SME Development through Competitive Advantage on the Improvement of SME Marketing Performance in Medan City

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Abstract. The development of competitive advantage for SMEs in Medan City is carried out by looking at the marketing aspects. In improving its marketing performance, SMEs review aspects of market orientation and product innovation. This will allow SMEs to compete with their competitors. The role of the government is also increasingly needed in making the quality improvement of SMEs such as providing facilities and infrastructure for good access to the market, providing understanding in increasing product innovation and opening access to SME marketing in the future. However, some entrepreneurs are constrained in making this because of the limited information and advantages they have. Based on the model and dimensions of the marketing strategy, the results of observational analysis and interviews with speakers conducted by researchers argue that the marketing development strategy of MSMEs in Medan City is included in the progressive strategy model. That is the strategy that is carried out by surviving with the marketing aspect.

Keywords: Competitive Advantage, SMEs, Marketing Performance.

1   Introduction

1.1   Background

MSMEs cannot be eliminated from the current national society. Because its existence is extremely beneficial in terms of income distribution. In addition, it is able to generate innovation consistent with efforts to preserve and promote components of the local community's traditions and culture. In contrast, given Indonesia's vast population, MSMEs are able to absorb labor on a big scale, hence reducing the unemployment rate. This demonstrates that the emergence of labor- intensive MSMEs employing simple and easy-to- understand technologies can provide a venue for individuals to work. As one of the instruments to boost people's purchasing power, the Micro, Small, and Medium- Sized Enterprises (MSMEs) development initiative will eventually serve as a safety valve during a financial crisis. The development of Micro, Small, And Medium- Sized Enterprises (MSMEs) in Indonesia is still hindered by a number of obstacles, resulting in a lack of import competitiveness. In adequate infrastructure and government access due to licensing and bureaucracy, as well as high levels of taxes, are the primary challenges faced by MSMEs [1]. The enormous potential of micro, small, and

medium-sized enterprises (MSMEs) is impeded by all of the current obstacles. MSMEs are a significant contributor to the Indonesian economy.

Micro, small, and medium enterprises (MSMEs) are generally considered independent businesses that can thrive and consistently contribute to the national economy. They also play a crucial role in generating productive employment opportunities for the community. MSMEs are characterized by their labor-intensive nature, requiring creativity, innovation, and entrepreneurial spirit to establish and operate. However, the development of MSMEs in Indonesia faces various challenges, which hinder their competitiveness against imported products. The primary issues encountered by MSMEs include limited infrastructure, difficulties in government access regarding permits and bureaucratic administration, as well as high taxation rates. These obstacles impede the immense potential of MSMEs, despite their significant contribution to the Indonesian economy. In light of the fact that this sector provides 60% to the national gross domestic product and employs 97% of the labor force, the government has enacted numerous measures to encourage MSMEs to be robust and able to thrive [2]. The presence of MSMEs is essential for driving local economic growth.

According to an ILO (2020) survey, 68% of Indonesia's 571 MSMEs reported commercial activity disruptions, 65% suspended operations, and 3% went out of business. Additionally, according to ABDSI (2020), among of the 6,405 MSMEs polled, 48.3% had trouble keeping up supply lines, 92.6% required debt restructuring, and 26.6% had cash flow issues that led to debt. The majority of businesses that remained in operation had a significant decline in revenue; 28% saw a 50% drop in sales.

However, MSMEs inevitably face competition in their business operations. Several challenges are commonly encountered by MSMEs, such as limited access to capital, marketing difficulties, lack of knowledge, and inadequate quality of their assets, particularly in terms of human resources. The knowledge possessed by individuals involved in MSME activities plays a critical role in improving the company's competitiveness. This factor represents the most significant weakness of micro, small, and medium-sized businesses. According to Sandra and Purwanto [3], the limited knowledge mastery among MSMEs and cooperatives is influenced by both internal and external factors. The Head of the Cooperatives-and-MSMEs Department of North Sumatra has stated that the current situation of MSMEs in his region is unfavorable. This is evident from the declining income of MSMEs, leading to employee layoffs. It is the primary challenge currently faced by MSMEs. Presently, there are approximately 672,000 MSMEs and 7,700 cooperatives in North Sumatra adversely affected by the COVID-19 pandemic. These figures are distributed across all regencies and cities in the province. Out of a total of 960,000 MSMEs in North Sumatra, a significant portion has been impacted by the COVID-19 pandemic.

