

# BUILDING THE COMPETITIVE ADVANTAGE OF SMES IN THE FASHION SECTOR IN MEDAN CITY WITH A MEDIATION AND MEDIATION APPROACH

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## Abstract

**Introduction:** The fashion sector is a factor that has the potential to support economic recovery. The Ministry of Industry (Kemenperin) encourages the fashion industry (textiles and apparel) to increase its role in national economic recovery. **Research Objectives:** Identify and analyze the influence of marketing and innovation capabilities on direct market orientation and market orientation as mediation for competitive advantage. (2) To determine and analyze the effect of marketing ability and innovation ability on competitive advantage directly and using the internet as a mediator variable? **Methods:** The sampling technique in this study used a non-probability sampling technique. What used a single-stage cluster for sampling? The number of samples or respondents in this study was 150 respondents. What used the Partial Least Square (PLS) approach to analyze the data using the SmartPLS version 3 program? **Results:** Research results H1a is supported or accepted, H1b is rejected or not received, H2a is accepted or funded, H2b is born or supported, whereas H3a is rejected, H3b and H3c are accepted but not supported. And H4a is accepted or supported. H4b, where the use of the internet as a mediator variable does not strengthen the effect of innovation ability on market orientation for SMEs in the Fashion sector in Medan City. So that H4b in this study was rejected or not supported. **Originality:** This study uses the use of the internet as a mediator variable to strengthen marketing capabilities and innovation capabilities towards market orientation for MSME actors in the Fashion Sector in Medan City

**Keywords:** Capability, Marketing, Innovation, Market Orientation, Internet, MSMEs, Medan

## INTRODUCTION

The fashion sector is one factor that has the potential to support economic recovery. The Ministry of Industry (Kemenperin) encourages the fashion industry (textiles and apparel) to increase its role in national economic recovery. In 2020, the export performance of the textile and apparel industry reached US\$10.62 billion, with a contribution to the GDP of the non-oil and gas processing industry of 6.76%. In 2020, clothing exports by Indonesian MSMEs reached US\$ 154.47 million. Where MSMEs can export to foreign markets reaching US \$ 133.49 million. In March 2021, non-oil and gas exports in the clothing and accessories sector classified as knitted managed to grow by 18.82% (mom) to US\$ 360 million. Meanwhile, exports of non-knitted clothing and accessories managed to increase by 12.81% (mom) in the range of US\$ 350 million. The top 20 non-oil and gas exports from Indonesia consist of these two industries.

Good marketing skills are one of the determinants of competitive advantage. In order to deploy the resources that organizations need in relation to market expectations and enable them to provide value and fulfill competitive demands, marketing capability is an integrative process (Davcik & Sharma, 2016). According to Chahal and Kaur (2014), marketing competence is a function of operational viewpoint, marketing mix, intellectual capital, and competition perspective. According to Davcik and Sharma (2016), business strategy is driven by marketing resources and competencies to outperform the competition.

Innovation capabilities can help MSMEs in developing markets achieve their competitive advantage. Innovation capability can assist MSMEs in developing new ideas and changing products, processes, and management systems that allow businesses to have a better chance of surviving in one market industry (Serna et al., 2016). In addition, innovation capabilities can help emerging market SMEs develop competitive advantages and initiate export activities (Love et al., 2016).

Analysis and considerations in the context of SMEs are exciting areas for expanding the literature on market orientation (Hernandez-Linares et al., 2018). Market orientation has received attention because of its role in driving company performance (Frösen et al., 2016). Market orientation allows companies to gather market intelligence regarding customer needs and disseminate information throughout the organization (Frösen et al., 2016; Nakos et al., 2019). Based on Lansiluoto et al. (2019), market orientation can determine non-financial performance in MSMEs. For emerging market companies, market orientation is one of the most important strategic factors to consider when entering foreign markets. Market orientation can help achieve growth (Reijonen et al., 2012) and improve business performance in SMEs (Udriyah et al., 2019).

