

Product Positional Advantage on Muslim Fashion Business Performance in Indonesia

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This paper aims to investigate and test the role of Product Positional Advantage (PPA) in mediating the relations among Customers Orientation (CO), Product Innovativeness (PI), and Small Business Performance (SBP) in the Muslim fashion industry in Indonesia. This paper selected 299 small business fashions and tested the regression of all four constructs. The findings show that CO had an effect on PPA and SBP, while PI only affects PPA but it had no effects on SBP. PPA became a full mediator between PI and SBP, but it had no relations between CO and PPA. By examining the literature on various market orientations, small business performance and innovativeness, this paper offered a unique analysis of CO, PI and also its impact on SBP. Conceptual discussions and empirical results extended previous research on customer orientation and product innovativeness cultures in specific small businesses in the religious-based market segment.

Keywords: Customers Orientation, Product Innovativeness, Product Positional Advantage, and Small Business Performance



Introduction

Islam is the most widely practiced religion in the world after Christianity. It is one of religions that grow fastest. The Pew Forum on Religion and Public Life (2011) reports that the Muslim population in the world is predicted to increase 35 percent for the next 20 years, from 1.6 billion in 2010 to 2.2 billion on 2030. On 2020 the population is estimated more than 271 million people and about 85 percent of them are Muslims (Central Bureau of Statistics, 2017). This is a tremendous market potential for shariah-based products such as Muslim fashion. By ignoring a market with enormous potential is not a wise strategy.

Nevertheless, the Muslim fashion business environment is currently full of uncertainties and surprises. The speed of changes on information technology, knowledge, culture, lifestyle, competition of similar products and substitutions, the innovation speed and others make the positive value of products and services easily eroded very quickly. The changes that have taken place in Muslim women's culture have prompted many designers and companies to create Islamic fashion that adheres to religious teachings, but it does not leave the elements of fashion and style.

The fashion industry has become a sample how products or markets with stylistic elements which tend to persist in the short term (Christopher et al., 2004). Consumers in the market segment have fashion awareness which tend to be stable, rapidly changing and unpredictable, so that the competition has shifted from the issue of price and quality to a competition that focuses on the element of time. In the fashion market, it is very easy for a design to be imitated, so the products only occupy for a successful item (Barnes et al., 2006; Barnes and Lea-Greenwood, 2006). This business environment also takes place in the Muslim fashion industry. Although Muslim fashion products have been strictly designed based on sharia principles that must cover the genitals (*aurat*), loose, or not tight so as to reveal the body shape, not transparent and modesty (Boulanouar, 2006), but the changing popular culture has led to diverse demand in Muslim fashion. Popular culture has a big influence on the formation of Muslim fashion trends, so companies will succeed if they have the ability to respond the changes rapidly and



interpret them into products that is sold in stores as soon as possible (Barnes and Lea-Greenwood, 2006,2010).

In facing the popular culture, it seems reasonable to believe that small companies in Indonesia which is operating in the Muslim fashion industry have more advantages than CO and PI because they have greater possibilities to compete more effectively in global markets. However, empirically CO and PI may have different effects on firm performance. The marketing literature has explained that customer focus is the cornerstone of marketing management (Kotler and Armstrong, 2000) and as a key component of market orientation (Narver and Slater, 1990). The predictive strength of CO on business performance has been the subject of considerable empirical research (Theoharakis and Hooley, 2008). The research findings still generate controversy empirically. Some of the researches show the positive and significant impact of customer orientation on business performance (Narver and Slater, 1990; Carbonell and Escudero, 2010; Rojas-Me'ndez and Rod, 2013). However, several empirical findings show that the ability to respond the customer needs changing does not have a better impact on business performance (Johnson et al., 2009; Matanda and Ndubisi, 2009; Bodlaj, 2010; Dong et al., 2013).

Several empirical studies have shown that PI is the main driver in improving business performance (Matzler et al., 2008; Akgu n et al., 2009). Companies with strong PI will increase sales growth and small business market share (Matzler et al., 2008). Akgu n et. al. (2009) explains, product innovation is highly dependent on environmental dynamics, and companies with better product innovation have a great opportunity to improve business performance. This is same as Dibrell's findings *et.al.* (2013) stated that the role of the company's ability to produce new products that have a positive impact in improving financial performance. Unfortunately, several empirical studies found that PI did not have a significant impact on business performance. According to Song et. al. (2011), although market potentials actually moderate the quality of new product introductions and business performance, but in increasing PI does not always get new product performance successfully. Precisely in a narrow market with weak growth potential, product innovation has a negative effect on company performance. This is



same as the results of the research of Fu et. al. (2008) who found that product innovation is not a direct predictor that determines the success of new product marketing. The performance of new products Improvement will only occur if product innovation and product novelty for consumers can increase the interest in purchasing new products.