Several issues have caused the decline of MSMEs and cooperatives in North Sumatra Province. Firstly, both MSMEs and cooperatives have experienced a significant decrease in demand from the public. Secondly, they have faced difficulties in obtaining raw materials due to the closure of many raw material-producing companies. Thirdly, the distribution of production raw materials has been disrupted. Fourthly, MSME practitioners have struggled to access financing, especially during the ongoing pandemic. Lastly, there has been a lack of integrated support, as well as insufficient trust and concern from the community towards MSMEs [4]. Other factors that contribute to the inability of MSMEs to compete include the quality of human resources by considering

several factors, such as motivation and education level. Additionally, there is a lack of training opportunities for employees, challenges in finding potential markets, and inadequate promotional efforts. Recognizing the challenges faced by MSMEs and the crucial role they play in stabilizing the Indonesian economy and addressing unemployment, the government has implemented policies to empower MSMEs in Indonesia, as outlined in Indonesia's Law No. 20/2008 concerning Micro, Small, and Medium Enterprises (MSMEs).

Medan is the third-largest city in Indonesia and a hub for economic activities in the North Sumatra province. There are many small and medium-sized enterprises (SMEs) in Medan that contribute to the local economy. Some of the most common SMEs in Medan include [5]:

a. Food and Beverage: There are many SMEs in Medan that specialize in food and beverage production. This includes traditional snacks and sweets, as well as modern restaurants and cafes.

b. Garment and Textile: Many SMEs in Medan are involved in the garment and textile industry, producing everything from traditional batik to modern fashion items.

c. Handicraft: Medan is known for its handicrafts, including woodcarving, weaving, and other traditional arts and crafts.

d. Agriculture: Agriculture is an important sector in Medan, with many SMEs involved in the production and processing of various agricultural products such as palm oil, rubber, and coffee.

e. Retail and Wholesale: Many SMEs in Medan are involved in retail and wholesale, selling a wide range of goods including electronics, household goods, and clothing.

Overall, SMEs play an important role in the economy of Medan, providing employment opportunities and contributing to the growth of the local economy.

1.2 Research Objectives

This study has the following objectives:

a. Finding the right marketing concept for MSMEs in Medan city according to the needs of Micro and Small Enterprises (SMEs). This means that a marketing activity based mentoring model is identified that is able to overcome SME constraints, as well as the impact on SME performance in terms of marketing.

b. Looking for MSME marketing best practices as benchmarking in the implementation of studies on the development of MSMEs from the aspect of competitive advantage.

c. Obtain studies on the right policies, strategies and programs for the development of MSMEs in Medan.

1.3 Literature Review

MSMEs or Micro, Small and Medium Enterprises are productive businesses owned by individuals and business entities that have met criteria 3 as micro enterprises. As in the Presidential Decree of the Republic of Indonesia number 99 of 1998, the definition of

Small Business is: "The economic activities of the people are small-scale with business fields that are mostly small business activities. And it needs to be protected to prevent from unfair business competition". Although small, MSMEs are able to spearhead the Indonesian economy, MSMEs are able to become a good forum for creating productive jobs for all levels of society. MSMEs are people's businesses, currently MSMEs are very much the center of attention of the government to get various privileges according to the mandate stated in the Law of the Republic of Indonesia. Number 20 of 2008, by providing assistance such as business credit loans with the lowest interest, business development assistance from the government, assistance in providing business establishment permits, and other facilities. The fields of MSMEs that stand are very diverse ranging from the field of fashion, culinary, the field of services, the field of crafts, the field of agriculture and in various other fields. Micro, Small and Medium Enterprises (MSMEs) is a general term in the economic landscape that refers to productive economic enterprises.

Definition of MSMEs
The classification of micro, small, medium, and large enterprises is primarily based on several criteria, such as initial asset value (excluding land and buildings), average annual turnover, or the number of permanent employees. However, it is important to note that the specific definition of MSMEs varies between countries. Therefore, comparing the significance or role of MSMEs across different nations can be challenging [6].

