



## Drivers of Small Business Competitive Advantage: A Study on Flower Shop Product Distribution in Bali

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### Abstract

**Purpose:** Rapid technological advancements and information dissemination have catalyzed a steep upsurge in the distribution of ornamental flower arrangement products, effectively meeting the burgeoning demands of customers. This research endeavours to elucidate the relationship between market orientation (MO) and competitive advantage (CA), with the intermediary role of marketing performance (MP) within Denpasar's flower arrangement retail sector. **Research Methods:** Conducted within a Denpasar-based flower shop, the study engaged 94 respondents through a questionnaire-based data collection methodology. Utilizing a saturated sampling approach, the sample size equated to the population size. The analysis employed SmartPLS, a robust statistical tool. **Results:** The study findings reveal that MO does not exert a statistically significant direct impact on CA. Nevertheless, MO exhibits a substantively positive and statistically significant influence on MP, which, in turn, substantially and significantly contributes to CA. For flower arrangement business owners, it is imperative to orchestrate effective control over their marketing performance. **Conclusion:** This involves nurturing enduring customer and employee relationships by steadily implementing market-oriented distribution strategies. By doing so, customer satisfaction and growth, pivotal in bolstering marketing performance, can be adeptly sustained, ultimately culminating in attaining competitive advantage.

**Keywords:** Market Orientation, Competitive Advantage, Marketing Performance

**JEL Classification Code:** D47, M31

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### 1. Introduction

The potential for employment in Micro, Small and Medium Enterprises (MSMEs) is quite significant, so it can create equal employment opportunities and entrepreneurship to increase regional income (Noviyanti, 2022). The number of MSMEs, when viewed from the business structure in Indonesia, is quite large, so it significantly impacts Gross Domestic Product (GDP) and

investment. Data from the Ministry of Cooperatives and SMEs shows that the number of MSME-scale business sectors in Indonesia in 2019 reached 65.5 million units and contributed to the achievement of GDP by 61.07 per cent of Indonesia's total GDP (Ministry of Finance, 2022). The dominance of MSMEs in the business structure signals the intensity of increasingly intense competition (Databoks, 2022). MSME competition is even more pronounced in the regions where similar businesses have sprung up, making it

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increasingly more complex for consumers to distinguish one company's products from another. This condition is also challenging and requires business actors to innovate actively to win the competition. Small flower shop businesses in Bali also experience a similar situation. Flower shops are a simple business model, requiring relatively little capital and more skill than knowledge. The products sold are relatively the same, namely flower arrangements and are usually only differentiated by the design of the arrangement and the type of flowers used.

Flower shops are often referred to as florist shops. The term refers to a professional flower shop, with activities including care, design or arrangement, ordering, display, and delivery of flowers. Small entrepreneurs are enthusiastic about developing it because this type of business promises attractive efficiencies, where the business model requires more art and creativity in flower arrangement and does not require a large area of land. The target customers of florist shops are generally from all walks of life, as flower arrangements are usually used for certain special moments and other significant events (Bisnis.com, 2018; Yusuf, 2022). The high consumer demand is one of the main attractions for business actors to seize this opportunity to establish a florist shop. The growth of florist shops indicates intense competition in price and design (Gozali, 2017). As a result, consumers have many choices because information related to flower arrangements is straightforward to obtain according to taste. This situation challenges businesses to be more creative and innovative in identifying market needs and gaining an edge over the competition.

The concept of strategic management outlines that competitive advantage is the key to success because it is deliberately designed to increase the company's value (Kotler & Keller, 2016). Companies that can compete with similar businesses will become the correct symbol for the market if they can focus on excellence. States that the right strategy will create a competitive advantage for the company. Competitive advantage is a series of factors that can differentiate a company's products from competitors in the market (Lee & Yoo, 2019; Pratonno et al., 2019). Competitive advantage shows the extent to which a company can build its product position in the market against competitors. Competitive advantage is often defined as a preference or strategic dimension where businesses offer choices to compete in target markets (Dewi & Seminari, 2021). Competitive advantage in flower shop management can be achieved through unique floral designs and themes, personalized customer service for events like weddings, efficient supply chain management ensuring freshness, innovative packaging and online platforms, value-added services like flower care workshops, community engagement through events and social media, and building

a distinctive brand identity. These strategies set flower shops apart, attracting customers seeking quality, uniqueness, convenience, and meaningful experiences, thus establishing a stronger market position.

MSMEs that implement marketing strategies appropriately will achieve competitive advantage and high business growth. This strategy should be addressed and adapted by flower shop business actors by controlling the ability of market-oriented marketing activities to increase competitive advantage. This ability can help companies achieve competitive success through market orientation. Market orientation will be the right means to improve the ability to compete to achieve and maintain excellence.

Market orientation is the most effective and efficient organizational culture in creating superior customer value and generating competitiveness in a highly competitive environment. Companies can make better short- and long-term decisions through market orientation. Thus, companies must understand the strengths and weaknesses of competitors in the short term. Market orientation can be applied to perform better in marketing (Alhakimi & Mahmoud, 2020). Market orientation can be a measure of behaviour or activity as a reflection of the application of marketing concepts. Market orientation can be viewed as a multidimensional concept formulated through customer orientation, competitor orientation, and cross-functional coordination (Nwankwo & Kanyangale, 2019). Market orientation indicates the existence of processes and activities related to creating satisfaction by innovating to assess customer needs and wants (Na et al., 2019). Market orientation is also the company's ability to study, understand, and respond to customers, competitors and other business environments on an ongoing basis to respond to potential market trends. On the other hand, companies must also have an effective strategy to achieve a competitive advantage in the long term (Dewi & Ekawati, 2017).

