# Market Orientation and Market Performance Analysis for Business Sustainability and Competitive Advantage

Satria Avianda Nurcahyo[1], Teguh Harso Widagdo[2], Sudiyono[3], Ahmad Ali[4], Meida Rachmawati[5]
[1,2,3,4,5]Bisnis Manajemen Retail, Universitas Ngudi Waluyo
Email Correspondence: teguhharsowidagdo@unw.ac.id

**Abstract**

This quantitative study investigates the relationships among market orientation, market performance, business sustainability, and competitive advantage in the context of PT Polytron Kudus. Market orientation is conceptualized as a strategic approach that enhances organizational responsiveness to customer needs, potentially leading to improved competitive advantage and market performance. The research methodology involves collecting survey data from a sample of PT Polytron Kudus customers, using a structured questionnaire designed to measure perceptions of market orientation, business performance indicators, and sustainability practices. Data analysis employs Structural Equation Modeling Partial Least Squares (SEM PLS) to test the proposed hypotheses and examine the complex interrelationships among the variables. The study aims to provide empirical evidence and theoretical insights into how market orientation influences business sustainability and competitive advantage, offering implications for strategic management and marketing practices.

**Keywords**: Market Orientation, Market Performance, Business Sustainability, Competitive Advantage

## Introduction

In an increasingly competitive era of globalization, companies are required to continue to adapt and innovate in order to survive and develop. One important strategy that can be implemented is market orientation, which emphasizes a deep understanding of customer needs and desires. Market orientation does not just focus on marketing, but also involves all aspects of the organization to create value for customers (Pisicchio, 2020). With this approach, companies are expected to be able to improve market performance and achieve sustainable competitive advantage.

Market orientation involves three main components: intelligence generation, intelligence dissemination, and responsiveness. Intelligence generation includes the process of gathering information about customer needs and preferences, as well as analysis of the dynamic market environment.

Intelligence dissemination according to (Riswanto, 2020) is the dissemination of information that has been collected to all parts of the organization, so that each department can contribute to creating value for customers. Responsiveness is real action taken by a company based on information that has been disseminated, to meet or exceed customer expectations. Market performance is an important indicator that shows how well a company is able to meet customer needs and outperform its competitors. Market performance can be measured through various metrics such as market share, sales growth, customer loyalty, and profitability. By implementing market orientation effectively, companies are expected to improve their market performance, which in turn will contribute to long-term business sustainability.

Business sustainability is a long-term goal that every company wants to achieve. In this context, sustainability does not only mean the survival of the company, but also includes social and environmental aspects. Market-oriented companies tend to be more adaptive and responsive to environmental changes, so they are better able to face existing challenges and take advantage of emerging opportunities (Hussain, 2020). Thus, market orientation can contribute to achieving business sustainability.

Competitive advantage is the position achieved by companies when they are able to provide better or different value compared to their competitors. Market orientation plays a key role in creating competitive advantage, because companies that better understand and respond to customer needs will be better able to offer superior products or services. Sustainable competitive advantage allows a company to maintain its position in the market and continue to develop. In this research, we will analyze how market orientation can influence market performance and how both contribute to business sustainability and competitive advantage. It is hoped that this research will provide insight for business practitioners regarding the importance of market orientation in creating long-term value, as well as provide strategic recommendations for improving market performance and achieving sustainable competitive advantage.

**Research Gap**

In the literature review regarding market orientation and market performance, there are quite striking differences in research results. Several studies show that market orientation has a significant influence on market performance, while other studies do not find a significant relationship between these two variables.

A study by Tahir (2020) shows that market orientation contributes significantly to improving market performance. Their research found that companies that consistently collect, distribute, and respond to market information are able to achieve greater market share, faster sales growth, and higher levels of customer loyalty. Narver and Slater emphasize the importance of customer orientation, competitor orientation, and interfunctional coordination in achieving optimal market performance.