Product Innovation
Product innovation is one type of innovation, alongside process innovation, organizational innovation, and business innovation. It is defined as the introduction of new products (goods or services) to the market to meet market needs [7]. There are three key characteristics of product innovation: product superiority, product cost, and product credibility. Product innovation involves creating and marketing new products within a company's overall operations, including innovations in all functional aspects. When a business entity is capable of offering greater value or advantages to consumers compared to its competitors, it can gain a competitive advantage. Competitive advantage is achieved through activities within an industry or market by creating competitive economic value [8]. Product innovation, along with process innovation, organizational innovation, and business innovation, plays a crucial role. It encompasses the introduction of new products (goods or services) into the market to fulfill market needs.

Market Orientation
Market orientation refers to the involvement of all parts of a company in cross-functional activities aimed at gathering market intelligence and identifying the needs of market actors, including consumers, suppliers, and competitors. It involves studying how to effectively respond to changes and creating valuable products and services to gain a competitive advantage [9]. Furthermore, Gard et al. [10] proposed several aspects of value for market-oriented companies, such as market trend-based policies, teamwork, collaboration, empathy, honoring promises, openness, and trust. Market orientation is a concept that emphasizes the attention to the market to have the capability to deliver superior products (goods and services) to consumers. Customer orientation is defined as a process in which a company dynamically and sustainably meets the

demands, values, capabilities, preferences, and behaviors of customers to satisfy their needs. From this perspective, market orientation includes three behavioral components: customer orientation, competitor orientation, and interfunctional coordination [11]. Additionally, there are three distinct perspectives on market orientation: cultural perspective, behavioral perspective, and performance perspective. Market orientation aims to understand and leverage external factors to identify and respond to customer needs, demands, and expectations, providing suitable products and services. It is considered a key aspect in developing sustainable competitive advantage. Market orientation has a positive impact on business performance, both in the short and long term [12]. Organizations that prioritize market orientation may experience improvements in sales, profitability growth, market share, success of new products, and customer satisfaction compared to companies that do not prioritize market orientation.

Competitive Advantages
When a business entity is capable of offering greater value or advantages to consumers compared to its competitors, it results in competitive advantages. Competitive advantages are achieved through activities within an industry or market by creating competitive economic value. According to competitive advantage is a set of factors that differentiate a small company from its competitors and provide it with a unique position in the market, making it superior to its rivals. explain that competitive advantage is at the core of marketing performance in facing competition. Competitive advantage is defined as the profitable way for companies to collaborate in creating more effective competitive advantages. It represents the position that an organization takes to surpass its competitors. The resource-based (RB) approach views economic activities from the perspective of utilizing resources and capabilities, rather than the markets served. The utilization of resources and capabilities is aimed at building competitiveness, enabling organizations to seize opportunities and overcome threats in competition. Based on this perspective, strategies must be developed to create barriers to imitation, making it difficult for competitors to replicate the advantages.

Marketing Performance
According to research by Lee and Chu [13] marketing performance is measured using customer satisfaction, work motivation, information systems, sales volume, customer growth, and sales growth. In addition, Lee and Mason [14] in his study focuses on both financial and non-financial performance measurements. Financial performance is indicated by increased revenue, return on sales, profitability, sales growth, improved work productivity, and cost efficiency. On the other hand, non- financial performance is measured by increased customer assets, customer satisfaction, customer growth, employee satisfaction, product and service quality, and company reputation. Lee and Mason [14] states that performance can be measured through financial performance indicators, such as ROI, ROE, and ROA, as well as market performance indicators, such as sales growth rate and consumer growth rate. There are several ways to measure a company's performance, including sales growth, which reflects an increase in customers who accept the company's products. Apart from that, Return on Equity (ROE) indicates the effectiveness of management in generating returns on the funds invested by shareholders. Micro, small, and medium-sized businesses (MSMEs) Article 1 of Chapter I

of Law No. 20 of 2008 on Micro, Small, and Medium Enterprises (MSMEs) defines Micro, Small, and Medium Enterprises as follows:

a. Micro Enterprises are profitable companies owned by people and/or individual legal entities that fit the definition of a Micro Enterprise under the terms of this Law.

b. A small business is a profitable enterprise that operates independently, is run by people or organizations, and meets the definition of small business as it is defined by this law. Small businesses must not be branches or subsidiaries of larger corporations and must not be owned, controlled, or integrated into them directly or indirectly.

c. Medium Enterprises are independent, productive economic enterprises that are operated by people or organizations that are not branches or subsidiaries of larger or smaller businesses that are owned, controlled, or indirectly related to them in terms of net value or yearly sales revenues.

