuahene-Gima, Slater, & Olson, 2005; Bodlaj, 2010; Bodlaj, Coenders, & Zabkar, 2012; Bodlaj & Rojsek, 2010; Narver, Slater, & Maclachlan, 2004; Tsai, Chou, & Kuo, 2008; Voola & O'Cass, 2010; Wang, Zeng, Benedetto, & Song, 2013). This understanding will make consumers become loyal and satisfied with what is being offered. Ultimately, the ability to sense the market will have an impact on growth (Lindblom et al., 2008) and business performance (Day, 1994; Tseng & Lee, 2014). Based on the description above, the fifth hypothesis can be proposed:

H5: Market sensing capability has a positive and significant effect on marketing performance.

Empirical model (see Figure 1) describes a theoretical approach that can be driven by marketing

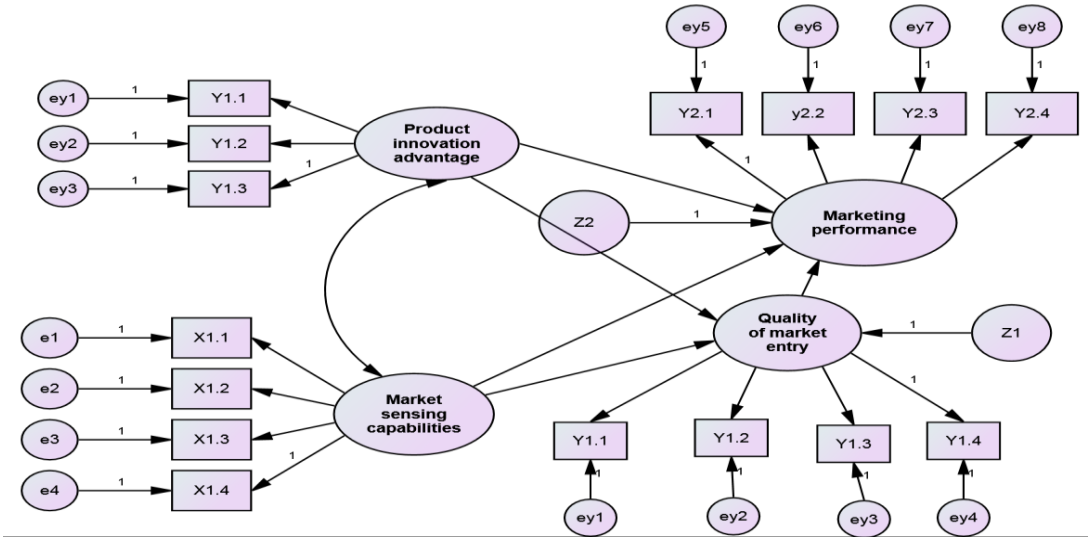

Figure 1. Empirical Research Model.

Table 1. *Characteristics of Respondents*

DESCRIPTION	Frequency	%
GENDER		
Male	43	35,25
Women	79	64,75
The total number	122	100
Respondents Age		
< 29 years	9	7,38
30–-39 of the year	12	9,84
40 – 50 years old	49	40,16
>50 years	52	42,62
The total number	122	100
Position in Company		%
The owner of the	23	18,85
Owner and Manager	91	74,59
Manager	8	6,56
The total number	122	100
Education		%
Elementary and junior high school	101	82,79
Senior High School	14	11,48
Diploma	5	4,09
Graduated	1	0,82
Other	1	0,82
The total number	122	100

performance and capabilities, while competitive advantage will support the quality of market entry, which leads to the improvement of marketing performance.

Research Method

Samples

This study is conducted in Indonesia covering the batik industry located in Central Java province. There are some areas of Batik clusters taken as samples of batik industry, among others: Pekalongan, Solo, Apex, Kudus, Semarang, and Sragen.

To obtain the data, a questionnaire is used. Questionnaires are distributed to 350 batik SMEs in some areas in Central Java. The sampling technique used is purposive sampling to establish some criteria like minimum of five years of business experience; with a workforce of at least five people, and with a minimum capital of Rp.25,000,000. There are 200 returned questionnaires out of the 350 that were distributed. Having analyzed the normality, the data is fit to use with only 122 respondents.