In resolving the gap, several studies have suggested the importance of the role of positional product superiority as mediation in the influence of CO and PI on business performance (Langerak et al., 2004; Nakata et al., 2006; Adis and Jublee, 2010). The research has been conducted in industries with products that do not have stringent religious-based requirements. In the fashion industry with such characteristics will facilitate CO and PI in determining the PPA and SBP. The mindset is to produce better SBP, CO and PI must generate PPA first. This has not yet been done in a religious-based industry with stringent product requirements based on religious norms. In the framework of religious-based fashion businesses such as Muslim fashion, strict product requirements that must follow sharia norms may yield different findings. The question is 'In the industry with rigorous religious-based product requirements, Does PPA become a meaningful mediator in the CO and PI to SBP?'. So, this research tries to fill the gap by testing the integration of CO and PI toward PPA and SBP in the Muslim fashion industry in Indonesia.

Theoretical background

Muslim fashion

Religion can characterize its adherents about the way to wear dress. For example, Islam requires women to wear dress with models that cover their body totality except the face and the palm of the hand, loose to highlight the shape of the body, not thin and transparent, also does not resemble men's and modesty (Boulanouar, 2006; O'Cass et al., 2013). In addition, Muslims are often taught and encouraged to wear dress modestly, and refrain from pursuing materialistic goals (Chapra, 1992). Thus, Islamic fashion is part of the fashion ethic wrapped with the principles of sharia.

Fashion ethic is described as fashion consciousness because it concerns working conditions and the environment (Choi et al., 2012). Those modes have become the means by companies



to fulfill their social and environmental responsibilities in accordance with the increasing consumer desire for sustainability (Choi et al., 2012). Islam has set a special criterion for women with certain clothing that distinguishes from men. Likewise a man, Islam has given special criteria with a dress that is distinctive to him, so as to distinguish with women, such as properly, trendy, politely, and manly. All forms of men's clothing that are not in accordance with these provisions are not allowed in Islam. Meanwhile, according to the Shari'ah, all Muslimah should cover her body totality with hijab except face and two palms including covering her clothes and jewelry from every non-mahram. Albani (2003: 24-25) describes the veil must have the requirement to cover the whole body other than those excluded, such as face and two palms; there is no decoration on the garment itself, the fabric is thick and not transparent, roomy and not narrow so that it cannot show the shape of their body totality and partly; and it does not also resemble men's clothing.

Product Positional Advantage (PPA)

In RA-Theory, Hunt et. al. (2002) explains the fundamental goal of a resource-based strategy is the achievement of comparative advantage of resources that can produce a competitive advantage in a particular market segment. When a company has a comparative advantage in resources, it will occupy the market position of competitive advantage and subsequently produce superior financial performance. Otherwise, when a company has a comparative disadvantage in resources, the company will occupy a competitive disadvantage position, so it will get the result of inferior financial performance (Hunt and Madhavaram, 2006)

Based on RA-Theory, Morgan (2012) explains the quality of resources and marketing capability is an important factor that determines the positional superiority of the company, both are business performance and financial performance. The positional superiority means the relative value of the marketing strategy that is sent to the target market for the alternatives available to the actual customer. Positional advantages most frequently discussed in the marketing literature and used in empirical studies of previous research based on product features, service, price, cost, image, and delivery (Morgan, 2012). This study focuses on the positional superiority of products that many researchers interpreted as product superiority.



The advantages of product are offered from a product because it provides benefits to customers better than the benefits that can be obtained from the product competitors, including quality, features, technical performance and ability to meet consumer needs (Langerak et al., 2004; Hsieh et al., 2008). While McNally et. al. (2010) describes the superiority of a product as a relative superiority of a product over a competitor's product in order to meet the customer's needs, qualities, and unique attributes offered. More complete Healy et. al. (2014) describes the benefits of a product with five dimensions. *First*, product dimensions related to the aspects of physical products such as quality, technical performance, product design and product cost. *Second*, customer dimension, related to customer satisfaction, such as ability to fulfill requirement and customer problem solving. *Third*, the benefits dimension. It is concerning the advantages and attributes / features of the individual perceived by the customer. *Fourth*, the innovation dimension related to uniqueness and differentiation. *Fifth*, the dimension of superiority included customer perceptions, superiority and relative to competitive offerings. The product advantages in this study are explained through aesthetic design, fashion model, religious normality, model and style features, and quality of cottons for Muslim fashion.