Small and medium-sized enterprises (SMEs) in Medan, Indonesia, can gain a competitive advantage by focusing on their unique strengths and differentiating themselves from their competitors. Here are some strategies that SMEs in Medan can use to gain a competitive advantages [15]:

a. Offer specialized products or services: SMEs can differentiate themselves by offering unique, specialized products or services that are not easily replicated by their competitors. By specializing in a niche market, SMEs can become the go to provider for customers looking for a specific type of product or service.

b. Embrace technology: SMEs in Medan can gain a competitive advantage by embracing technology and using it to streamline their operations, improve their products or services, and better reach and engage with customers. For example, SMEs can leverage social media and digital marketing to expand their customer base and increase brand awareness.

c. Focus on quality: SMEs can differentiate themselves by offering high-quality products or services that meet or exceed customer expectations. By emphasizing quality and customer satisfaction, SMEs can build a loyal customer base and stand out from their competitors.

d. Build partnerships: SMEs in Medan can gain a competitive advantage by building partnerships with other businesses or organizations. By collaborating with partners who share similar values or customer bases, SMEs can expand their reach and tap into new markets.

e. Develop a strong brand: SMEs can differentiate themselves by developing a strong brand that resonates with customers. By building a consistent and recognizable brand, SMEs can increase brand loyalty and attract new customers who are drawn to the company's unique identity and offerings.

Overall, SMEs in Medan can gain a competitive advantage by focusing on their unique strengths and differentiating themselves from their competitors. By offering specialized products or services, embracing technology, focusing on quality, building partnerships, and developing a strong brand, SMEs can stand out in a crowded market and attract loyal customers [16].

2   Methods

This type of research uses quantitative descriptive methods to explain the contribution of developing the competitive advantage of small and medium enterprises (SMEs) to improving their marketing performance in Medan City. The quantitative method is a type of data in the form of figures ranging from the number of SMEs and the calculation of improving their marketing performance. The data source used in this study is secondary data, secondary data is data that has been collected and has become documentation. Research data obtained from *Dinas Koperasi Kota Medan* is obtained from reports and documents that are closely related to improving marketing performance. The analysis tool used SEM Test. The approach taken in this study is a field research approach. With this study, researchers in analyzing data obtained in the field most likely need help from the AMOS software program.
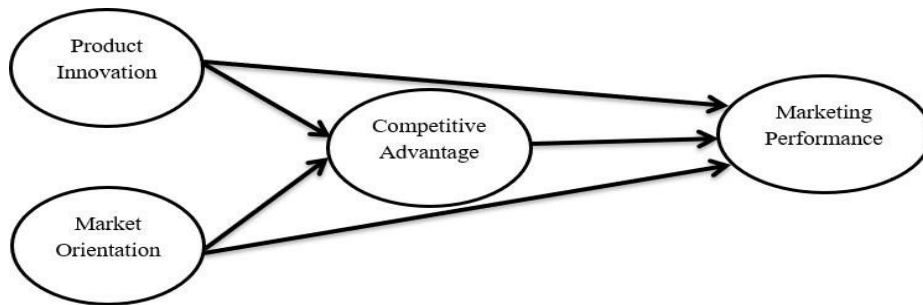

Fig. 1. Conceptual framework.

The t statistic test essentially demonstrates the extent to which a single dependent or explanatory variable contributes to the variation of the dependent variable. With a significant rate of 0.005 (or 5%), the test was run. The following conditions must be met for the hypothesis to be accepted or rejected: When the t significant value is more than 0.005, Ho is approved and Ha is rejected (insignificant regression coefficient). This demonstrates that variables that are only partially independent do not significantly affect dependent variables. Ho is rejected and given Ha if the t significant value is less than or equal to 0.005. (Significant regression coefficient). This indicates that the independent variable has a significant impact on the dependent variable that is substantial in part.