The main characteristics of respondents in this research are (see Table 1): majority of respondents are women (64.75%) and are 50 years old or older (42.62%). Based on the position in the company, many (74.59%) were owners and managers of SME at the same time. Based on education, 82.79% of respondents finished elementary and junior high school while the rest got higher education.

Measurement

Operational variables are illustrated in Table 2.

Table 2. *Variable and Indicator*

Variable	Concept Definition	Indicator	Source
Market Sensing Capabilities	A process resulting knowledge or information on individual market in using company's products. This is useful for companies to make a decision. Market sensing is a learning process related to current and potential customers, and also competitors.	Activities making use of market information. Ability to sense the changes of demand and the need of customers. Strategic information on customers and competitors. Analysis on customers' satisfaction with company's products.	Fang et al. (2014); Lindblom et al. (2008)
Product Innovation Advantage	Capability of a company in creating and developing new products to produce unique goods with competitive price	Modify existing products to produce unique products. Develop new products resulting better quality products. Variation of products to make competitive price.	Liao et al. (2010)
Market Entry Quality	The quality of ease and difficulty level of a company to become parts of competition by producing substitute products they offer.	Cost for substitute products need of quite a lot of capital. Service quality by new comers product differentiation from potential new comers.	Johnson and Tellis (2008)
Marketing Performance	A concept to measure marketing achievement of a product	Sales growth. Customers' growth. Sales' volume. Improvement for services.	Gronholdt and Martensen (2006)

Test Reliability and Variance Extract

Validity and reliability tests are tests used to see whether the instruments developed are valid and reliable. Reliability test indicates the extent to which a measuring instrument can provide relatively similar results when measurements are used for the same object. In this study, the reliability test used is Cronbach alpha. Cronbach alpha value of the minimum dimensions of acceptable latent variables are 0.60 (Ghozali, 2013). To test the validity test, this study uses the average variance extract. Measurement of average variance extracted indicates the amount of variance of the indicators which are extracted by constructs/latent variables that are developed. Value extracted an acceptable variance with the minimum of 0.50 (Ghozali, 2013). The results of data processing variance extract, composite reliability, and Cronbach alpha are illustrated in Table 3.

The test results show that instrument has already demonstrated the validity, for the variance extract value above 0.50 (market sensing capabilities: 0.824; product innovation advantages: 0.750; quality of market entry: 0.614; and marketing performance: 0.881). Reliability test results also show that the instrument has been developed by seeing the value of Cronbach Alpha which is more than 0.60 (market sensing capabilities: 0.611; product innovation advantages: 0.621; quality of market entry: 0.604; and marketing performance: 0.605) and composite reliability also more than 0.60 (market sensing capabilities: 0.635; product innovation advantages: 0.647; quality of market entry: 0.611; and marketing performance: 0.619).

Results

Data analysis is conducted by examining the fulfillment of multivariate statistical assumptions to ensure that the data are normally distributed. Data from four variables show a pattern of non-normal distribution. Therefore, we distribute Tabachnick & Fidell (2012) procedures. Four variables have a positive slope. Therefore, the data are transformed by 1 / X technique. After the normalization process of data, the data pattern will be normally distributed. Data are analyzed using statistical software AMOS 21 for full structural equation model.

The structural model analysis shows a good acceptance level which can be concluded that some indices— like $\chi^2 = 34.32$; Significance probability = 0.211; Cmin / DF = 1.011; GFI = 0.965; AGFI = 0.912; TLI = 0.939; CFI = 0.932; RMSEA = 0.042— fits our model with the expected population. Structural coefficient of the regression analysis is presented in Table 4.

From the processed data, it is found that there is a positive correlation among market sensing capabilities, product innovation advantage with the quality of market entry, both positive relationship quality of market entry, product innovation advantage, with marketing performance. Values of the regression coefficient of causality and the T value are visible in the value of CR (critical ratio) (table 3).

Table 3 shows that first, there is a positive relationship between market sensing capabilities with the quality of market entry (first hypothesis). Our result is indicated by the parameter estimation of .070, with the value of CR = 2.644 or C.R> 2.00 with a significance level of 0.05 (5%), and it is also demonstrated by a probability value of <0.05. Thus, the first hypothesis can be accepted.