Indeed, here are some explicit examples illustrating how market orientation can be operationalized and applied within the domain of flower shop management and customer-centric Floral Designs. Market orientation in a flower shop can manifest as a commitment to creating floral arrangements that cater to specific customer preferences. For example, a flower shop might analyze customer data and trends to identify popular color schemes, flower types, and design styles. By consistently offering arrangements aligned with these preferences, the flower shop demonstrates responsiveness to customer desires, enhancing its market orientation—seasonal and Trend-Based Offerings: A market-oriented flower shop that keenly monitors seasonal and design trends. For instance, the shop could create themed arrangements that align with consumer preferences during holidays or special occasions. Offering

limited-time arrangements based on trends such as vintage, rustic, or minimalist designs reflects the shop's adaptability to market dynamics. **Competitor Analysis for Differentiation:** A flower shop with a market orientation might study its competitors to set itself apart. If a rival shop specializes in wedding arrangements, a market-oriented flower shop could focus on a niche like corporate event floral decorations. This strategic shift demonstrates an understanding of competitor strengths and gaps, which informs the shop's product offerings and marketing approach. **Personalized Customer Engagement:** Market orientation involves engaging customers meaningfully. A flower shop can achieve this by keeping records of customer preferences, such as favourite flowers or occasions. Sending personalized recommendations for upcoming events or offers tailored to individual preferences showcases the shop's commitment to understanding and serving its clientele. **Feedback Incorporation** is a market-oriented flower shop that actively seeks customer feedback through surveys or direct interactions. The shop might introduce potted plant options alongside cut flowers if customers desire longer-lasting arrangements. This demonstrates the shop's ability to respond to customer needs and preferences. **Dynamic Pricing Strategies:** a flower shop with market orientation adjusts its pricing based on demand, seasonality, and competition.

For example, during Valentine's Day, the shop might offer tiered pricing for different bouquet sizes to cater to various customer segments. This pricing flexibility showcases the shop's ability to align its strategies with market conditions. **Collaborations and Partnerships:** to enhance its market orientation, a flower shop could collaborate with complementary businesses. For instance, partnering with local gift shops to offer combined floral gift packages for occasions like Mother's Day demonstrates a strategic understanding of customer preferences for convenience and variety—continuous **Learning and Training.** A market-oriented flower shop invests in employee training to keep up with industry trends and customer preferences. This could involve workshops on new floral design techniques or courses on effective customer communication. Such initiatives highlight the shop's commitment to staying relevant and meeting evolving customer expectations. These examples showcase how market orientation can apply practically to flower shop management. Flower shops can strengthen their market orientation and enhance their overall business performance by aligning their strategies with customer preferences, industry trends, and competitive dynamics.

The research results by Dewi et al. (2019) and Aqmala et al. (2021) show that market orientation significantly affects competitive advantage. Previous researchers, Andiyananto and Sufian (2017), also found that market

orientation significantly affects competitive advantage. Market orientation has a significant effect on competitive advantage. The market orientation variable has also been proven to affect the MSMEs' competitive advantage in Kuningan District significantly. Partially, market orientation has a significant and dominant effect on competitive advantage. This is slightly different from the results of research by Xiao et al. (2017), which found an insignificant effect of market orientation on competitive advantage. Similar to previous researchers, the results of Laksana et al. (2022) also found that market orientation has no significant effect on competitive advantage. Lestari et al. (2023) found that market orientation does not significantly affect competitive advantage. The inconsistency of the results of previous studies indicates a research gap that requires further proof of the relationship between the two variables. Conceptually, aspects of low, competitive advantage due to market orientation can reflect the low performance of the built marketing system. Performance can be formed by implementing appropriate business strategies in the company's marketing activities to form a competitive advantage. Marketing activities spearhead business activities that can shape marketing performance to achieve competitive advantage (Hasniaty et al., 2018). Rua and Santos (2022) even found that market orientation has no significant direct impact on competitive advantage. In connection with this description, empirical studies that link market orientation variables and competitive advantage require additional variables as more accurate evidence. In this study, marketing performance variables were placed to intervene in the relationship between market orientation and competitive advantage.

Performance is all systems related to activities and results obtained within an organization, including financial and marketing performance (Kotler & Armstrong, 2018). Marketing performance is reflected in the work of various company management functions that interact proportionally with each other. Marketing performance is the impact of the results of marketing strategies and will be an essential factor because it can be used as a business benchmark. Efforts to measure the level of marketing performance are sales volume, number of customers, profits, and sales growth (Ariantini et al., 2020). Marketing performance can be effectively used to evaluate the success of a company's marketing process activities (Dewi & Ekawati, 2017; Apriliani, 2018; Mau & Sukawati, 2019). Marketing performance in flower shop management can be evaluated through metrics such as sales volume, customer retention rate, conversion rates on the website's bouquet customization tool, social media engagement metrics like likes and shares on floral arrangement posts, customer feedback and reviews indicating satisfaction, return on investment from promotional campaigns like Mother's Day

specials, workshop attendance and feedback as indicators of community engagement, and the number of new customers referred by existing ones, providing insights into the effectiveness of word-of-mouth marketing efforts. These measurements help flower shops gauge the impact of their marketing strategies, refine their approaches, and ensure continued growth and success.