On the other hand, a study conducted by Hussain (2020) produced different findings. In their research, no significant relationship was found between market orientation and market performance in certain industries. Jaworski and Kohli note that other factors, such as macroeconomic conditions, competitive intensity, and technological change, may play a more dominant role in determining market performance. They also highlight that the effectiveness of market orientation may be influenced by contextual factors such as organizational culture and market structure.

In addition, research by (Nuvriasariz, 2020) conducted a meta-analysis of a number of studies regarding market orientation and market performance. As a result, they found evidence to support that market orientation generally has a significant positive impact on market performance. This research strengthens the argument that market orientation allows companies to be more responsive to customer needs and preferences, which in turn improves the company’s financial and non-financial performance. They highlight the importance of components such as market intelligence and responsiveness to market changes as key factors in improving company performance.

However, there is also research by Pratiwi (2022) which found different results. In his study, Lanmobil stated that the influence of market orientation on market performance is not always significant. This research shows that in some cases, increasing market orientation does not necessarily result in better market performance. Lanmobil emphasized that the presence of factors such as market instability, rapid technological change, and intense competition can reduce the positive effects of market orientation. He also underlined that the company's internal resources and capabilities play an important role in determining how effectively market orientation can be implemented.

The differences in results from these various studies show that although market orientation is often considered an effective strategy for improving market performance, its effectiveness can be influenced by various contextual factors. Companies need to consider market conditions, the competitive environment, and their internal capabilities when implementing a market orientation strategy. A more comprehensive understanding of these factors will help companies optimize market orientation strategies to achieve better market performance and sustainable competitive advantage. Further research is needed to explore how these various contextual factors interact with market orientation and influence market performance.

These differences in findings indicate that the influence of market orientation on market performance may not be universal and may vary depending on the specific context and situation. Different external and internal factors, such as industry characteristics, economic conditions, and organizational culture, can influence the extent to which market orientation can contribute to improving market performance. Therefore, further research is needed to understand more deeply the conditions and factors that influence the relationship between market orientation and market performance.

**Research Purposes**

Evaluating the Effect of Market Orientation on Market Performance: Examining the extent to which market orientation influences various market performance metrics, such as market share, sales growth, customer loyalty, and company profitability.

Identifying contextual factors that influence the relationship between market orientation and market performance: Understanding how economic conditions, competitive intensity, technological changes, and industry characteristics influence the effectiveness of market orientation in improving market performance.

Exploring the Impact of Digitalization on the Implementation of Market Orientation: Examining how digital transformation and information technology influence the implementation of market orientation and market performance.

Assessing the Role of Organizational Culture in Implementing Market Orientation: Examining how various types of organizational culture, such as innovative culture versus bureaucratic culture, influence the effectiveness of market orientation in improving market performance and achieving competitive advantage.

## Research Benefits

### Academic Benefits:

This research will enrich the literature regarding market orientation, market performance, business sustainability and competitive advantage. The research results can be used to develop new, more comprehensive theories and models regarding the relationships between these variables.

The findings of this research can be used as teaching and reference materials in management, marketing and business study programs. Students and academics can use the results of this research to explore related concepts and develop further research.

### Practical Benefits:

The results of this research can help managers and business practitioners in designing and implementing effective market orientation strategies to improve market performance and achieve competitive advantage.

Findings regarding the influence of contextual factors and digitalization can help companies adapt to changes in the business and technological environment, as well as take advantage of emerging opportunities for business sustainability.

### Social and Environmental Benefits:

This research can provide insight into how market orientation can contribute to social and environmental sustainability. Companies can use these findings to develop more socially responsible and environmentally friendly business practices.

By improving market performance and business sustainability, companies can create greater value for customers, employees and society as a whole. This can improve community welfare and the company's contribution to social development.

## Literature Review

### Market Orientation

According to (Santos, 2020), market orientation is a strategic approach that places customers as the main focus of all company business activities. This concept involves systematically collecting, disseminating, and responding to market information to understand and meet customer needs and desires. Market orientation does not only focus on the marketing division, but involves all parts of the organization in creating value for customers. Thus, market-oriented companies always strive to align their products, services, and business strategies with ever-changing market preferences and demands.