The internet has fundamentally changed business processes and operations (Ifinedo, 2011). The internet facilitates relationships with relevant market parties (Lucia-Palacios et al., 2014). Businesses' use of technology and the internet targets MSMEs (Voges and Pulakanam, 2011; Ifinedo, 2011), which is fantastic given that the adoption of firm size impacts computer information technology.

Based on the explanation above, the formulation of the problem in this study is: (1) is there an effect of marketing ability and innovation capability on market orientation directly or market orientation as mediation for competitive advantage? (2) Does marketing ability and innovation ability affect competitive advantage, either directly or by using the internet as a mediator variable?

The aims of this research are (1) to identify and analyze the effect of marketing ability and innovation ability on direct market orientation and market orientation as mediation for competitive advantage. (2) To determine and analyze the effect of marketing ability and innovation ability on competitive advantage directly and using the internet as a mediator variable?

## LITERATURE STUDY

This study adopts the theory of human resource-based view (RBV) put forward by Barney (1991) regarding the marketing capabilities used by MSMEs as a basis for developing their competitive advantage (Davicik & Sharma, 2016; Acikdilli et al., 2020). The middle theory used in this study is the theory of dynamic abilities, in an emotional capabilities viewpoint, where what can use unique resources or capabilities to drive strategies that ultimately support the ongoing development of new capabilities needed to expand markets (Tecce et al., 1997). Apply theory in this study consists of marketing skills, innovation capabilities, market orientation, and internet use.

### Competitive Advantage

Barney (1991) stated that the resources owned by the company related to all assets, capabilities, organizational processes, and information knowledge are practically controlled and make it possible to create and pursue effective strategies and competitive advantages. These resources include physical capital (consisting of physical capital, technology, plant and equipment, location, geography, and access to raw materials), human capital (consisting of training, judgment, intelligence, and relationships), and organizational capital resources. (Consisting of formal systems and structures and informal relationships between groups). Human resources as the center of the theory of resource-based competitive advantage. Humans work and have the competence to handle and overcome in taking advantage of the challenges and opportunities provided (Davis, 2017).

It is possible to define competitive advantage as the capacity to apply tactics to add value for customers not employed by rivals (Dreyer & Gronhaug, 2004). The components of competitive advantage are presented by Dreyer and Gronhaug, 2004, namely adaptability, specificity, and ability to make changes. Adaptability explains that companies use the sustainable competitive advantage to implement new strategies in reflecting changing market conditions, combining and changing available resources in new and different ways. Specificity (uniqueness) describes the resources obtained and used by the company in the market environment, explaining variations in company performance from time to time. At the same time, the ability to make changes explains that the company's resources and capabilities can improve company performance.

### Marketing Capability

An integrated procedure created to use various firm knowledge, skills, and resources for Projects that address the market's needs can be categorized as marketing capabilities. Morgan et al. (2009; 14) state the influence of marketing capabilities on company success. Marketing capabilities are needed to understand the company's position regarding the company's environment, especially relationships with customers, competitors, suppliers, and distributors.

Day (2011) discusses three dimensions of marketing capabilities, namely static marketing capabilities, dynamic marketing capabilities, and adaptive marketing capabilities. A vital component of the marketing mix, static marketing capacity provides implicit static descriptions

of well-honed organizational routines and capabilities that are challenging to duplicate to carry out current procedures or concentrate on capabilities (Day, 2011, p. 185). to exploit and use existing internal resources while neglecting the ability to explore and adapt to changes in the external environment (Morgan et al., 2004). Dynamic capability is the idea that a company can quickly adjust and change its internal resource configuration to align marketing management processes with market demand after receiving evident market change signals (Morgan et al., 2012). Finally, adaptive marketing capabilities are extensible to proactively sense and act on market signals, continuously learn from market experiments, and integrate and coordinate social network resources to adapt to market changes and predict industry trends.