Second, we find a positive relationship between product innovation advantage with the quality of market entry (second hypothesis). Our result indicates that by the parameter estimation of .060, with a value of CR = 2.671 or C.R> 2.00 with a significance level

Table 3. *Test Reliability and Validity*

Variable	Variance Extract	Composite Reliability	Cronbach Alpha
Market Sensing Capabilities	0.824	0.635	0.611
Product Innovation Advantages	0.750	0.647	0.621
Market Entry Quality	0.614	0.611	0.604
Marketing Performance	0.881	0.619	0.605

Table 4. *Hypothesis Testing*

Hypothesis	Path; (t-value/p-level)	Result
H1: Market Sensing Capabilities → Quality of Market Entry	Par.est 0.070 ; CR = 2.644 atau CR > 2.00 ; sig, 0.05	Accepted
H2: Product Innovation Advantage → Quality of Market Entry	Par.est 0.060; CR = 2.671 atau CR > 2.00 ; sig, 0.05	Accepted
H3: Quality of Market Entry → Marketing Performance	Par.est 0.011; CR = 2.771 atau CR > 200 ; sig, 0.05	Accepted
H4: Product Innovation Advantage → Marketing Performance	Par.est 0.361; CR = 2.613 atau CR > 2,00 ; sig, 0,05	Accepted
H5: Market Sensing Capabilities → Marketing Performance	Par.est 0.161; CR = 1.323 atau CR < 2.00 ; sig, 0.05	Rejected

of 0.05 (5%), it is also demonstrated by a probability value of <0.05. Thus, the second hypothesis can be accepted.

Third, it is found that there is a positive relationship between the market entry quality with marketing performance (third hypothesis). Our results are indicated by the parameter estimation of 0.011, with a value of CR = 2.771 or C.R> 2.00 with a significance level of 0.05 (5%), also demonstrates a probability value of <0.05.

Fourth, we find positive relationship between product innovation advantage with marketing performance (Fourth hypothesis). The result is shown by estimating parameter of 0.152, with the value of CR = 2.638 or C.R > 2.00 with its significant value of 0.05 (5 %), proven by probability values < 0.05.

Fifth, the estimated parameter influencing the capability to sense the market towards marketing performance (β4) shows significant results with the estimated standardized value β4 = 0.161, and the critical ratio (CR) of 1.323 and p-value = 0.075. Those values do not fulfill the acceptance requirement of the hypothesis that the value of CR should be <1.96 at the 0.05 level, and the p-value> 0.05. Thus, the null hypothesis (Ho) means that the influence of the market sensing capabilities on marketing performance is not proven.

Discussion

This study finds that the company that has the market sensing capability will be able to enter the market. Hence, the results of this study confirms the previous research conducted by Ripolles and Blesa (2012). Sensing the market refers to the company's ability to understand the market conditions. Companies should be market-oriented. Understanding market needs will enable the company to create value (Halim, Hadiwidjojo, Dolimun, & Djumahir, 2012; Slater & Narver, 1994). The value which fits the customer will ease its entry into the market. Ardyan (2016) explained that the better the company is at market sensing, the better it accelerates in entering the market. Further, the products will be quickly accepted in the market if the company is able to understand its changes.

In the study related to market entry in international market, to enter the international market, a company should use country-of-origin intelligence (Khan & Bamber, 2007). Country-of-origin intelligence functions to understand the target market conditions. Batik industry should also make use of such concept of understanding the targeted region. The company needs not only to sense the customers' behavior, it must also sense the intended market. The better the company understand the market conditions in the target area, the more it will gather important information to enter the

market. The more the company has better information, the easier it is to enter the market area.

Product innovation advantage has proven to affect the quality of market entry. The results of this study support previous studies (Claude-Gaudillat & Quelin, 2006; Gawer & Henderson, 2007). Apparently, innovation becomes an important part in the company. Companies that excel in innovation will make their products easily acceptable by the market. The ability to understand the customers and having better innovation will accelerate market acceptance. Bao et al. (2012) explained that a successful product innovation is measured by market deals. Especially in Indonesia, customers are waiting for new products entering the market and are likely to buy the new products (Ardyan, 2016).

The product advantage is measured by the indicators of product modification, new product development producing better quality product, varied features or products making them competitive. It means that if the product is unique and it has better quality and competitiveness, it offers more options for the consumers. The more the alternative the product has, the more options of the consumers to determine the color and quality because consumers have various tastes. The happier the consumers are on the products, the higher the demand is. This leads to quality of market entry.