Customers Orientation (CO)

Attention to CO has emerged in 1960 when Theodore Levitt explains the concept of 'Marketing Myopia' about Growth Strategy in industry. He explains, industry is a process to satisfy the consumer, not as the process of producing or creating goods, and it is the most important thing for all entrepreneurs to understand about. The company as a whole should be viewed as an organization that serves to satisfy consumers and create consumers (Levitt, 1960). This concept was later developed by Narver and Slater (1990) through the concept of market orientation culture. This concept describes CO as part of market orientation in addition to competitor orientation and inter-functional coordination that is useful for improving long-term financial performance. CO is a cultural-based concept and reflects the values and behavioral norms that allow companies to keep customers as the main thing (Jaworski and Kohli, 1993; Slater and Narver, 2000; Wang and Feng, 2012). According to Brady and Cronin (2001), CO is the basis of organizational learning to produce the best value for larger customers. This means that



customer-oriented companies make it possible to acquire and assimilate the information necessary to design and implement marketing strategies that gets greater benefits results for customers.

The customer orientation emphasizes a sufficient understanding of the customers in the target market segment so that the company continues to create superior value for them (Zhou et al., 2009). In the Muslim fashion industry, the orientation of Islamic customers becomes an integral part of success in sharia-based business. Companies need to collect market information from Islamic customers who are doing business that is not against the Islamic Shari'a. Islamic ethics dictates that under no circumstances should marketers exploit their customers by committing dishonesty, deceit or lies (Ahmed Zebal and M. Saber, 2014). Companies must work with Islamic customers and find ways to do business more efficiently for themselves and more effectively for customers. According to Zineldin (2006), CO requires companies more responsive to problems experienced by customers. There are company interests to engage in dialogue with existing customers, such as effective program engagement for receiving and responding to complaints, inviting active participation in customer data analysis, and developing long-term strategic relationships with customers to meet their changing needs.

In the previous research has shown that customer-oriented companies are companies that have the ability to build the good relationships with customers (Wang and Feng, 2012). Customer focuses on the main principle of market orientation (Nwokah, 2009). Customer orientation is part of market orientation that plays an important role in improving the company's financial performance (Narver and Slater, 1990). According to Narver and Slater (1990), customer orientation requires adequate understanding of the customers in order to create superior value of products or services for them. Research puts the image, quality, design (aesthetics) and color or appearance, an important criterion that consumers pay attention in choosing a fashion product brand (Forney et al., 2005). The study considers that the company has a willingness to respond the changes of customer needs for design, motives, raw materials, product models and requests, to ensure that it remains focused and committed to customers.



Product Innovativeness (PI)

In an entrepreneurial perspective, innovativeness is part of the entrepreneurial orientation. Innovativeness is a corporate tendency to engage and support new ideas, innovation, experimentation, and creative processes that can lead to new products, services, or technological processes (Lumpkin and Dess, 1996). Johnson et al (2009) describes innovativeness as the company's ability to develop new products, improve the performance of existing products, produce distinctive products, maintain low inventory levels, and improve the process of production and marketing.

Innovativeness is a source of company productivity growth (Junge et al., 2012). Companies that have strong innovativeness will be visible from their habits in producing specific products, developing new products, being active in improving the appearance and performance of existing products, investing in new research and development facilities to gain competitive advantage, and innovate in production processes (Dibrell 2013). One form of innovativeness that is important in long-term company development is Product Innovativeness (PI). According to Junge et. al. (2012) in addition to marketing innovativeness, companies with intensive PI are more able to improve the growth of company's results and productivity than companies that are not intensive in the both innovativeness.

PI is explained through the novelty of the product for the customer, the uniqueness of the new product, and the innovation of the product for the company (Avlonitis and Salavou, 2007; Salavou and Avlonitis, 2008). Meanwhile, according to Tsai et. al. (2011) PI is a new level in the development of new products, the changes in the design of established products, or the use of new materials or components in the manufacture of established products. Specifically, Millson (2013) defines PI as the unique level of product perceived by individuals with significant knowledge of new product and product development from close competitors. Thus the PI reflects the company's tendency to engage and support new ideas, updates, experimentations and creative processes that can produce new products, services or technological processes. Literature has explained that to produce product differentiation, companies can perform PI by changing the shape, features, adaptability, quality, style, and



design (Kotler and Keller, 2009). In the fashion industry, PI can be done by updating the design, type or model, style and type of materials used for a fashion.