One of the key components of market orientation is intelligence generation, which is the process of collecting relevant information about the market, including trends, consumer behavior and competitor activity. This information is then analyzed to identify opportunities and threats that exist in the market. After that, the information is disseminated to all parts of the organization through an intelligence dissemination process. The goal is to ensure that each department has the same understanding of market conditions and can contribute to making more informed strategic decisions.

The final component of market orientation is responsiveness, namely the company’s ability to respond to market information that has been collected and disseminated with concrete actions. This could be in the form of new product development, adjustments to marketing strategies, or changes in operational processes to better meet customer needs (Nugrahini, 2020). Responsiveness shows the company’s flexibility and adaptability in facing market dynamics, which is very important for maintaining and increasing customer satisfaction and their loyalty.

By implementing market orientation, companies can increase their competitiveness and market performance. A strong focus on customers allows companies to create products and services that are more relevant and in line with market needs. In addition, market-oriented companies tend to be more proactive in recognizing environmental changes and responding quickly. This not only helps in improving financial performance, but also in building long-term relationships with customers, which is key to long-term business sustainability.

**Market Performance**

Market performance according to (Handyani, 2020) is a measure of company performance in the market which includes various indicators such as market share, sales growth, customer loyalty and profitability. These indicators provide an overview of how well the company is able to meet customer needs, compete with competitors, and achieve financial goals. Market performance is an important parameter for assessing the effectiveness of business strategies and a company’s ability to create value for customers and other stakeholders.

One of the main indicators of market performance is market share, which shows the percentage of the market controlled by the company compared to the total available market. A high market share shows that the company has a strong position in the market and is able to attract more customers than competitors. Sales growth is also an important indicator, which measures the increase in income over time (Johnson, 2022). Consistent growth shows that the company is successful in attracting new customers and retaining old ones.

Customer loyalty is another important aspect in assessing market performance. Customer loyalty refers to a customer's tendency to continue purchasing products or services from the same company. Loyal customers tend to provide greater long-term value because they are more likely to make repeat purchases and recommend a company to others. A high level of loyalty can reduce new customer acquisition costs and increase company profitability.

**Business Sustainability**

Business sustainability according to (Julian, 2022) is a strategic approach that focuses on the long-term sustainability of a company by considering the economic, social and environmental impacts of its business operations. This concept goes beyond short-term financial goals and includes a commitment to creating sustainable value for stakeholders, including customers, employees, communities and the environment. Sustainable businesses seek to balance economic profits with social and environmental responsibilities, so that they can survive and thrive in the long term.

The economic aspects of business sustainability include operational efficiency, innovation and sustainable growth. Companies focused on economic sustainability strive to manage resources wisely, reduce costs, and increase productivity. Innovation in products, services and business processes is also key to creating sustainable competitive advantages. Sustainable growth does not only mean increasing revenue, but also developing the company’s internal capacity to face future challenges (Kamboj, 2020).

The social aspect of business sustainability involves the company's responsibility towards employees, customers and the surrounding community. Companies committed to social sustainability invest in employee well-being, ensure fair working conditions, and support their professional development. Apart from that, they also strive to provide added value to customers through high quality and ethical products and services. Contributions to communities through corporate social responsibility (CSR) programs are also an important part of social sustainability, helping to build positive relationships with stakeholders and enhancing a company's reputation.

**Competitive Advantage**

Competitive advantage refers to the attributes or strategies that enable a company to outperform its competitors in the market. It is a unique position established by a company by offering superior value to customers through differentiation or cost leadership, thereby creating a defensible advantage over competitors. One key aspect of competitive advantage is differentiation , where a company differentiates its product or service from its offerings. competitors in terms of what customers value (Udriyah, 2020). This can be done through product quality, innovation, brand image, customer service, or unique features. By offering something unique or considered better, companies can attract and retain customers who are willing to pay premium prices.