2.1   Methods

In this study, the researchers employed a descriptive-analytical method that combines survey implementation, field investigation, and relevant theoretical, logical, and pragmatic thinking. The descriptive aspect aimed to understand and describe the primary and secondary data, specifically related to the perceptions, knowledge, and experiences of Business Incubators regarding the competitive advantages of MSMEs. Meanwhile, the analytical aspect was employed to examine the relationship between primary and secondary data using comparative analysis instruments

2.2   Research Samples

Population refers to the complete set of units or individuals whose characteristics we aim to understand [17]. In this study, the chosen population was the MSMEs in Medan, consisting of 125 MSME practitioners.

Samples, on the other hand, represent a portion of the population and provide the necessary information or data for a research study. In other words, they are a subset of the population [17]. In this case, samples are required to represent the entire research subject without compromising the quality of the study.

2.3   Techniques of Data Collection

The techniques of data collection employed in this study were as follows:
  a. Observation: This involved directly observing the objects of study, specifically the impoverished communities in the 10 districts of Medan.
  b. Interviews: Data were collected through surveys and direct questioning of respondents to gain further insights and clarification regarding their responses to the questionnaires.
  c. Literature review: It was conducted by collecting and studying secondary data from relevant books, journals, websites, and articles.

2.4   Techniques of Data Analysis

In this study, the researchers employed two methods for data analysis. The first method involved testing the hypothesis using the SPSS (Statistical Product and Service Solution) software version 16.0 and SEM AMOS. Beforehand, the data were first transferred to Microsoft Excel for analysis. The second method used by the researchers was the Likert scale for measuring variables. The Likert scale was used to assess individuals' attitudes, opinions, and perceptions toward social phenomena. With the Likert scale, the variables were operationalized into indicator variables. These indicators were then used to construct items in the instrument, which can be in the form of questions or statements. Each item in the instrument that employed the Likert scale allowed respondents to indicate their level of agreement or disagreement on a gradient from strongly positive to strongly negative.

2.5   Validity and Reliability Testing

Validity testing is conducted to determine the extent to which a measurement tool accurately and precisely performs its intended function. When collecting quantitative data using tests as measurement tools, validity can be assessed through statistical calculations, specifically correlation techniques. The correlation approach involves examining the relationship between the scores of individual questionnaire items and their total scores. If the correlation value is positive, it indicates that the item is valid.

2.6   Spearman's Rank Test

The method employed to analyze the research data involves correlation analysis, which can be conducted using the non-parametric analysis known as Spearman's Rank Test. This test measures the relationship between two variables. To assess the strength or weakness of the degree of association between the variables being studied, a guideline table for correlation coefficients, as proposed by Sugiyono [17] is used. The guideline table provides criteria for interpreting the correlation coefficients.