Small Business Performance (SBP)

From an organizational point of view, performance is something that is measurable, dynamic, relative and multidimensional (Gama, 2011). Morgan et. al. (2012) explains there are two aspects of performance that need to be considered when measuring company performance. *First*, business performance that includes the level of customer acquisition, revenue growth from sales, and the market share of products offered. *Second*, financial performance related to the financial costs or benefits resulting from known market performance of the profit that is earned, profit margin and ROI. Meanwhile, Richey et. al. (2014) states company performance through three dimensions of financial performance, business performance, and service quality. Financial performance is a managerial evaluation of a company's financial success in an industry today and what it's supposed to be, like the amount of ROI calculated relative to a competitor. Business performance is a managerial perception of a company's ability to achieve market share, sales growth, and customer retention calculated relative to competitors. Service quality is the managerial perception of a company's services given to customers that are computed relative to competitors.

Some researchers define business performance as achievement of the company in achieving the objectives of achieving market share, sales growth, increasing new customers and retaining existing customers (Merrilees et al., 2011; Prasertsang and Ussahawanitchakit, 2011). Soliman (2011) defines marketing performance as a company's ability to preserve current customers, attract new customers, increase market share, increase customer satisfaction, improve sales growth standards, and add profit standards for sales. This research drafts SBP as a combination of marketing activities perceived by the owner or manager of the company on the achievement of sales growth, increased sales volume, achievement of sales targets, and customer growth.



Customers Orientation (CO) and Product Positional Advantage (PPA)

The ability to interact with strong customers is one of the most important marketing capabilities that enable companies to build stronger customer relationships, as well as to build sustainable competitive advantage (Day 1994). That means CO determines positional advantage in the target market segment. In the context of market orientation culture, CO is a commitment and continuity of the company in collecting information about customers (Slater and Narver, 1995) will enable the company to increase positional advantage in the target market segment (Hunt and Morgan, 1995).

Langerak et. al. (2004) shows two important factors that determine the performance of new products that the company should pay attention to the tactics when companies introduce new products and PI, and these two factors depend heavily on the degree of market orientation the company does, including the CO inside. This is same as the findings of Adis and Jublee (2010) in the property industry in Malaysia. According to Nakata et. al. (2006), CO became the key of success in increasing the superiority of new products to companies in Japan and Korea. CO along with cross-functional integration and new product team capabilities are three important sources that managers can manipulate to create better products (Nakata et al., 2006). The empirical evidence shows that CO is an important factor determining PPA. This may also happen in a small business based on religion. Therefore, hypothesis 1 is:

Hypothesis 1: There is a positive relationship between CO and PPA

Product Innovativeness (PI) and Product Positional Advantage (PPA)

PI is the most important target in the product development (Morgan et al., 2003; Hughes and Morgan, 2007). The advantages of the product may only be obtained by the company when it is able to combine and utilize the best resources that are owned optimally in producing the products that has differences, advantages, and benefits that make consumers always remember a product (Porter, 1985; Barney, 1991; Hunt, 1995; Morgan, 2012). It means that the ability of companies to combine resources in the process of product development is a determinant of product superiority. In other words PI has strong potential to generate PPA in the market.



Several other empirical studies have shown a positive relationship between PI and PPA. Ahmadi et al, (2013) found that new products uniquely produced through an agile and quality innovation process will be better to gain a positional advantage of products in the market. Song and Noh (2006) show companies that constantly strive to produce quality unique products through the process of searching for ideas, speed in product launches, product development processes and better quality management have the potential to gain the advantage in the market. Same as those two studies, Wong (2012) showed that companies that have high innovativeness will produce the better product superiority. The findings are supported by Huang and Tsai (2014) who show PI really affects the product advantage, and improvements in product superiority have the potential to improve company performance. The pattern of linkage is very likely to occur in a small business of Muslim fashion in Indonesia. Therefore, the second hypothesis is established:

Hypothesis 2: There is a positive relationship between PI and PPA.