### **Innovation Capability**

Innovation shows the existence of a "process" and "outcome" in the development or utilization of the mobility of knowledge, skills, and experience in creating or repairing goods and services that will ultimately provide significantly more value. Innovation is mixed for individuals or companies, a novelty for markets, countries or regions, and the world (Pharisees, 2014; 39). Suryana (2015; 54), innovation is applying creativity to something that can be implemented and provides added value to the company's resources. Innovation is something that is considered new, such as a new idea, new theory, new hypothesis, or a new method of management in an organization or company. Soleh (2014; 74) classifies innovation into several types, including administrative innovation, technical innovation, product innovation, process innovation, market innovation, incremental innovation.

Serna et al. (2016) put forward three dimensions to measure innovation ability: product, process, and service. Product innovation is introducing and developing new products to the market or modifying existing products regarding their features, specifications, functions, and quality (Liao et al., 2011). Process innovation is adopting new elements for an organization's production processes, including materials, software, technology, and information flows (Damanpour, 1996). Finally, service innovation enhances customer satisfaction, including warranty policies, after-sales services, order placement systems, and maintenance routines (Gopalakrishnan & Damanpour, 1997).

### **Market Orientation**

Market orientation is a multi-dimensional construction consisting of various aspects (Crik, 2019) consisting of discovering, understanding, and fulfilling the needs expressed by consumers (reactive orientation) and their latent needs (proactive orientation) (Narver et al., 2004). It is outlined how and when market orientation functions as a dynamic capability from these two orientations (Barrales-Molina et al., 2014). Market orientation is significant for entrepreneurial companies because it leads to learning, environmental adaptation, and rapid response to environmental opportunities and threats. Market orientation is also one of the most effective and efficient organizational cultures, creating superior customer value and enabling business success (Herman et al., 2018).

Narver and Slater (1990), there are three dimensions of market orientation: customer orientation, competitor orientation, and inter-functional orientation. Customer orientation,

namely an adequate understanding of customers in order to be able to create superior value for the company on an ongoing basis. Competitor orientation means that the company understands the strengths, weaknesses, capabilities, and long-term and short-term strategies of current and potential competitors. Finally, inter-functional orientation is the coordinated utilization of company resources to create superior customer value.

### **Internet use**

Teo et al. (1999) found that perceived usefulness consistently had a strong effect on Internet use, whereas the effects of perceived ease of use and perceived enjoyment were partially supported. Teo et al. (1999) showed that the longer the time spent online, the more excellent the opportunity to make online purchases. The amount of time per month spent online, as well as the length of time spent online, are significant predictors of online buying behavior (Bellman et al., 1999).

Davis (2017) studied the determinants of information technology adoption by individual users and ultimately formed the Technology Acceptance Model (TAM). The Theory of Reasoned Action (TRA) model, which was developed, served as the basis for the TAM model. By Ajzen and Fishbein (1980). TAM was measured by two dimensions: perceived usefulness and perceived ease of use. The definition of perceived utility is the prospective user's subjective belief that using a particular application system will improve his job performance in an organizational context. Perceived ease of use refers to the extent to which potential users expect effort-free use of the target system. Davis (2017) recognizes that the same application that is observed as being more straightforward to use than others is more likely to be accepted by users.

### **The Relationship between Marketing Ability and Innovation Capability To Competitive Advantage**

Davcik and Sharma (2016) state that marketing resources and capabilities drive business strategies to strengthen competitive advantage and improve company performance. Companies with basic marketing capabilities can create value for customers to achieve competitive advantage and better financial performance (Morgan et al., 2012), including MSMEs that serve as suppliers to large businesses. By expanding customers and being able to attract new customers, both nationally and internationally (Morgan et al., 2009).