The total performance success, namely, strategy implementation, sales growth, and company profits can be measured using marketing performance. Putra and Rahanatha (2017), Manahera et al. (2018) and Laksana et al. (2022) also confirmed that market orientation has a significant and positive effect on marketing performance. Research by Afifah (2017) found that market orientation affects the execution of MSME advertising performance. The results of research by Aqmal et al. (2021) show that market orientation has a significant effect on improving marketing performance. MSMEs' ability to use competitive strategies is significantly influenced by business performance (Sulastini & Darmawi, 2022). The results of the analysis significantly affect the determining factor for competitive advantage, namely the marketing performance of shoes at the IKM Center Cibaduyut, Bandung City (Kaniawati et al., 2021). This is slightly different from the research of Tirtayasa and Rahmadana (2023), who found that market orientation has an insignificant effect on marketing performance in coffee shops in Medan City. Marketing performance variables had no significant effect on competitive advantage, and market orientation did not prove significant on marketing performance (Faerrosa et al., 2022). Product innovation performance has no significant effect on competitive advantage. Tjahjadi et al. (2019) state that marketing performance is excellent as a mediating variable about business environment analysis and business continuity for competition. That competitive advantage can be improved through improving product innovation performance, acceptance of information technology and management. The same thing was also revealed in the research results of Rahadhini and Pratita (2022).

Based on the phenomena and research gaps previously described, research on competitive advantage associated with market orientation and marketing distribution performance is very interesting to do to get empirical evidence. The research was conducted using the case of small businesses engaged in the flower shop business. The hypothesis proved is that market orientation has a positive and significant effect on competitive advantage (H1), market orientation has a positive and significant effect on marketing distribution performance (H2), marketing distribution performance has a positive and significant effect on competitive advantage (H3), and marketing distribution performance acts as a mediator of the effect of market orientation on competitive advantage (H4).

## 2. Research Methods

The research is associative, using a quantitative approach to flower shops in Bali. Research respondents were flower shop entrepreneurs/managers who represented their respective businesses, with a sample size set at 94 respondents and distributed proportionally across the nine districts/cities used as sample areas. Secondary data was obtained by conducting desk studies on online literature and documentation studies. Primary data was collected using a survey method by distributing questionnaires directly to the business locations of respondents selected as samples, and then the data collected was measured on a five-level Likert scale. Data analysis was carried out descriptively and inferentially. Descriptive analysis is intended to describe the identity of respondents and research variables. Inferential analysis using SmartPLS is intended to analyze the relationship between variables and mediation (Wold, 1980). The role of mediation is tested using the Variance Accounted For (VAF) method approach, which is considered more appropriate for indirect effects because it does not require any assumptions about the distribution of variables. Based on the objectives, hypotheses and research analysis techniques, the initial analytical framework model is presented in Figure 1.

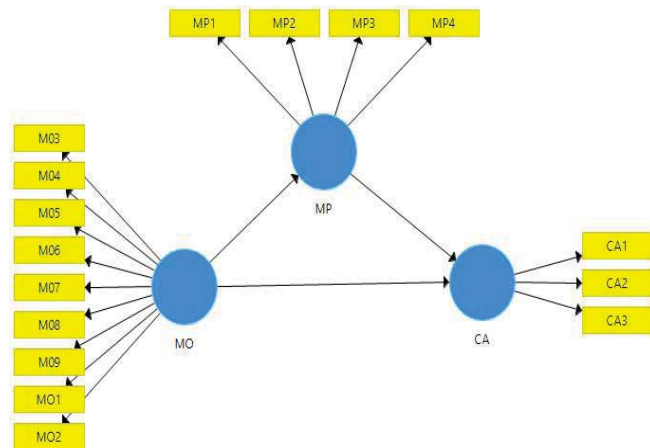
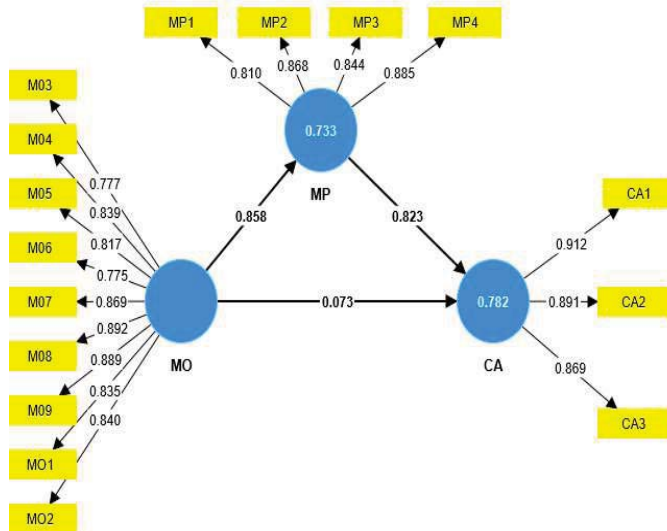