Customers Orientation (CO) and Small Business Performance (SBP)

In the concept of market orientation, Slater and Narver (2000) explain that firms that focus on long-term profit should consider three main dimensions of market orientation, namely customer orientation, competitor orientation, inter-functional coordination. A customer-oriented company is a customer-responsive company. Appiah-Adu and Singh (1998) found that CO becomes an important driver that determines the success of new products, sales growth and ROI of small and medium-sized companies. Meunier-FitzHugha and Lane (2009) also shows clearly that customer orientation is really an important factor determining the company's business performance. Similar research conducted by Rojas-Méndez and Rod (2013) who explain that the companies with good customer orientation have a strong potential in improving company performance. The findings of the research are evidence that CO has an effect on business performance. This may also apply to specific religious-based industries such as the Muslim fashion market. Therefore, hypothesis 3 is stated:



Hypothesis 3: There is a positive relationship between CO and SBP.

Product Innovativeness (PI) and Small Business Performance (SBP)

PI is one of the ways the companies obtain or maintain competitive advantage and superior performance of the company. Dibrell et. al. (2013) considers how important PI to increase the competitive advantage and company's performance. Companies that have a tendency to engage in finding ideas and supporting the discovery of new special products will have more possibilities in improving the company's performance. Some empirical studies have shown that PIs affect business performance. Sok et. al. (2013) found that PI is the successful key to small and medium manufacturing businesses in Australia. Similar results were also found by Matzler et. al. (2008) that the owners of small and medium-sized businesses in Austria. The results are supported by Akgu"n et al. (2011) who found the PI and innovativeness processes have a positive effect on the performance of manufacture companies in Turkey. Research in Asian countries, as conducted by Rosli and Sidek (2013) on the development of small and medium enterprises in Malaysia also shows that PI is the most important factor in determining the company's performance. According to Millson (2013), the PI study cannot be separated from the study of the degree of uniqueness of products perceived by individuals. The existence of a real relationship between PI and the success of the new product market shows that the tendency of the company to produce a new product of quality and unique uniqueness will be able to improve product market performance. This may also happened in the Muslim clothing industry in Indonesia. That is why hypothesis 4 is proposed:

Hypothesis 4: There is a positive relationship between PI and SBP.

Product Positional Advantage (PPA) and Small Business Performance (SBP)

Many studies have shown that competitive advantage is a very important factor in determining business performance (Lakhal, 2009; Zhou et al., 2009; Kamukama et al., 2011; Meutia, 2012). Some studies more specifically linked PPA to company performance. The Carbonell and



Rodriguez (2006) study shows that PPA has a very strong positive effect on the performance of new products. Nakata et. al. (2006) on his research by the title the role of new product excellence in improving the performance of new products in Japan and Korea has shown the superiority of new products as important predictors of new product performance. The study was supported by Hsieh et. al. (2008) resulted in the conclusion that the positional superiority of products is a strong driver in improving the performance of new products, both business performance and financial product performance. In the case of global trade, Leonidou et al. al. (2011) is an important reference showing the linkage of PPA to company performance. This research explains that a good export marketing strategy will produce competitive advantage in terms of export costs, export products and export services, and then these three advantages will control export business performance. The empirical evidence has consistently demonstrated positional advantages of the product are the most important characteristic in explaining the success of a new product or product performance. This may also occur in small businesses Muslim fashion in Indonesia. Therefore, hypothesis 5 is established:

Hypothesis 5: There is a positive influence between PPA on SBP

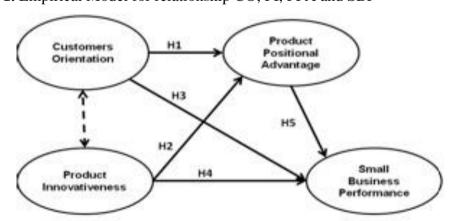


Figure 1. Empirical Model for relationship CO, PI, PPA and SBP



Research Methodology

Sample and procedure

The population in this study were the owner, manager or owner who was also the manager of small business of Moslem fashion in Indonesia based on Act Number 20 of 2008 had the most net worth 500.000.000 or who had annual sale the most income Rp 2.500.000.000. Data obtained from the distribution of questionnaires to 405 respondents residing in 11 districts / cities in Central Java. Questionnaires were submitted by officers who had been trained in advance to small business owners of Muslim fashion or to those who were trusted to handle such small businesses. After 3 months of data collection process, only 380 returned, or 83.83 percent. The final evaluation of the questionnaire received after checking the damaged questionnaire and the outlier data obtained 299 questionnaires (73.83%) that were suitable for data analysis. Test response bias was done to know consistency of respondent answer for them by collecting the questionnaire which was done less one month and more than one month. The results showed consistent answers from both groups of respondents. Selected respondents consisted of 74.7% women and 26.3% of men between the 25 and 50 years old. Most of them were the owner and manager of a small business of Muslim fashion that had married and had worked more than 3 years. Their education level were mostly (63.4%) were senior high school or formerly, 9.7% Diploma and 26.9% Bachelor Degree.