3   Results And Discussion

3.1   Results

Showing structural models of the theoretical framework contained in this study. This model conforms to the predetermined criteria, namely a p value of 0.000, a CMIN/DF value of 3.611. The GFI value of 0.528, and the RMSEA value of 0.145.
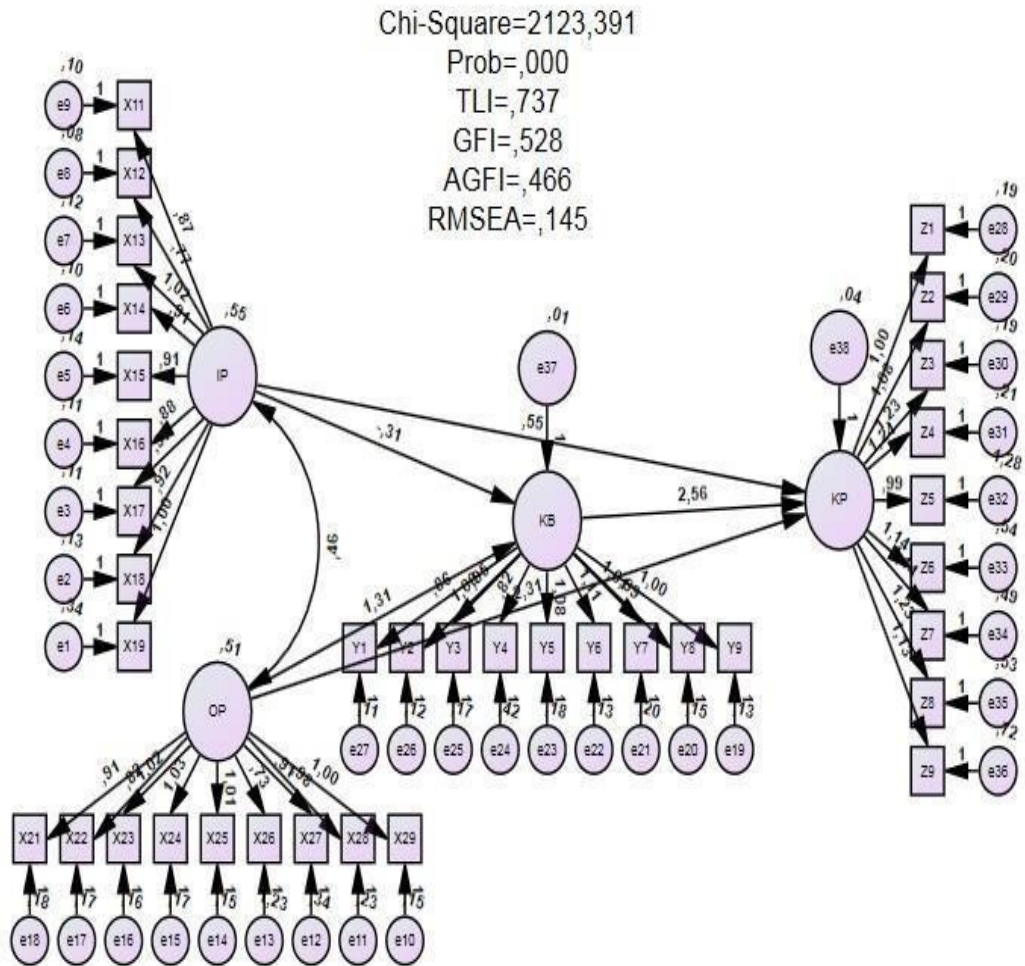
Fig. 2. Structural models of the theoretical framework.

Table 1. Hypothesis test results.

	Hypothesis Path		C.R.	P	Label
H1	Product Innovation	KB	3,252	0,001	Accepted
H2	Market Orientation	KB	10,316	***	Accepted
H3	Product Innovation	Marketing Performance	0,533	0,594	Rejected
H4	Market Orientation	Marketing Performance	-0,577	0,564	Rejected

	Hypothesis Path		C.R.	P	Label
H5	KB	Marketing Performance	0,854	0,393	Rejected
H6	Product Innovation	Marketing Orientation	3,599	***	Accepted

Based on the table above, the 6 (five) hypotheses proposed do not all have a CR value above 1.96 and P greater than 0.05. So, it can be concluded that in general the models used in this study are not all acceptable. the table above shows 6 overall hypothesis test results contained in this study, but there are 3 hypotheses that the first hypothesis in this study using SEM was the influence of product innovation on SMEs on competitive advantage with a C.R value of 3,352 which indicates that this hypothesis is accepted. Consumer perception of SME products in the city of Medan is one of the determined, therefore SMEs in Medan City in this case to improve the quality of innovation in their product lines.

The second hypothesis in this study shows that there is a relationship between the market orientation of SMEs in reaching consumers in Medan City with its competitive advantage in the midst of consumers with a C.R value of 10,316 that the understanding of market orientation carried out by SMEs in Medan City can increase the competitive advantage of SMEs in Medan City, it can be known that the public needs information related to SMEs so that it is necessary to penetrate the SME product market so that it is necessary to penetrate the SME product market so that can produce a competitive advantage in marketing its products. are accepted with values of 3,352, 10,316 and 3,599, namely H1, H2 and H6, while there are 3 hypotheses that are rejected including H3, H4 and H5 with C.R values of 0.533, 0.577 and 0.854, respectively. All three of these hypothesis values were rejected because the C.R value they had was less than 1.98. Through statistical calculations using SEM Amos 21, it is known that the influence between products on marketing performance obtained a CR value of 10.316 (p = 0.358 > 0.05), with (p = 0.000 < 0.05). Meanwhile, the value of product p values to marketing performance is not significant, namely 0.000.