The quality of market entry will have a positive impact on marketing performance. This study supports previous studies (Arasa & Gideon, 2015; Calegario et al., 2015). The quality of market entry can be seen from the speed of market entry. The faster the products enter the market, the better the company is.

Product innovation advantage has significant and positive effect on marketing performance. The capacity to innovate can be one of SMEs' competitive advantage (Marques & Ferreira, 2009; Robert & Amit, 2003). Product innovation advantage is described as a capability of a company to create new product development so it can produce unique products, good quality, and have competitive price. Basically, SMEs who are successful in innovating their products will be able to improve the performance (Ardyan, 2016; Avlonitis & Salavou, 2007; Bhat, 2005; Eris, Neczan, & Ozmen, 2012; Han, Kim, & Srivastava, 1998; Matear, Osborn, Garrett, & Gray, 2002). Research conducted by Ardyan, Rahmawan, and Isstianto (2016) on SMEs Batik explained that Batik SMEs that succeed in doing innovation will be able to improve their performance. The more their capability to innovate, the happier the consumer is to purchase the products.

Then, having an ability to sense the market is not significantly able to improve marketing performance. The results of this study are not consistent with the previous ones (Farida, Nugraha, & Liestyorini, 2015; Hulland, Wade, & Antia, 2007). The previous studies are consistent with the one conducted by Ardyan (2016) saying that market sensing has direct effect on performance. Meanwhile, this study confirms that the role of quality market entry is very significant. Sensing the market will impact first on the quality of market entry before the effect on performance. This study has found that there is a reason why market sensing is not capable of improving marketing performance significantly. Market sensing capabilities are not able to influence directly on performance. Sensing capability is only limited to understanding the market or market environment. This is simply the ability to understand the market condition such as constantly monitoring the market, finding opportunities, and understand the threat of competitors (Fang et al., 2014). It is not proven that monitoring the market continuously, finding opportunities, and understanding the threat of competitors will directly impact the performance.

Research Implications

Managerial Implications

First, the results of this study are expected to provide information to batik SMEs that marketing performance is not only influenced by the variable on quality of market entry, but it is also influenced by product innovation advantage. Therefore, management of batik SMEs should improve the quality of variable market sensing capabilities, quality of market entry, and product innovation advantage continuously. Further, they also need to always pay attention to the quality of human resources, product quality, and make programs such as a promotional program to attract buyers of the products.

Second, the attention and support from various stakeholders is needed in many forms such as program for improving managerial capacity for batik business in various scale of business in Central Java province. This will allow SMEs to contribute positively towards existence and business development in the future.

Limitations of the Study

Based on research and data processing, there are several limitations of this study, among others:

First, from a questionnaire distributed to 200 respondents in total, this study only receives 140 answered questionnaires, while the other 60 are not returned. Out of 140 returned questionnaires, 18 questionnaires do not fit the criteria so the processed data are only 122. This is because only a few surveyors are involved, making it difficult to reach other rural areas.

Second, based on the data processing, to obtain good data needs several stages. In particular, variable for market sensing capabilities, which is measured by indicators of strategic information about competitors should be an important indicator and be needed by SMEs. In fact, the indicators contribute a small portion because its loading factor is the lowest compared to other indicators. Hence, this indicator should be dropped so that the model can be fit. Whereas in reality, it is necessary to do research on market for batik SMEs to know the market size that has been served by the SMEs.

Third, in the variables of market entry quality, there are two indicators that do not prove to support the claim because the loading factor is lower than the other indicators. The indicator that provides low contribution is the cost of switching to substitutes and the substantial capital needs. Apparently, we know that both indicators are needed by batik SMEs because the cost of switching to substitutes requires quite a lot of capital.

Future Research Agenda

Based on this research, some further research could be conducted: First, further research is expected to be conducted by doing a replica so that comparison can be made between current and future research. Second, further research is expected to employ interviews or observations in addition to the questionnaire as a research instrument to gather more data from batik SMEs that are not covered in the research sampling. Thus, the data collected will be varied to describe the condition of the object and the subject in a more comprehensive way. Thirdly, SMEs are expected to pay more attention to sensing capabilities and improve its quality of market entry because these two variables are as important as product innovation advantage in order to improve marketing performance.

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