

ABSTRACT

Business competition in the current era of globalization demands that companies have strategies to win the market. Small and Medium Enterprises (UMKM) significantly contribute to the economy. UMKM need to develop marketing initiatives to achieve their desired goals or targets maximally. This research aims to analyze the influence of product innovation and competitive strategy on competitive advantage through service innovation and market orientation as mediating variables in UMKM in Semarang City.

This study develops a framework based on the Service Dominant Logic (SDL) theory, which serves as an alternative paradigm focusing on a good referred to as the Good Dominant Logic Theory. The sampling technique used is purposive sampling, involving UMKM operators that have been in operation for a minimum of 6 months. The population consists of UMKM operators in Semarang City, with a sample size of 110. Data collection is conducted by distributing questionnaires, which are then analyzed using Structural Equation Modeling (SEM), a combination of factor analysis and simultaneous equation modeling processed using the AMOS 24 program.

The test results indicate a positive and significant influence of competitive strategy on service innovation, competitive strategy on market orientation, product innovation on market orientation, market orientation on service innovation, market orientation on competitive advantage, service innovation on competitive advantage, and product innovation on competitive advantage. Therefore, each hypothesis discussed in this research is accepted.

Keyword: Product Innovation, Competitive Strategy, Market Orientation, Service Innovation, Competitive Advantage