Instrument

Two exogenous variables were used in this study, namely CO and PI. CO was adapted from Narver and Slater (1990) and Forney et. al. (2005). CO is the company's willingness to respond to customer demand and adapt precisely and quickly to gain or maintain competitive advantage in the market. Five items of questionnaires were used to measure *CRS*, such willingness to respond to product design needs, product motive needs, raw material requirements, product models and accuracy in response to product demand. PI adapted from Tsai et. al. (2011) and Forney et. al. (2005), PI is an entrepreneur's tendency to seek and apply new ideas to produce something new and unique. Four items of questionnaires are used to measure PI, such the



entrepreneur's willingness to update the design, type or model, style and type of material used for a dress. Adapted from Healy et. al. (2014) and Kotler and Keller (2009) PPA is the superiority of Muslim clothing compared to the products of the competitor companies because the products offered have a more aesthetic design, more fashionable, more obedient to the norms of religion, typical in the model, style, quality of materials used. Adapted from Merrilees et. al. (2011) and Healy et. al. (2014), SBP is a combination of the results of marketing activities perceived by the owner or manager of the company. Four item questionnaires were used to measure the SBP such sales growth, sales volume increase, sales target achievement, and increasing number of customers.

Analysis Technique

The structural equation model (SEM) is used to test empiric research models using data from owners or managers of small businesses of Muslim fashion in Indonesia. Confirmatory Factor Analysis Model is used to test the multidimensionality of a theoretical construct (construct validity test). In addition, SEM is also used as a comprehensive test tool for full structural models. Data analysis follows the process recommended by Hair et. al. (1) to create a diagram model of causality between constructs and their indicators, (2) to test the one dimensionality of each construct with confirmatory factor analysis, (3) to estimate the full structural equation model for the indicator that has passed the confirmatory test, and (4) to discuss convergence and validity discriminates before moving on substantive analysis. SEM analysis was done by using Amos software version 22.00.

Findings

This study reports the results of the confirmatory factor analysis (CFA) for the complete sample. Observations were made on 19 indicators (4 PI indicators, 5 CO indicators, 6 PPA indicators and 4 SBP indicators to obtain 19 relevant loading factor ($\lambda 1-\lambda 19$) scores. The one-dimensional assessment was performed through an estimate of the maximum likelihood standardized estimates loading factor, more than 0.5 (Hair et al., 2010). In accordance with the



provisions of the *AMOS*, the loading factor for all observed latent variables had good validity because they had values up to 0.5 (Table 1).

High construction reliability showed internal consistency, which means that indicators consistently represent the same latent construct (Hair et al., 2010). Construct reliability (CR) exceeding 0.7, variance extracted (VE) exceeding 0.5 and discriminate validity (DV) bigger than 0.7 was the internal consistency measurement standard of the indicators used. Table 2 showed CR values bigger than 0.7; VE exceeding 0.5, AVE squares that exceed the correlation value of the variable for PI, CO, PPA and SBP indicated each instrument had good validity in explaining the research variables that were used. See Table 1 at paper's end.

The test result of full model of structural equation showed that Goodness-of-Fit index was good because it produced criteria based on SEM recommendation. Although the value of χ^2 250,287 was still significant at α 0.05 and the value of AGFI 0.887 was still less than 0.90, yet other indices such as GFI 0.913, TLI 0.941, CFI 0.950 were equal to 0.90 and other criteria such as RMSEA 0.049 less than 0.08, and CMIM / DF 1.714 which was less than 2, was in accordance with the criteria that was recommended in SEM (Table 1). This suggests that the recommended model was fit or had the feasibility to test the interrelationship between variables. See Table 2 at paper's end.