Previous studies have shown that MSMEs that innovate can generate higher sales growth than companies that do not innovate (Love et al., 2015). Innovation capability can assist MSMEs in developing new ideas and changing products, processes, and management systems that allow businesses to have a better chance of surviving in one market industry (Serna et al., 2016). Innovation capabilities can help developing market SMEs develop competitive advantages and initiate export activities (Golovko & Valentini, 2011)

Marketing and innovation skills are the cornerstones of MSME competitiveness in developing nations like Indonesia, where suppliers to large corporations who concentrate on growing their

marketing and innovation capabilities can gain better competitive advantages (Acikdilli et al., 2020). The following is how the hypothesis is developed in light of the above explanation:

H1a: There is a positive and significant influence between marketing ability on competitive advantage

H1b: There is a positive and significant influence between innovation capability and competitive advantage

### **The Relationship between Marketing Capability and Innovation Capability on Market Orientation**

Tooksoon and Mohamad (2010), marketing capability is a company's ability to carry out various marketing functions as an integration process designed to apply a collection of knowledge, skills, and resources from companies related to current market needs. The ability of a company to transform information and knowledge into new creations or developments is known as innovation capability. According to Schumpeter (1978), innovation means "a new combination" to produce something by utilizing the capabilities of materials and labor. This new combination can produce something new with the same technology or process or produce the same thing with a new technology or process. The phrase "new combination" refers to a product that has never been used, a technology that has never been used before, and a market that has never been targeted before, according to Schumpeter. The following is how the hypothesis is constructed using the above justification:

H2a: There is a positive and significant influence between marketing ability on market orientation

H2b: There is a positive and significant influence between marketing ability on market orientation

### **Market Orientation as Mediation**

Market orientation is acknowledged as a marketing asset that promotes cross-functional cooperation within the company and supports the creation of new business resources and competencies., making it a dynamic marketing competency (Barrales-Molina et al., 2014). An intriguing topic for developing the literature on market orientation is analysis and concerns in the setting of SMEs (Hernandez-Linares et al., 2018). Furthermore, market orientation has drawn attention due to its impact on business success (Frösen et al., 2016). The following is how the hypothesis is developed in light of the above explanation H3a: Terdapat pengaruh positif dan signifikan antara orientasi pasar terhadap keunggulan kompetitif

H3b: There is a positive and significant influence between marketing ability on competitive advantage through market orientation as mediation

H3c: There is a positive and significant influence between innovation capability and competitive advantage through market orientation as mediation



### Using the Internet as a Mediator

Here, internet use is the time users spend online (Daunt & Harris, 2017). Depending on how they use the Internet, customers' knowledge and experience with it may vary. The use of the Internet as a moderator has typically been researched in various circumstances, including internet purchasing behavior (Rose et al., 2012) and preferences for using online and offline channels while customers are buying (Trenz and Daniel. 2015). Using the justification stated above, the following is how the hypothesis is put together:

H4a: There is a positive and significant influence between marketing ability on competitive advantage through the use of the internet as a mediator

H4b: There is a positive and significant influence between the ability of innovation to competitive advantage through the use of the internet as a mediator

### RESEARCH METHODS

A descriptive quantitative study is what we are doing here. The study was conducted in the city of Medan. The research will take place from May 2022 until November 2022. This study uses a non-probability sampling method as its sampling strategy. The sample is distributed according to equal categories for geography, age, and gender. Sampling was carried out with a single-stage cluster. The number of samples or respondents in this study was 130 respondents, which were obtained based on the number of indicators in the study x 10. The indicators in this study were 15 x 10 = 130. Therefore, the minimum number of samples in this study was 150 respondents. Data analysis was carried out to answer the hypothesis using the Partial Least Square (PLS) method using SmartPLS version 3 software. PLS is a method of solving Structural Equation Modeling (SEM), which is more compared to other SEM techniques in this case...