Figure 1: Research Concept Framework

## 3. Results and Discussion

The evaluation (Picture 2) aims to assess the reliability and validity of indicators that form latent variables. The outer model shows the evaluation results of convergent validity, internal consistency (Cronbach Alpha, consistency reliability), and discriminant validity. In the resulting convergent validity (Picture 2), it was found that the factor loading values of the indicators on all latent variables were

in accordance with the criteria, which were more than 0.7 (>0.7). This means that all indicators formed for each latent variable are not outliers and are qualified or valid. Internal consistency is tested using Cronbach's alpha (CA) and composite reliability (CR) criteria. The test results in Table 1 can be described as the three constructs, namely CA, MO, and MP, can be said to have a sufficient level of reliability with a CA value of more than 0.80 (CA>0.70). This means that all constructs can provide internal consistency support. The composite reliability test (CR) can be used to measure the stability and consistency of the composite reliability measurement. Because the absolute correlation between latent variables and their indicators has an absolute loadings value of more than 0.9 (>0.9), the calculation results that the CR value of all constructs has exceeded 0.7 from the indicator block that measures the construct or has a satisfactory value.



Source: Primary data processed, 2023.

**Figure 2: Outer Model: Calculate Algorithm**

**Table 1: Internal Consistency Reliability**

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Competitive Advantage (CA)	0,869	0,920	0,793
Market Orientation (MO)	0,947	0,955	0.702
Marketing Performance (MP)	0,874	0,914	0,726

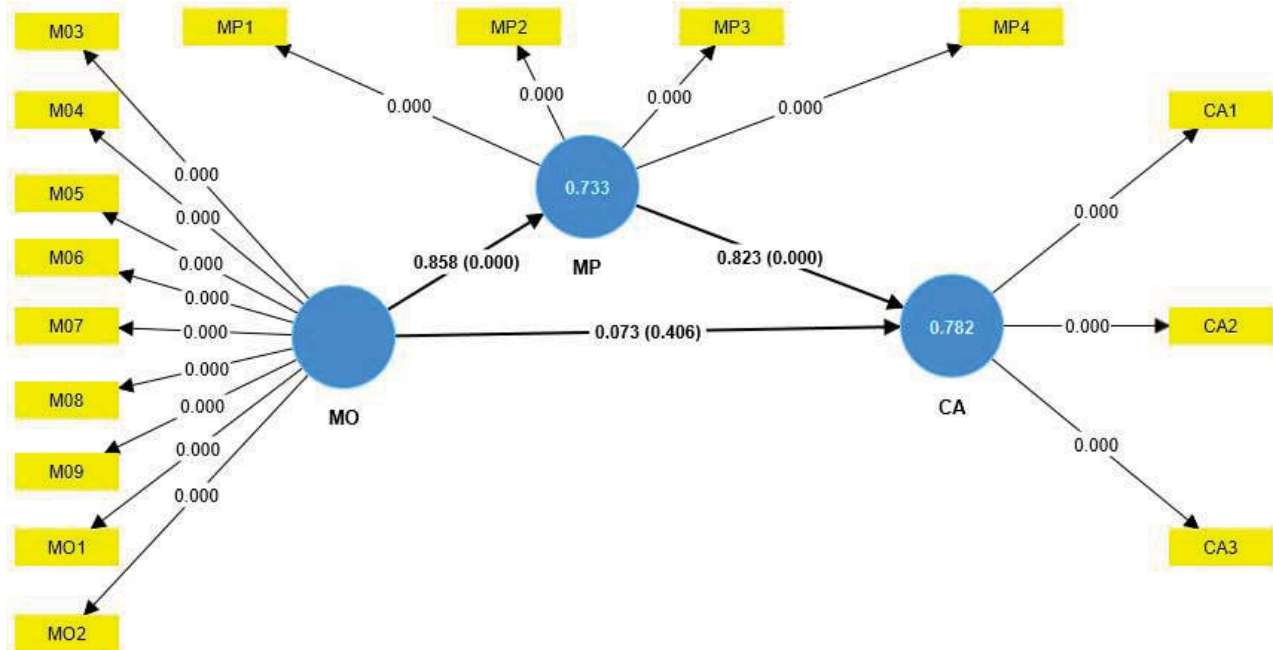
Source: Primary data processed, 2023.

Discriminant validity is measured based on the average variance extracted (AVE) value in Table 1; it can be illustrated that the AVE value generated by each construct in the model is more than 0.50 (AVE>0.50). This means the model has good discriminant validity, so latent variables do not have discriminant problems or pass the validity test.

The evaluation of the structural model is based on the part coefficient, t-test results (t-Stat), R-square and Q-square, and overall test results, as shown in Picture 3. The path coefficient (Table 2) shows that the direction of the path coefficient of the relationship between market orientation and competitive advantage is positive at 0.073 but insignificant at a probability of significance level (p-value) of 0.406 (>0.05) with a t-stat of 0.834. This means that market orientation does not affect competitive advantage. The direction of the path coefficient of the relationship between market orientation and marketing performance is positive at 0.858 and significant at the probability of significance level (p-value) of 0.00 (<0.05) with a t-stat of 28.887. This means that market orientation affects marketing performance by 85.8 per cent. The path coefficient of the relationship between marketing performance and competitive advantage is positive at 0.823 and significant at the probability of significance level (p-value) of 0.00 (<0.05) with a t-stat of 8.032. This means that marketing performance affects competitive advantage by 82.3 percent.