This study is fully mediated because Free variable to intervening variable path coefficient is significant, intervening variable to bound variable path coefficient is significant, and free variable to bound variable controlled by intervening variable path coefficient is insignificant. As a result of this analysis, Ho is rejected while Ha is approved. The H3 hypothesis states that the product has an impact on marketing effectiveness. Based on the results of the study, it is known that the influence between promotion on marketing performance has a critical value of 0.533 and a p value of 0.594, so Ho is accepted and Ha is rejected, meaning that there is no insignificant value between product innovation and marketing performance in improving SME marketing performance in Medan City. The H4 hypothesis states that there is no influence of market orientation on Medan City's SMEs marketing performance improvement.

Some general insights on the factors that can affect the marketing performance of SMEs in Medan: 1. Product or Service: The quality and uniqueness of the product or service offered can significantly impact the marketing performance of SMEs. A product or service that meets the needs and preferences of the target market can lead to increased sales and customer loyalty. 2. Target Market: SMEs need to identify and understand

their target market to create effective marketing strategies [18]. Identifying the de-mographics, psychographics, and behaviors of the target audience can help SMEs to tailor their messaging and promotions to better resonate with the intended audience. Overall, to improve marketing performance, SMEs need to identify their target market, create unique value propositions, leverage effective marketing channels, and optimize their marketing spend.

3.2 Discussion

Product innovation affects the competitive advantage of MSME products in Medan, particularly in terms of their success levels. The involvement of product innovation is commonly used to provide consumer satisfaction and service when choosing MSME products, based on variables related to consumer behavior [19]. Consumer satisfaction is a crucial factor in improving the competitive advantage of MSMEs in Medan. One of the sources of consumer satisfaction is the wide range of products MSMEs offer. This satisfaction is not solely derived from the core benefits of the products or services consumed by customers, but also from the fulfillment of several aspects, such as tran-quility, comfort derived from the environment, and other supporting factors. Addition-ally, customer satisfaction is influenced by their emotional experience [20]. According to Pishvaie et al. [21], a higher level of product innovation involvement by MSMEs can positively influence their competitive advantage within the community. Therefore, the hypothesis t can be accepted.

Market orientation implemented by MSMEs has a significant impact on their com-petitive advantage in terms of consumer acceptance. In the context of Medan, MSMEs must have a market orientation that allows them to understand their target market seg-ments and facilitates their overall growth. Market segmentation based on demographic, geographic, psychographic, and consumer behavior aspects should be a priority for MSMEs. This understanding is closely linked to MSMEs' awareness of their market share and target market space. The findings of this study align with the research con-ducted by Talaja et al. [22], which demonstrated a significant positive influence of mar-ket orientation on competitive advantage. Moreover, the results support the study by Ahmad et al. [23], indicating a direct and significant positive relationship between mar-ket orientation and competitive advantage. It is evident that market orientation, empha-sizing the company's value, customer needs, and customer & competitor orientations, plays a crucial role in enhancing competitive advantage.

Based on the analysis of data gained from the test conducted, the obtained coefficient X1 is 0.577, which indicates that the Market Orientation variable (X2) has an influence but not a significant one on the Marketing Performance of MSMEs (Y). This is further supported by the significance value obtained based on a probability (α) of 0.1 and a significance result of 0.564, which is greater than 0.1. The findings of this research differ from the studies conducted by Hudiyono and Safitri [24] and Diana [25]. Accord-ing to Tambunan [26], several factors contribute to the insignificance of the Market Orientation variable, such as changes in market share that require MSME's to continu-ously adapt to consumer preferences. As a result, many MSME's need to undergo work-force restructuring, as not all employees can align with the changing market demands. This is also related to higher income levels in other sectors. Despite the availability of market orientation as a guiding factor for MSME's performance, the reality is that

MSME's in Medan still rely heavily on production orientation. As mentioned previously, several factors contribute to the insignificance of the Market Orientation variable. One of these factors is related to the respondents' preference for production orientation over market orientation. This means that business owners still prioritize the continuous production of their products. Another factor is how respondents analyze the conditions of their competitors and customers. Moreover, the number of respondents and the research location are also considered factors making the Market Orientation variable not significant in this study.