**Table 1: Operational Variable Definitions**

No	Variable	Definitions	Dimensions	Scale
1	Sustainable Competitive Advantage	Competitive advantage means an organization's ability to attract customers and build prestige for the organization or its products and increase the value felt by customers and achieve their satisfaction, which is also the ability to provide various values to customers.	1. Relationship Skills 2. Specificity (uniqueness) 3. The skill to make changes	Interval
2	Marketing Capability	The ability of people to carry out organizational processes capable of coordinating marketing efforts, as well as a set of skills and knowledge collected over time, make up a company's marketing competence.	1. Static Ability 2. Dynamic Capability 3. Adaptive ability	Interval
3	Innovation Capability	Innovation capability refers to developing new technologies, policies, products, processes, or services created for an organization.	1. Product innovation 2. Process innovation 3. Service innovation	Interval
4	Market orientation	Market orientation is an organizational culture designed to create behavior among their employees with the primary goal of generating value for customers...	1. Customer Orientation 2. Competitor Orientation 3. Orientation Between Functions	Interval
5	Internet use	Here, internet consumption is defined as the time users spend online.	1. Knowledge 2. Understanding	Interval

## RESEARCH RESULT

The questionnaires distributed in this study were 200 questionnaires. However, only 150 questionnaires were filled in entirely by the respondents, so the number of samples in this study was 150 respondents...

Respondent categories are business actors who have different types of businesses or have more than one type of fashion business, such as selling clothes, shoes, and bags. The clothing business is in second place with 23%, the accessories business is third with a percentage of 16%, the shoe business is 5%, and the bag business is 3%. The UMKM Fashion business actors in the city of Medan do not only sell one type of fashion but also various types of fashion or several fashion products simultaneously.

The respondents' identities may be seen based on how long the company has been in operation. According to this survey, MSME business players in Medan City have been in operation for less than one year, between one and three years, between three and six years, more than six years, more than one year, and between one and three years, with a percentage of 33%, 27%, and 17% respectively. Given that the typical duration of a business' operation is between one and six years, what can infer that the UMKM business actors in this study are still in the growth stage.

The number of sub-districts in the city of Medan is 21, and there are only 15 sub-districts in this study. Based on the sub-district business locations, we can see that two sub-districts—Medan Tembung and Medan Denai sub-districts—are business locations for MSME actors in this study. Medan City comes in second with a ratio of 11%, followed by Medan Perjuangan with an 8% ratio, Medan Selayang with a ratio of 5%, Medan Helvetia with a ratio of 5%, and Medan Area. Indicates that four sub-districts—Medan Tembung, Medan Denai, Medan Kota, and Medan Perjuangan—dominate the business actors in this study. And these four sub-districts are the most commonly found by MSMEs in Medan.

### Outer Model Testing

This research model will be analyzed using Smart Partial Least Square (SmartPLS) and assisted with SmartPLS 3.0 software. PLS is an alternative Structural Equation Modeling (SEM) method that can use to solve problems in the relationship between very complex variables, but the sample data size is small (30-100 samples) and has non-parametric assumptions, meaning that the data does not refer to any one specific distribution.

### Results of Convergent Validity Analysis

From the results of outer loading calculations, there are several statements in the indicators whose value is less than 0.7, such as the competitive advantage variable in the statements Q1, Q2, Q3, Q4, and Q12; on marketing capability variable for statement Q32 and market orientation variable in statement Q54.



### Discriminant Validity Analysis Results

Discriminant validity is assessed by evaluating the cross-loading value of the concept measurement. The cross-loading value displays each construct's correlation with its corresponding indicators from other block constructions. If the correlation between the concept and its indicators is more significant than the correlation with other block indicators, a measurement model has good discriminant validity. After utilizing SmartPLS to evaluate the data, the cross-loading results demonstrate that the construct's correlation value with the indicators is higher than its correlation value with other constructs. As a result, all constructs or latent variables have strong discriminant validity, and the construct indicator block's indicators perform better than those in different leagues.