Based on the statistical test results (t-Stat) in Table 2 shows that the two path coefficients (MO→MP and MP→CA) produce t-Stat values of 28.887 and 10.852 or greater than the t-table (1.96), while the MO→CA path produces a t-Stat less than the t-table (0.834<1.96). The meaning that can be explained is that the MO→CA pathway was found to be insignificant, where the results are consistent with the evidence based on the p-value of 0.406 or less than 0.05. Meanwhile, the other two paths, MO→MP and MP→CA, are significant.

The value of determination (Adjusted R-squared) is the coefficient of determination on marketing performance and competitive advantage constructs. This parameter is intended to explain the variability of market orientation to explain marketing performance and competitive advantage. The calculation results (Picture 3, Table 3) show that the R<sup>2</sup> value of marketing performance is 0.733. Market orientation variables can explain marketing performance by 73.3 percent, and other variables explain the rest. The R<sup>2</sup> value of competitive advantage was found to be 0.782. It means that competitive advantage can be explained by marketing performance and market orientation by 78.2 percent, and other variables explain the rest.



Source: Primary data processed, 2023

Figure 3: Inner Model: Resampling Booststraping

Table 2: Path Coefficients: Mean, STDEV, T-Values, P-Values

	Original Sample	Sample Mean	Standard Deviation (STDEV)	T-Stat. ( O/Stdev)	p-Values	Conclusion
MO → CA	0,073	0,080	0,088	0,834	0,406	Insignificant
MO → MP	0,858	0,863	0,030	28,887	0,000	Significant
MP → CA	0,823	0,817	0,076	10,852	0,000	significant

Source: Primary data processed, 2023.

Table 3: Quality Criteria: R Square (R<sup>2</sup>)

Variable	R Square	R Square Adjusted
MO	0,735	0,733
CA	0,786	0,782

Source: Primary data processed, 2023.

Effect size ( $f^2$ ), according to Cohen (1992), is a measure to assess the relative direct impact of an influencing variable (exogenous variable) on the influenced variable (endogenous variable). If; the value of  $f^2$  is less than 0.02 ( $f^2 < 0.02$ ) means that there is no contribution of the predictor variable to the formation of  $R^2$ , the value of  $f^2$  between 0.02-0.15 ( $0.02 \leq f^2 < 0.15$ ) is categorized as a predictor variable contributing weakly to the formation of  $R^2$ ,  $f^2$  value between 0.15-0.35 ( $0.15 \leq f^2 < 0.35$ ) is categorized as a predictor variable contributing moderately to the formation of  $R^2$ . Suppose the  $f^2$  value is more than 0.35 ( $f^2 \geq 0.35$ ), then the

predictor variable is stated to contribute significantly to the formation of  $R^2$ . The results of data processing in Table 4 show that the relative impact (effect size), the effect of market orientation (MO) on marketing performance (MP), found a value of 2.780, so MO is categorized as contributing significantly to changes in MP, the effect of marketing performance on competitive advantage (CA) found a value of 0.839 so that MP is categorized as contributing significantly to changes in CA. In contrast, market orientation is declared not to contribute to changes in competitive advantage with an  $f^2$  value of 0.007 ( $f^2 < 0.02$ ).

**Table 4:** *f*-Square (*f*<sup>2</sup>)

Variable	MP		CA	
	<i>f</i> <sup>2</sup>	Ket.	<i>f</i> <sup>2</sup>	Contributions
MO	2,780	Major	0,007	No contribution
MP			0,839	Major

Source: Primary data processed, 2023

About *f*<sup>2</sup> mediation or indirect effect, it is calculated manually based on the effect size of upsilon mediation (*v*) by multiplying the squared partial effect of MO.MP ( $\beta_{22}$ ) with MP.CA ( $\beta_{32}$ ). The measurement criteria refer to the recommendations of Cohen (1992), namely: the value of *f*<sup>2</sup>  $\geq 0.175$  (high mediation effect), *f*<sup>2</sup>  $\geq 0.075$  (moderate mediation effect), and *f*<sup>2</sup>  $\geq 0.01$  (low mediation effect). Based on these provisions, the calculation result of *f*<sup>2</sup> mediation is 0.499, meaning that the role of the marketing performance variable (MP) as a mediator is classified as contributing significantly to the influence of market orientation on competitive advantage. Q-Square predictive relevance (Q<sup>2</sup>-test) assesses how well the observation value produced by the model and also the estimation of its parameters, with the formula:

$$Q^2 = 1 - (1 - R_1^2) (1 - R_2^2) \dots (1 - R_p^2).$$

$$Q^2 = 1 - (1 - 0,735^2) (1 - 0,786^2)$$

$$Q^2 = 1 - 0,176 = 0,824$$

The Q<sup>2</sup> has a range of 0 < Q<sup>2</sup> < 1. If the resulting Q<sup>2</sup> value is closer to one, it means that the model is getting better. The results of the Q<sup>2</sup> calculation in this study show the number 0.824. This means that the structural model (inner model) produced in the research analysis can be categorized as good.