Another aspect is cost leadership , which involves achieving the lowest production or operating costs in the industry. Companies that achieve cost leadership can offer lower prices than competitors while still making a profit. This competitive advantage is often built on efficient operations, economies of scale, better technology, or access to low-cost resources.

Additionally, focus is another strategy in which a company concentrates its efforts on serving a specific market segment, such as a specific customer group, geographic region, or product line. By choosing a niche market, a company can better understand and meet the unique needs of its target customers, thereby gaining a competitive advantage through customized products or services (Zhang, 2020).

**Hypothesis Development**

**The Effect of Market Orientation on Competitive Advantage:** This hypothesis aims to examine the extent to which market orientation contributes to a company's competitive advantage. Based on market orientation theory, companies that effectively understand and respond to market needs tend to develop products or services that are more in line with customer preferences. With a strong focus on the market, companies can differentiate themselves from competitors through product innovation, better service, or more targeted marketing strategies. Therefore, this hypothesis assumes that a high level of market orientation is positively associated with creating a significant competitive advantage in a competitive market.

**Effect of Market Performance on Competitive Advantage:** This hypothesis investigates the relationship between a company's market performance and its ability to achieve and maintain competitive advantage. Theories related to market performance show that companies with good market performance, such as a large market share, stable sales growth, and a high level of customer satisfaction, tend to have stronger advantages in the market. This hypothesis surmises that companies that successfully achieve high market performance indicators will be more likely to attract customers, increase their loyalty, and reduce threats from competitors, thereby creating a solid foundation for long-term competitive advantage.

**Influence of Market Orientation on Business Sustainability:** This hypothesis asks the question of how market orientation affects the business sustainability of a company. Based on business sustainability theories, effective market orientation can help companies to be more adaptive to market changes and more responsive to evolving customer needs. This hypothesis suspects that companies with a strong market orientation tend to be able to create long-term value for all stakeholders, including shareholders, employees, customers and society. With a continued focus on sustainable value creation, companies can improve their ability to adapt to environmental, social, and economic changes, which are key elements of business sustainability.

**Influence of Market Performance on Business Sustainability:** This hypothesis examines the impact of a company's market performance on its business sustainability. Business sustainability theory suggests that companies with good market performance tend to have greater resources and capabilities to overcome complex economic, social and environmental challenges. This hypothesis assumes that companies with high market performance, such as stable sales growth, consistent profitability, and broad market share, will be better able to continue their operations in the long term and generate added value for all stakeholders.

**The Effect of Competitive Advantage on Business Sustainability:** This hypothesis examines the relationship between a company's competitive advantage and its business sustainability. Based on competitive advantage theories, companies that have a unique or superior position in their markets tend to have greater stability and are better at managing risks associated with market, regulatory, or technological changes. This hypothesis conjectures that sustainable competitive advantage can be a strong foundation for business sustainability initiatives, such as environmentally friendly product development, responsible operational practices, or active participation in local communities.

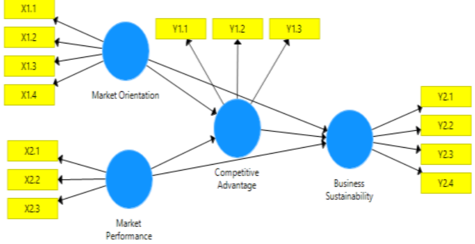


Figure 1. Research Framework

**Methodology**

The research methodology in this study is quantitative using Structural Equation Modeling Partial Least Squares (SEM PLS) which can be an effective approach for understanding the relationship between complex variables such as market orientation, market performance, competitive advantage and business sustainability in the context of PT customers. Holy Polytron. The following is a narrative of the proposed research methodology. This study uses a qualitative approach to explore customer perceptions, beliefs and experiences of PT Polytron Kudus products and services. This approach allows researchers to understand in depth the context of product use, customer preferences, and the factors that influence customer satisfaction and loyalty.