### AVE Value and AVE Squared

The following evaluation compares the AVE root value with the correlation between the constructs. The recommended result is that the AVE root value must be higher than the correlation between the constructs (Yamin and Kurniawan, 2011). The model has better discriminate validity if the AVE square root for each construct is greater than the correlation between the two constructs in the model. A good AVE value is required to have a value greater than 0.50. The AVE value and AVE square root for each construct in this study can be displayed as follows:

**Table 2: AVE Value and AVE Squared**

Variable	AVE	Square Root AVE
Marketing Capability	0.677	0.822
Innovation Capability	0.680	0.825
Market Orientation	0.752	0.867
Internet use	0.871	0.933
Competitive advantage	0.757	0.870

Based on table 2, all constructions exhibit an AVE value larger than 0.50, with the marketing ability variable's value being 0.677 and the internet usage variable's value being 0.871. By the minimal AVE value limit for each construct, this value already satisfies the requirements. The following step is to compare the correlation between the model's constructs with the square root of AVE. Table 2 below displays the findings of this study's association between constructs and the AVE square root value:

**Table 3: Correlation value between contracts with discriminant validity values**

	Internet	Innovation Capability	Marketing Capability	Competitive advantage	Market Orientation
Internet Use (Mediators)	0.933				
Innovation Capability	0.802	0.825			
Marketing Capability	0.843	0.918	0.823		
Competitive advantage	0.555	0.657	0.685	0.870	
Market Orientation (Mediation)	0.868	0.875	0.946	0.659	0.867

Table 3 shows that the AVE square root value for each construct is greater than the correlation value, so the constructs in this research model can still be said to have good discriminant validity.

### Composite Reliability

Apart from being measured by assessing convergent reliability and discriminant validity, the outer model can also be measured by looking at the construct or latent variable measured by the composite reliability value of  $> 0.70$ , so the construct is declared reliable. For example, what can show smartPLS output results for composite reliability values in the following table:

**Table 4. Composite Reliability Value**

Variabel	Composite Reliability
Marketing Capability	0.981
Innovation Capability	0.962
Market Orientation	0.964
Internet Use	0.964
Competitive advantage	0.956

As seen from the table above results, the composite reliability value for all contracts is higher than the value of 0.70. Therefore, according to the needed minimum value limit, all agreements are highly reliable with the value generated.

### Inner Model Testing (Structural Model)

Testing the inner model (structural model) is done after testing the exterior model, which has passed. One can assess the internal model by examining the r-square (indicator reliability) for the dependent contract and the t-statistical value of the path coefficient test. The better the prediction model of the suggested research model, the higher the r-square score. The path coefficient value in hypothesis testing represents the level of significance.

### Results of Analysis Of Variance (R<sup>2</sup>) or Determination Test

R<sup>2</sup> analysis of variance or test of determination, namely to determine the magnitude of the influence of the independent variables on the dependent variable, which can show the value of the coefficient of the decision in the following table:

**Table 5. R Square Value**

	R Square
Competitive advantage	0.475
Internet Use	0.716
Market Orientation	0.924

Based on the r-square value in table 5, the above shows that marketing ability and innovation ability can explain the variability of the market orientation variable construct of 0.924 or 92.4%, and the remaining 7.6% is explained by other constructs not examined in this study. Marketing ability and innovation ability define the constructed variable of internet use by 0.716 or 71.6%, and other constructs explain the remaining 28.4% outside this study. And marketing

ability and innovation ability describe the competitive advantage variable construct by 0.475% or 46.5%, and the remaining 54.3% is explained by other constructs not examined in this study.

### Hypothesis test

Hypotheses are tested based on the outcomes of evaluating the Inner Model (structural model), which comprises the output r-square, parameter coefficients, and t-statistics. To determine the validity of the hypothesis by taking into account the significance between constructs, t-statistics, and p-values. Partial least squares (SmartPLS) 3.0 was utilized to test the research hypothesis. The results of bootstrapping show these values. The generalizations employed in this study have a significance threshold of p-value 0.05 (5%) and a positive bet coefficient. What can use the following illustration to explain the importance of testing the study hypothesis:

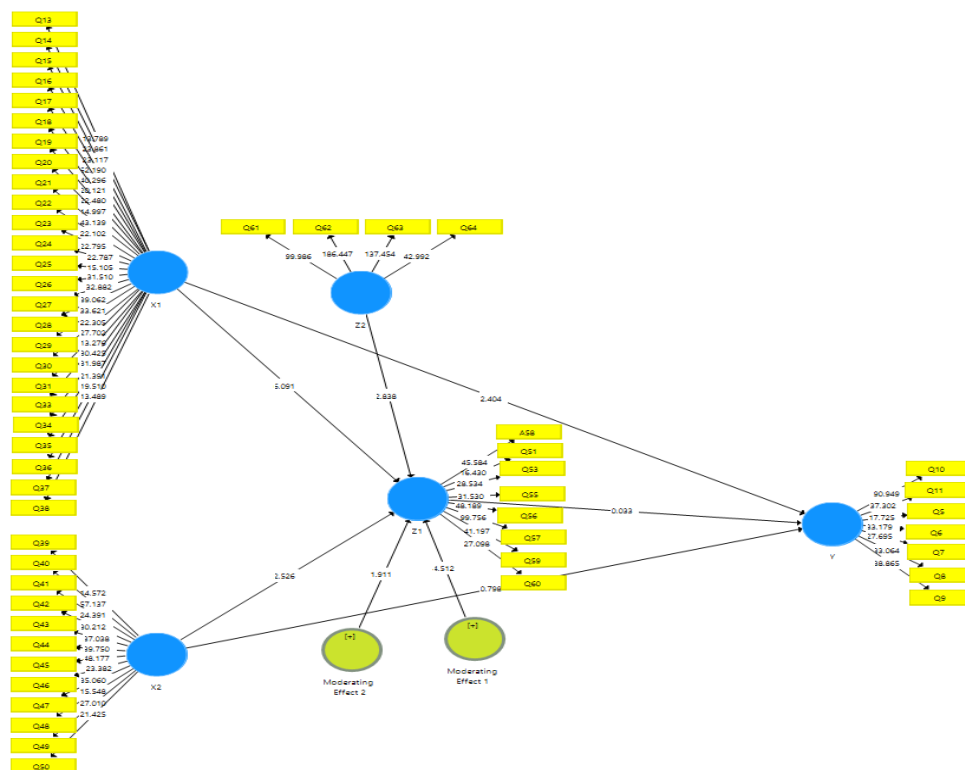


Figure 1: Results of the Research Model

**Table 6. Path Coefficients Results**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values	Information
Marketing Capability -> competitive advantage	0.560	0.578	0.178	3.145	0.002	Accepted
Innovation capability -> Competitive Advantage	0.121	0.116	0.154	0.785	0.433	Rejected
Marketing Capability -> market orientation	0.430	0.435	0.071	6.091	0.000	Accepted
Innovation Capability -> Market orientation	0.197	0.193	0.078	2.526	0.012	Accepted
Market orientation -> Competitive Advantage	0.006	-0.003	0.171	0.033	0.974	Rejected
Marketing Capability -> Market orientation -> Competitive Advantage	0.002	-0.003	0.074	0.033	0.974	Rejected
Innovation Capability -> Market orientation -> Competitive Advantage	0.001	0.003	0.039	0.029	0.977	Rejected
Marketing Capability -> Internet Usage-> Market orientation	-0.183	-0.188	0.040	4.512	0.000	Accepted
Innovation Capability -> Internet Usage-> Market orientation	0.122	0.130	0.064	1.911	0.057	Rejected

## DISCUSSION

The results of this study do not fully support the resource-based theory (RBV); this is because not all of the hypotheses in this study are accepted or supported. According to the study's participants, marketability often strongly correlates with business performance and can give SMEs in Medan a competitive edge. The results of this study indicate that marketing capabilities positively impact competitive advantage, and these results support the theory of dynamic capabilities. Market-based business actors, such as market orientation and marketing capabilities, have complementary relationships and contribute to explaining business performance. The good business performance of MSME actors can be a competitive advantage to win the market and gain a broader market share. In this study, marketing ability has a positive impact on market orientation.

The results of this study corroborate the findings of Vorhies and Morgan (2005), Reijonen (2012), and Merrilees et al. (2011), which indicate that better-developed marketing capabilities will be a crucial factor that enables MSME players to act in a more market-oriented way to meet their needs. Customer demands. Mainardes et al. (2022) identify a market that realizes the benefits of marketing capabilities in ensuring the company's future survival. This study's results align with Morgan et al. (2012) and Davcik and Sharma (2016), which state that well-

developed marketing capabilities can generate more value for customers and achieve competitive advantage and better financial performance.