Hypothesis testing is part of inferential statistics in the process of proving the null hypothesis (H0), which is the hypothesis opposite to the theoretical proof. Meanwhile, the alternative hypothesis (Ha) is a statement or opinion that is theoretically appropriate. Hypothesis testing is based on a significance level of 0.05 and a two-sided test, so the t-table value is 1.96. The t-statistic test results are described in detail as follows.

The first hypothesis (H1) states that market orientation (MO) has a significant effect on competitive advantage (CA). The analysis results (Tables 2 and 3) show a probability value (p-value) of 0.406. This means that the probability of the effect of market orientation on competitive advantage is higher than the cut-off value of 0.05 (p > 0.05). At a 95 per cent degree of confidence, market orientation does not affect competitive advantage. The original sample estimate value, with a coefficient of 0.073, shows the direction of a positive relationship between market orientation and competitive advantage, with a t-statistic value of 0.834. The t-statistic test result is

lower than the t-table (0.834 > 1.96). Thus, H0 is accepted, and Ha is rejected. The conclusion is that the first hypothesis (H1) is not proven if market orientation (MO) has a significant effect on marketing performance (MP). The direction of the positive (+) relationship between market orientation and competitive advantage is 0.074, but not significant. The interpretation is that although the implementation of market orientation is getting better, it will not cause changes in competitive advantage to be higher. Effect size (*f*<sup>2</sup>) of the effect of market orientation on changes in competitive advantage (Table 4) is found in the small category with a value of 7 per cent. So, changes in the implementation of market orientation do not contribute to changes in competitive advantage.

The second hypothesis (H2) states that market orientation (MO) has a significant effect on marketing performance (MP). The analysis results (Tables 2 and 3) show a probability value (p-value) of 0.000. This means that the probability of the effect of market orientation on marketing performance is less than the cut-off value of 0.05 (p < 0.05). At a 95 per cent degree of confidence, market orientation has a significant effect on marketing performance. The original sample estimate value with a coefficient of 0.858 indicates a positive relationship between market orientation and marketing performance, with a t-statistic value of 28.887. The t-statistic test result is higher than the t-table (28.887 > 1.96). Thus, H0 is rejected, and Ha is accepted. So, the second hypothesis (H2) is proven that market orientation (MO) has a significant effect on marketing performance (MP). This means that there is a positive influence (unidirectional) market orientation variable on marketing performance of 0.858. The interpretation is that the better the market orientation is implemented, the higher the marketing performance will be. The effect size (*f*<sup>2</sup>) of the effect of market orientation on marketing performance (Table 4) was detected in the large category with a value of 2.780 per cent. This means that changes in the implementation of market orientation contribute greatly to changes in marketing performance.

The third hypothesis (H3) states that marketing performance (MP) has a significant effect on competitive advantage (CA). The analysis results (Tables 2 and 3) show a probability value (p-value) of 0.000. This means that the probability of the effect of marketing performance on competitive advantage is less than the cut-off value of 0.05 (p < 0.05). At a 95 per cent degree of confidence, marketing

performance has a significant effect on competitive advantage. The original sample estimate value, with a coefficient of 0.823, shows the direction of a positive relationship between marketing performance and competitive advantage, with a t-statistic value of 10.852. The t-statistic test results are higher than the t-table ( $10.852 > 1.96$ ). Thus,  $H_0$  is rejected, and  $H_a$  is accepted. In conclusion, the third hypothesis ( $H_3$ ) proved that marketing performance significantly affects competitive advantage. This means that there is a positive influence (unidirectional) marketing performance variable on the competitive advantage of 0.823. The interpretation is that the higher the marketing performance is achieved, the higher the competitive advantage. The effect size ( $f^2$ ) of the effect of marketing performance on competitive advantage (Table 4) was detected in the large category with a value of 83.9 per cent. This means that changes in the level of marketing performance contribute significantly to changes in competitive advantage.

The fourth hypothesis ( $H_4$ ) states that marketing performance (MP) acts as a mediator of the effect of market orientation (MO) on competitive advantage (CA). The test results show that the effect of market orientation on competitive advantage as mediated by marketing performance is insignificant. This explains the perfect (full) mediation of marketing performance on the effect of market orientation on competitive advantage. The results in Table 7 can show that: the direct effect between market orientation and marketing performance is insignificant at p-

value 0.406 ( $> 0.05$ ), with a coefficient of 0.073; the direct effect between market orientation and marketing performance is significant at p-value 0.00 ( $< 0.05$ ), with a coefficient of 0.858; the direct effect between marketing performance and marketing performance is also significant at p-value 0.00 ( $< 0.05$ ), with a coefficient of 0.823; the indirect effect between market orientation and marketing performance is significant at p-value 0.00 ( $< 0.05$ ), with a coefficient of 0.262; and the total effect of entrepreneurial personality and marketing performance is significant at p-value 0.00 ( $< 0.05$ ), with a coefficient of 0.706. Based on these findings, the VAF value can be determined as 0.906 (90.6 per cent). The resulting VAF value, when compared with the mediation criteria, the value is at a VAF value  $\geq 80\%$ , with a perfect (full) mediation category. So, it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted. Thus, the fourth hypothesis ( $H_4$ ) proves that marketing performance mediates the effect of market orientation on competitive advantage. The nature of marketing performance mediation is as a perfect (full) mediation. These results indicate a dominant role in the relationship between market orientation and competitive advantage. Effect size ( $f^2$ ) of marketing performance as a mediator in the research model is categorized as contributing greatly with a 90.6 per cent value. This means that changes in the level of marketing performance as a mediator contribute significantly to the effect of market orientation on changes in competitive advantage.