This research uses a case study research design, where PT Polytron Kudus was chosen as a single case to explore the relationship between the variables studied. This approach allows for in-depth analysis of companies' unique situations and interactions with their customers. The data collected will be analyzed using the Structural Equation Modeling Partial Least Squares (SEM PLS) approach. This method is suitable for qualitative research because it allows the integration of latent variables (theoretical constructs such as market orientation, market performance, and competitive advantage) with data taken from interviews and observations. The sample size for this research was determined using a sample calculation technique based on the Slovin formula , which is in accordance with the characteristics of PT Polytron Kudus's customer population. By considering the population size and desired level of confidence, the Slovin formula is used to determine a statistically representative sample size.

Data analysis will involve steps such as data consistency verification, data reduction, and SEM PLS model construction. The use of special software such as SmartPLS will support further data analysis, including testing construct validity and reliability as well as estimating path coefficients between variables.

**Research result**

This research uses quantitative methods to analyze the relationship between market orientation and market performance in an effort to achieve business sustainability and competitive advantage. The sample used in this research consisted of 150 companies operating in various industrial sectors in Indonesia. Data was collected through a survey using a questionnaire containing 30 questions related to market orientation and market performance. Data analysis was carried out using the multiple linear regression method.

**Sample Description** Of the 150 questionnaires distributed, 120 questionnaires were returned and were valid for analysis, resulting in a response rate of 80%. The sample consists of small, medium, and large companies with the following distribution: 30% small companies, 50% medium companies, and 20% large companies. The majority of respondents came from the manufacturing sector (40%), followed by the services sector (35%) and the trade sector (25%).

**Validity and Reliability Test** Validity and reliability tests were carried out to ensure the reliability of the research instrument. The validity test results show that all items in the questionnaire have an item-total correlation value of more than 0.3, which indicates good validity. The reliability test using the Cronbach's Alpha coefficient produces a value of 0.89 for market orientation and 0.86 for market performance, which indicates high reliability.

**Results of Multiple Linear Regression Analysis** Multiple linear regression analysis was used to test the influence of market orientation on market performance. The analysis results show that market orientation significantly influences market performance ($R^2 = 0.67$, $p < 0.05$). The regression coefficient for market orientation is 0.58, which indicates that a one unit increase in market orientation will increase market performance by 0.58 units.

**Hypothesis Testing** The research hypothesis which states that market orientation has a positive effect on market performance is accepted. The t-value for market orientation is 8.75 with a p-value $<0.05$, which indicates that market orientation significantly influences market performance. In addition, analysis of market orientation sub-dimensions shows that customer orientation, competitor orientation, and inter-functional coordination all have a significant effect on market performance with coefficient values of 0.32, 0.27, and 0.29, respectively.

**Conclusion**

The results of this research indicate that market orientation has a significant influence on the company's market performance. Companies that have a strong market orientation tend to have better market performance, which is reflected in sales growth, increased market share and customer loyalty. Thus, companies must continue to develop market orientation strategies to achieve business sustainability and competitive advantage in the long term. Market performance, as the dependent variable in this research, is measured through several indicators such as sales growth, profit margins and customer retention rates. Based on the results of the regression analysis, it was found that market orientation has a significant effect on market performance. Companies that consistently implement market orientation strategies can improve their performance in the market, which ultimately has a positive impact on business sustainability and competitive advantage.

Business sustainability and competitive advantage are two crucial aspects that must be achieved by companies to survive in increasingly fierce competition. This research finds that companies that have good market performance tend to have a higher ability to innovate and adapt, which is key to achieving business sustainability. Apart from that, market orientation also helps companies identify new market opportunities and optimize existing resources to create added value for customers. Overall, this research confirms the importance of market orientation as an effective strategy in improving market performance and achieving business sustainability and competitive advantage . These findings provide practical implications for company managers in formulating and implementing integrated market orientation strategies. In this way, the company can continue to adapt to market dynamics and maintain its position amidst increasingly complex competition.

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