This study's results differ from the research of Mahmood and Hinson (2012), which suggests companies that have competitive resources and can translate them into innovative products will benefit from more competitive performance. Battor and Battor (2010), innovation capability contributes to company performance. Based on the analysis of the structural model in this study, the better the marketing capabilities of SMEs, the better their competitive advantage. In a developing country like Indonesia, marketing capabilities and their relationship with market orientation and competitive advantage are positive, especially in a volatile environment (Mainardes et al., 2019). The research results are different from the study of Mainardes et al. (2019). Market orientation can encourage a focus on a company's customers and is likely to result in a competitive advantage (Acikdilli et al., 2020).

The mediation hypotheses H3b and H3c conclude that market orientation cannot mediate the effect of marketing ability and innovation ability on competitive advantage, so market orientation cannot become an intermediary to strengthen the influence of marketing ability and innovation ability on competitive advantage. This research is not in line with Mainardes et al., 2019 marketing ability has a vital role in market orientation and perceived competitive advantage. The development of marketing and innovation capabilities is the key to the success of MSME players in gaining competitive advantage through market orientation. Moderation hypothesis H4a concludes that the use of the internet can moderate the influence of marketing capabilities on competitive advantage so that the use of the internet increases the effect of marketing capabilities on competitive advantage. Davcik and Sharma (2016) claim that marketing capabilities are essential for MSME actors to achieve a competitive advantage. Moderation hypothesis 4b concludes that the use of the internet is not able to moderate the ability of innovation on competitive advantage, so the use of the internet is not able to increase the effect of innovation ability on competitive advantage.

## CONCLUSION

The fashion sector is one factor that has the potential to support economic recovery. Therefore, the Ministry of Industry (Kemenperin) encourages the fashion industry (textiles and apparel) to increase its role in national economic recovery. The aims of this research are (1) to identify and analyze the effect of marketing ability and innovation ability on direct market orientation and market orientation as mediation for competitive advantage? (2) to determine and analyze the effect of marketing ability and innovation ability on competitive advantage directly and using the internet as a mediator variable?

The study results show that H1a is supported or accepted, and the test results show a positive and significant influence between marketing capabilities and competitive advantage for SMEs in the city of Medan in the fashion sector. H1b is rejected or not accepted. The test results show a positive and insignificant effect of innovation ability on competitive advantage for SMEs in the city of Medan in the fashion sector. H2a is accepted or supported. The test results show a positive and significant influence between marketing ability and market orientation for

MSMEs in the city of Medan, especially in the fashion sector. H2b is accepted or supported. The test results show a positive and significant influence on the ability of innovation on market orientation for MSMEs in the city of Medan. H3a is not accepted or not supported. The test results show a negative and insignificant effect between market orientation and competitive advantage for SMEs in Medan City. H3b and H3c to see the indirect relationship between marketing ability and innovation ability to competitive advantage with market orientation as a mediating variable. In this study, orientation cannot be used as a mediating or intermediary variable to increase competitive advantage with marketing and innovation capabilities. Thus H3b and H3c are either rejected or not supported. H4a, where the internet is used as a mediator variable to strengthen the effect of marketing ability on market orientation. To be accepted or backed by H4a. H4b does not increase the relationship between innovation capability and market orientation for SMEs in the fashion sector in Medan City., which uses internet use as a mediator variable. So that H4b in this study was rejected or not supported.

## SUGGESTION

There are still some areas for improvement in this study. Due to this, it is advised that more researchers look into MSMEs in other industries, such as the service, food, and beverage sector. In addition, we are adding other variables not examined in this study. For SMEs to pay more attention to and understand market orientation, internet use, marketing capabilities, and innovation capabilities to build competitive advantage in the future and win the market competition.

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