**Table 5:** Specific Indirect Effects: Original Sample (O), T-values, P-values

	Original Sample (O)	T-Statistics ( O/STDEV )	P-Values	Conclusion
MO $\rightarrow$ MP $\rightarrow$ CA	0,706	2,929	0,004	Significant

Source: Primary data processed, 2023.

**Table 6:** Total Effects: Original Sample (O), T-Values, P-Values

	Original Sample (O)	T-Statistics ( O/STDEV )	P-Values	Conclusion
MO $\rightarrow$ CA	0,779	15,864	0,000	Significant
MO $\rightarrow$ MP	0,858	28,887	0,000	Significant
MP $\rightarrow$ CA	0,823	10,852	0,000	Significant

Source: Primary data processed, 2023.

**Table 7:** Summary of Direct, Indirect, Total and VAF Influences.

	Original Sample (O)	P-Value	Conclusion
Direct Effect: MO $\rightarrow$ CA (a)	0,073	0,000	Insignificant
MO $\rightarrow$ MP (b)	0,858	0,000	significant
MP $\rightarrow$ CA (c)	0,823	0,000	significant
Indirect Effect: (b*c)	0,706	0,000	significant
Total Effect: {a + (b*c)}	0,779	0,000	significant
Variance Accounted For (VAF) = 0,906 atau 90,6% (VAF $\geq$ 80%) Sifat Mediasi: Perfect Mediation / Full Mediation			

Source: Table 5 and 6.



### **3.1. The Influence of Market Orientation on Competitive Advantage**

Market orientation was found to have no significant effect on competitive advantage. Changes in entrepreneurial orientation about market orientation do not affect the competitive advantage achieved by the company in distributing products. The results of the analysis show that the contribution of market orientation to changes in competitive advantage is minimal and can even be interpreted as not contributing. The products prepared by flower shops are generally based on orders so that they can be customized according to customer needs, and the distributed products' design can be clearly distinguished. The profile of respondents is dominant as owners, aged between 25-29 years old, with a high school education, with average sales per month of 7.5 million and an average daily visit to the flower shop of a maximum of five customers. Respondents' businesses are dominantly managed by owners with the authority to determine the right distribution to achieve competitive advantage.

The dominance of women as entrepreneurs generally have a high motivation to run a business related to flowers and will have an impact on a superior position compared to men. The relatively small number of visits with a maximum sales amount of IDR 10 million does not require too high an education to carry out market-oriented product distribution to gain a competitive advantage. Analysis based on the description of the market orientation variable is rated with the highest score. It is stated that everyone in the company has owned and carried out their role well to carry out market-oriented strategies. In addition, the companies also dominantly stated that they always tried to maintain good relations with customers. This condition indicates that the company has implemented market orientation well, so it only determines a few changes in competitive advantage.

Laksana et al. (2022) also found that market orientation does not significantly affect competitive advantage. Lestari et al. (2023) also found that market orientation does not significantly affect competitive advantage. In other parts, it does not support the research results of Papadas et al. (2019), Udriyah (2019), and Feranita and Setiawan (2019), which previously stated that market-oriented business strategies can significantly influence competitive advantage. Market orientation empirically has a positive and significant effect on Tokopedia's competitive advantage (Gunawan et al., 2022).

### **3.2. The Influence of Market Orientation on Marketing Performance**

Market orientation was found to positively and significantly affect marketing performance. This means that

the better the implementation of market orientation strategies, the higher the marketing performance. This is supported by the descriptive analysis results of respondents dominated by policymakers, namely business owners. Respondents claimed to have an excellent commitment to always trying to meet the needs of their customers. Periodically hold discussions about the development of competitors' business activities and share roles fairly so as to realize an increase in the number of distributions and customers to increase business profits. Respondents, who are mostly business owners, tend to understand the right strategy for product distribution better. Business trends related to flower types and arrangements are generally better understood by women, supporting the implementation of market-oriented distribution strategies. The support of relatively young age and high school education is also helpful for product distribution efforts. Respondents believe that giving fair roles and responsibilities to everyone in the company can maintain good customer relations. The compensation obtained from these efforts is the success of the flower shop in realizing the number of customers and sales results.

Marketing performance is a tool to measure the level of success achieved by implementing the right strategy for sales growth and company profits. Bamfo and Kraa (2019) found that market orientation, customer orientation and competitor orientation variables predict performance positively and significantly. Aqmala et al. (2021) also stated that market orientation significantly affects marketing performance. These findings are in line with Devara and Sulistyawati (2019), which state that market orientation has a positive and significant effect on marketing performance. Dionysus and Arifin (2020) state that a market orientation has no significant effect on the performance of MSMEs. Market orientation has no significant effect on improving the performance of SME companies in SMESCO Indonesia. Market orientation has an insignificant effect on marketing performance in coffee shops in Medan City (Tirtayasa & Rahmadana, 2023), and market orientation has no proven effect on marketing performance (Faerrosa et al., 2022).