Product innovation does not have an impact on the marketing performance improvement of MSMEs in Medan. The results of this study indicate that the variable of product innovation towards a marketing performance improvement in MSMEs in Medan is not significant, as it has a CR (Critical Ratio) of 0.533 with a probability of 0.594. In this study, it is found that product innovation does not have a significant influence on marketing performance improvement in the development of MSMEs in Medan. This is due to the limited presence and implementation of product innovation by MSMEs in Medan. To enhance their marketing performance, it is suggested that MSME owners should focus on increasing product innovation and service innovation. This will foster customer loyalty and have a positive impact on customers' purchasing decisions for MSME products in Medan.

The findings of this study demonstrate that competitive advantage significantly impacts marketing performance. It indicates that having a competitive advantage in terms of price, quality, and time to market can enhance marketing performance. Therefore, there is a significant relationship between competitive advantage and the improvement of marketing performance in MSMEs in Medan.

Based on the results of hypothesis testing, a positive influence was found between market orientation and the improvement of marketing performance in MSMEs in Medan, mediated by the variable of competitive advantage. This means that H5 is supported. The finding is consistent with a study conducted by [27], which also found a positive and significant relationship between market orientation, competitive advantage, and marketing performance in MSMEs in Medan. The findings emphasize the importance of having a competitive advantage as a linking factor in enhancing the relationship between market orientation and marketing performance in MSMEs. It is worth noting that competitive advantage is not solely dependent on natural resources, technology, or economies of scale, but rather on unique and difficult-to-replicate resources within the company.

4   Conclusion

Marketing performance and competitive advantage are important factors for the success of SMEs in Medan city. Marketing performance refers to the effectiveness of a business's marketing efforts in achieving its objectives, such as increasing sales or brand awareness. A strong marketing performance can lead to increased customer satisfaction, loyalty, and revenue [28]. Competitive advantage refers to a business's ability to outperform its competitors in the marketplace. A competitive advantage can come from various factors, such as offering unique products or services, having lower costs, or providing better customer service. For SMEs in Medan city, having a strong marketing

performance can help them build a competitive advantage in their industry. By effectively promoting their products or services and reaching their target audience, SMEs can attract more customers and increase sales. This can lead to higher profits and growth opportunities. To improve their marketing performance and competitive advantage, SMEs in Medan city can invest in various marketing strategies, such as digital marketing, social media marketing, and content marketing. They can also differentiate their products or services from competitors by offering unique features or benefits. Furthermore, SMEs can also collaborate with other businesses in their industry to create strategic partnerships and joint marketing campaigns. This can help them expand their reach and customer base, as well as share resources and expertise. Overall, having a strong marketing performance and competitive advantage is crucial for SMEs in Medan city to succeed and thrive in the competitive marketplace.

MSMEs have such great potential for improving the people's economy, seeing from their development, SMEs are still experiencing various obstacles both internal and external in the fields of production, processing, marketing, capital and others. Based on the problems experienced by MSMEs in the city of Medan, a policy strategy from the government is needed, which in essence has an obligation to help solve three problems that often-hit MSMEs, namely market access, capital, and technologists. The MSME development strategy in terms of marketing aspects is carried out so that MSMEs can further develop and increase sustainability for the actors. In creating success, MSMEs are managed based on the ability of MSME entrepreneurs to compete with other Micro, Small and Medium entrepreneurs in taking advantage of opportunities. The resulting opportunity is based on the marketing aspect, which is reviewed from market orientation and the increase in product innovations it produces. Based on the model and dimensions of the marketing strategy, the results of observational analysis and interviews with speakers conducted by researchers argue that the marketing development strategy of MSMEs in Medan City is included in the progressive strategy model. That is the strategy that is carried out by surviving with the marketing aspect. In this case, the Medan city government has carried out its marketing aspect by involving promotion and education to Medan city SMEs. However, it is hoped that it will be able to increasingly direct SMEs in the form of an understanding of market orientation and innovation in the products they produce. In the future, the strategy for developing marketing aspects that will be carried out by the Medan city government to SMEs is: Packaging Training and also Marketing Training through E-Commerce for Small Business Actors.

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