Table 3 and Figure 1 showed the positive direct effect of CO on PPA (Std β = 0.187, cr = 2.910, p-value <0.01), PI to PPA (Std β = 0,565, c.r = 6,700, p- value <0.01), CO to SBP (Std β = 0.454, cr = 6,104, p-value <0.01), and PPA to SBP (Std β = 0.175, cr = 2.020, p <0.05). If the direct effect of PI on SBP (Std β = -0.012, c.r = -0.132, p-value> 0,05) was not significant at α 0.05. This showed the hypothesis H1, H2, H3, and H5 accepted, while H4 was rejected. See Table 3 at paper's end.

As viewed from the direct effect of CO to PPA and PPA to SBP, and CO to SBP were equally significant, then to determine whether the PPA was a mediating variable that connects CO to SBP used *Sobel* test. This test yields Unstd β 0.029, S.E 0.018 and p-value 0.098. That means



PPA was not really a variable that mediates the CO and SBP. The value of Unstd β 0.029 which was much lower than the value of CO's direct effect to SBP (Unstd β 0.401) showed clearly that PPA was not an intervening variable in those relations.

Meanwhile, the direct effect of PI on PPA and PPA on significant SBP, while the PI to SBP was insignificant, indicating that PPA actually mediated the effect of PI on SBP. The *Sobel* test showed Unstd β 0.073, S.E 0.038 and p-value 0.05. The value of Unstd β 0.073 higher than the direct effect of PI on SBP (Unstd β -0.009) showed clearly that PPA was the intervening variable in those relations.

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Figure 2. The Results of Empiric Model Test

Discussion and Conclusion

This study examined the role of CO and PI in increasing PPA and small business SBP in the religious-based fashion industry, namely Muslim fashion. It is important to understand how CO and PI (including the synergistic effects of both) contribute to SBP operating in religious-based industries that are largely resource constrained. Overall, these findings were crucial for small business managers to manage the strategic deployment of intangible resources such as PI and CO so as to gain a firm foothold in the competitive marketing landscape of Indonesia. This



strategic posture were taken by these small companies, there were great potential for CO and PI to contribute to PPA and SBP.

The existence of CO relationship with PPA and PPA with SBP showed that customer-oriented culture was important for the development and launch of new products with the characteristics necessary to be successful. The tremendous CO benefits as a strategic marketing tool for the company had long been emphasized by leading marketing scientists (Narver and Slater, 1990; Jaworski and Kohli, 1993; Carbonell and Escudero, 2010). It means that companies become more financially viable, each small business must develop internal core competencies to be more proactive than just being reactive to changes in the market (Narver et al., 2004). CO culture helped to create the benefits of such products by actively scanning customer desires in the context of a competitive environment and then by analyzing, distributing, and using the insights generated across the product development team to create value for customers. Management should then ensure that the product development team performs customer analysis (other than competitors and the environment) correctly and provides information feedback to all concerned.

PI was found to have a significant direct relationship with PPA. It means the small business of Moslem clothing that is consistent with the novelty of design, model, style and quality of materials has a greater potential in enhancing the positional superiority of the product. This is in accordance with the findings of Ahmadi et al, (2013) which explains that uniquely produced new products through agile and qualified innovation processes will be better able to achieve positional advantages of products in the market. In other contexts, small companies that always strive to produce the quality of unique products through the process of searching for ideas, speed in product launch, product development process and better quality management have the potential to gain the advantage in the market (Song and Noh, 2006). This study also reinforced the findings of Huang and Tsai (2014) that PI actually has an effect on product advantage, and improvements in superiority product have the potential to improve company performance.



PI was found to have no significant direct relationship with the SBP of Muslim clothing. This is similar to the findings of Hilmi et. al. (2010) states that on small medium business in Malaysia. It can be concluded that respondents to this study are more passive entrepreneurs. Generally the proactive and risky nature of active entrepreneurs will result in higher performance (Narver et al., 2004; Avlonitis and Salavou, 2007). While this is contrary to previous findings of a positive relationship between PI and company performance from Sandvik and Sandvik (2003), Akgu"n et. al. (2007), Akgu"n et. al. (2009), this study explicitly considers the role of PPA interventions as a mediator in PI relationships with SBPs in small business based on religion. This is evidence of the importance of PPA when confronted with PI aggressiveness. The development of new products improved quality and superior value can also reduce the disadvantages of the company when launching new products (McNally et al., 2010). It means that to achieve a better SBP Muslim business, the entrepreneur must produce a positional superiority product from the product innovation activity carried out. Thus, this study contributes to Resource Based Theory because it supports the assumption that intangible resource capability of product innovation will produce positional excellence of products and with these advantages the company will gain superior corporate performance.