### **3.3. The Effect of Marketing Performance on Competitive Advantage**

Marketing performance was found to have a positive and significant effect on competitive advantage. This means that the better the marketing performance of the flower shop, the higher the competitive advantage. Almost all respondents felt successful in realizing their expectations of increasing the number of customers. This is supported by their ability to ensure that the products sold are by customer demand and establish the right distribution strategy in marketing products to achieve market targets and increased

profits. Respondents considered the business in flower arrangement products to be distinctive, especially in terms of design characteristics, so that it can be clearly distinguished from similar business products. Respondents can do this because the flower arrangement products are presented according to the taste of the customer's order. Good relations with customers and empowering employees are also considered key to flower shops' success. The business owner and the manager are two of the main characteristics of small businesses. Field facts illustrate that the managers of flower arrangement shops in Bali are predominantly women. The closeness of the manager's psychological factors in this type of business is also very helpful for performance and competitive advantage so that respondents are able to determine the right type of flowers and arrangements following customer demand. Business managers at a mature age are responsive and can increase business activities innovatively. Respondents at the dominant age of 25 years or more and quite educated indicate the ability to balance the preparation for starting a business with a sense of responsibility for running a business. This situation is very relevant if it is associated with the customers served so far, mostly students. These customers generally have tastes and lifestyles that are similar to the demographic conditions of the entrepreneurs/managers. Where it is said that at events such as weddings, final exams, inaugurations, inaugurations, birthdays, and sorrow, almost all of them use flower arrangements.

The results of this study are supported by the findings of Kaniawati et al. (2021), Sulastini and Darmawi (2022) also found a highly significant effect of the determinants for competitive advantage, namely marketing performance on shoe businesses in the IKM Center Cibaduyut, Bandung City.

### **3.4 The Role of Marketing Performance as a Mediator of the Influence of Market Orientation on Competitive Advantage**

Marketing performance plays a perfect role as a mediator of the effect of market orientation on competitive advantage. This means that the competitive advantage of flower shops can be improved effectively if the implementation of market-oriented distribution strategies improves their marketing performance. This can happen because the results of the analysis of the direct relationship between market orientation and competitive advantage are not significant. Such conditions can occur when competitors also apply orientation strictly so that what can distinguish them is to improve marketing performance, for example, through innovation in product distribution. In this case, market orientation and marketing performance can

coexist to influence the increase in competitive advantage. Suppose the company is able to implement a market-oriented strategy by following the development of customer needs. In that case, the company's performance can be improved. Another thing that is maintained is to assess things that can fulfil and commit to customer satisfaction as a marketing performance stimulant to improve the superior position of the company's products in the market. Performance related to the uniqueness and quality of products and maintaining good customer relationships ultimately become vital for marketing performance to lead to excellence. A company's market orientation and marketing performance will increase the competitive advantage detected from the assessment of efforts to innovate flower arrangement designs with unique characteristics. The response to the perception of an increasing number of consumers, customer satisfaction, effective marketing programs, and regularly increasing business profits is a solid impetus for delivering market orientation towards achieving competitive advantage.

The study's results support the findings of Tjahjadi et al. (2019), which states that marketing performance is excellent as a mediating variable in analyzing the business environment and business continuity for competition. Gunawan et al. (2022) state that marketing performance can mediate the effect of market orientation on competitive advantage. The same thing was also revealed in the research results of Rahadhini and Pratita (2022). That competitive advantage can be increased through increased product innovation, acceptance of information technology and management. Research does not support the findings of Karnowati and Handayani (2022) that market orientation directly affects competitive advantage, and business performance is proven not to mediate the influence between market orientation and competitive advantage.

## **4. Conclusions**

This study's analysis reveals an intriguing interplay among market orientation, competitive advantage, and marketing performance. Surprisingly, market orientation was found to lack a significant direct effect on competitive advantage. However, this relationship gains significance when considering the intermediary role of marketing performance. Flower shops that tailor their offerings to precise customer needs and strategically formulate their approach can carve a unique competitive space in the industry. Market orientation's vivacious and significant impact on marketing performance underscores the importance of understanding customer preferences and monitoring competitors for sustained success. Notably, marketing performance emerged as a substantial predictor

of competitive advantage. Strengthening marketing distribution strategies can yield a substantial competitive edge, elevating a flower shop's position within the market.

The findings indicate that marketing performance is a perfect mediator between market orientation and competitive advantage. This implies that the influence of market orientation on competitive advantage is effectively channeled through the lens of marketing performance. As a recommendation, flower shops in Bali are encouraged to foster enduring relationships with both customers and employees. This commitment cultivates a market-oriented approach that garners ongoing support for every facet of the company's marketing endeavours.

In conclusion, this study sheds light on the intricate dynamics within the flower shop industry, illustrating that while direct relationships may not always be evident, the interconnections between market orientation, marketing performance, and competitive advantage are vital. Embracing a holistic perspective on these concepts and nurturing strong relationships can empower flower shops to thrive in the competitive landscape, thereby contributing to the vitality of the Bali flower industry.

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