The findings of this study clearly showed that CO and PI contribute positively to the positional advantages of small business products operating within the religious-based market segment. Although there are no direct influence between PI on SBP, and product positional advantage (PPA) is not an important mediator in CO-related relations with SBP, the fact is that PPA is really an important mediator in the relations between PI and SBP. This means that strengthening PPA requires a PI without paying attention to CO. When the company is oriented by customer, it will automatically be better able to increase the SBP. While aggressive PI activity may not necessarily produce a better SBP. Enhancement of SBP is possible only when PI activity can result the better PPA.



Limitations and Future Research

It is important to reflect on some of the limitations of this study. *First*, it was done by using a limited sample of one industry in one region. Although this study had used a reasonable sample size, these findings should be strengthened by using additional samples from various industries. *Second*, this study focused on managers or small business owners in the Muslim fashion industry. Generalization of marketing performance in the Muslim fashion industry and its trigger factors were limited. Future research should choose a wider Muslim market environment, whether small, medium, or large. *Third*, similar to other studies, we used self-reported small business performance measures. Future research should include measures of additional small business performance such as customer satisfaction, customer loyalty, sales manager evaluation, market share, and so forth.



Table 1: Confirmatory Factor Analysis Results for the Measurement Model^a

Product Innovativeness (PI)	λ	p-value
The innovation of fashion product design	0.6	0.000
The limovation of fashion product design	57	
Innovation type / model fashion		0.000
iniovation type / model rasinon	38 0.6	
The innovation of fashion products		0.000
F	43	0.000
Innovation type of materials used	0.7	0.000
**	40	
Customers Orientation (CO)	0.7	0.000
Willingness to respond the changing of product design quickly	0.7	0.000
William and the distribution of a sixting of and the	36	0.000
Willingness to respond to the changing of variations of product motives quickly	0.7 67	0.000
	0.7	0.000
Willingness to respond the changing of materials products	79	0.000
quickly Willingness to respond the changing of model products quickly	0.7	0.000
winnighess to respond the changing of model products quickly	81	0.000
Willingness to respond the changing of demand appropriately	0.7	0.000
winnighess to respond the changing of demand appropriately	27	0.000
Product Positional Advantage (PPA)		
The more conthetic design	0.6	0.000
The more aesthetic design	14	
The more fashionable product	0.6	0.000
The more rasmonable product	43	
The more accordance design product with the religious value		0.000
The more accordance design product with the rengious value	01	
The more special model product	0.7 30	0.000
The more special model product		
The more special motif product	0.6 10	0.000
The more special moth product		
The better material quality	0.5	0.000
• •	58	
Small Business Performance (SBP)	0.7	0.000
The growth of sale during the last 3 years		0.000
		0.000
The growth of volume sales during the last 3 years		0.000
		0.000
Achieving the target sales during the 3 years	0.5	0.000
	56	



The growth of number customer during the last 3 year	0.6 93	0.000		
a X^{2} = 250.287; DF = 146, probability 0.000, GFI = 0.913, AGFI = 0.887, TLI =				
0.942, CFI = 0.950 , RMSEA = 0.049 , CMIM/DF = 1.714				

Table 2: Construct Reliabilities, Correlations and AVE

N = 332	1	2	3	4
1. Customers Orientation (CO)	0.789 ^a			
2. Product Innovativeness (PI)	-0.104	0.871		
3. Product Positional Advantage (PPA)	0.129	0.545	0.824	
4. Small Business Performance (SBP)	0.479	0.037	0.227	0.790
Average Variance Extracted (AVE)	0.803	0.892	0.823	0.807

^a Factor reliabilities are on the diagonal (italic bold).

Table 3: Parameter estimates for the path: direct effects

Re	gressi	on	Std B	Unstd B	S.E.	C.R.	p-value
СО	\rightarrow	PPA	0.187	0.140	0.049	2.910	0.004
PI	\rightarrow	PPA	0.565	0.353	0.053	6.700	0.000
PPA	\rightarrow	SBP	0.175	0.207	0.102	2.020	0.043
C0	\rightarrow	SBP	0.454	0.401	0.066	6.104	0.000
PI	\rightarrow	SBP	-0.012	009	0.065	-0.132	0.895
CO -	> PPA	A→ SBP		0.029	0.018		0.098
PI →	PPA	→ SBP		0.073	0.038		0.050

Note: * p < 0.05; ***p < 0.01

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