



## Analysis of Differentiation Strategy, Cost Leadership and Market Orientation on Product Excellence

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**Abstract:** This study aims to determine the effect of differentiation strategy, cost leadership, and market orientation on product excellence. The research approach taken is to use a qualitative approach. The population of this study were all employees, especially in the field of sales and marketing. From the existing population, the sample was set at 60 people. The instrument used in this research is a questionnaire. The analytical tool used to qualitatively determine the effect between variables in this study used multiple linear regression analysis. The results of this study indicate that Differentiation Strategy has a positive effect on product excellence, Cost leadership has a positive effect on product excellence. Market orientation has no effect on product excellence. And simultaneously all independent variables have a positive effect on product excellence. This is evidenced by the coefficient of determination which is positive and the significant value is less than 0.05 or where the F-count value is greater than the F-table value. Managerial implications include the importance of companies to consider implementing differentiation and cost leadership strategies to increase their product advantage in a competitive market. Future research implications include the need for further research to understand other factors that may affect product excellence in this industry context.

**Keywords** — Differentiation Strategy, Cost Leadership, Market Orientation, Product Excellence.

### I. INTRODUCTION

In the era of globalization and increasingly fierce business competition, creating a competitive advantage is very important for the survival and success of the company. Product excellence is one of the main aspects that can differentiate a company from its competitors and become a determining factor in winning the hearts of consumers. Modifying or implementing the right competitive strategy will result in a competitive advantage and good marketing performance that every company always expects to achieve a profit in (Tampi, 2015). Product competitive advantage is superiority and or higher differentiation compared to competitor offers. In an effort to achieve product excellence, companies often adopt various business strategies, including differentiation, cost leadership, and market orientation strategies. In addition, the findings also highlight the importance of companies to continuously monitor market dynamics and adapt their business strategies according to customer needs and demands. In this context, the development of product innovation and operational efficiency are key in creating sustainable competitive advantage. Therefore, future research could focus on further exploring the interactions between business strategies and other external factors that may affect product excellence, such as changing market trends, new technologies and industry regulations.

A differentiation strategy focuses on creating a product or service that is unique and different from competitors, so that it can attract the attention of consumers who are looking for additional features or benefits. (Putu et al., 2023) state that "differentiation is a type of competitive strategy that organizations use to differentiate the company's products and services from other companies in the same industry". And in terms of products, (Kharub et al., 2019) explain that products are anything that can be offered, owned, used or consumed in order to satisfy consumer needs or needs. It includes physical form, services, people, organizational places or an idea. So it can be concluded that what is meant by product differentiation is a product creation strategy through modification and innovation so as to be able to produce products that have different characteristics from competing products with the aim of getting superior attention and demand from customers (Anwar, 2016). In this context, differentiation strategies are key in companies' efforts to highlight their advantages in a competitive market by offering unique and attractive added value to consumers.

On the other hand, cost leadership strategies strive to achieve lower production and operational costs than competitors, so that companies can offer products at more competitive prices. Cost Leadership is also defined as a key organizational tool used in improving industry performance and promoting competitive



advantage (Nuvriasari et al., 2018). In the context of business strategy, cost leadership focuses on efforts to achieve lower production and operational costs than competitors. This is so that companies can offer products at more competitive prices in the market. Cost leadership can also be understood as a key tool for an organization in improving industry performance and promoting competitive advantage. By adopting a cost leadership strategy, companies strive to be efficient in the production process and cost management. This can include controlling raw material costs, efficiency in the production process, using cost-effective technology, and effective supply chain management (Sitanggang & Absah, 2019).

Meanwhile, market orientation is the company's approach to focusing on the needs and wants of consumers, by gathering market information and using it to develop products that match consumer demand. Market orientation is also identified as a catalyst for improving effective business performance by considering customer needs as the top organizational philosophy. market orientation emphasizes the importance of a company's focus on consumer needs and wants. This approach involves collecting comprehensive market information and using it to develop products or services that match consumer demand. Market orientation can also be identified as a catalyst for improving effective business performance by considering customer needs as the top organizational philosophy. By implementing market orientation, companies seek to better understand consumer preferences, behaviors, and expectations. This information is then used to design appropriate marketing strategies, identify new market opportunities, and increase competitive advantage. (Misi, 2021) In addition, market orientation helps companies to remain responsive to market changes and changing consumer trends. By putting customer needs as the top priority, companies can build stronger relationships with consumers, increase loyalty, and create long-term value for their business. (Nuvriasari et al., 2018)

Thus, market orientation not only views consumers as a source of income, but also as a strategic partner in achieving business success. It encourages companies to continuously innovate and adapt to the dynamic market environment, thus enabling them to remain relevant and competitive in an increasingly complex market. Although each of these strategies has its own advantages and disadvantages, many companies currently combine them to achieve holistic and sustainable product excellence. However, until now, there is still not much in-depth research on the relationship between these three strategies and how the combination of these strategies can affect a company's product excellence. Therefore, this study aims to analyze differentiation, cost leadership, and market orientation strategies together, and how they contribute to creating product advantage. This analysis will involve a comprehensive study of companies that have successfully achieved product excellence by implementing a combination of these strategies.

The research method to be used is qualitative and quantitative research, involving case studies of several companies that have successfully achieved product excellence. Data will be collected through interviews with senior managers and employees, direct observation, and analysis of financial and performance data. The data collected will be comprehensively analyzed to identify the relationship between differentiation, cost leadership, and market orientation strategies and the product excellence achieved.

The results of this study are expected to provide valuable insights for business practitioners and academics on the importance of integrating differentiation, cost leadership, and market orientation strategies in achieving sustainable product excellence. It is also expected that the results of this study can contribute to the development of business strategy theory and enrich academic literature in the field of strategic management and marketing.

Based on this, the formulation of this research problem is:

1. Does Differentiation Strategy have a significant effect on Product Excellence?
2. Does Cost Leadership have a significant effect on Product Excellence?
3. Does Market Orientation have a significant effect on Product Advantage?

Thus the conceptual framework is a logical construction arrangement that is arranged in order to explain the variables to be studied. The conceptual framework of this research is as described in the following figure:

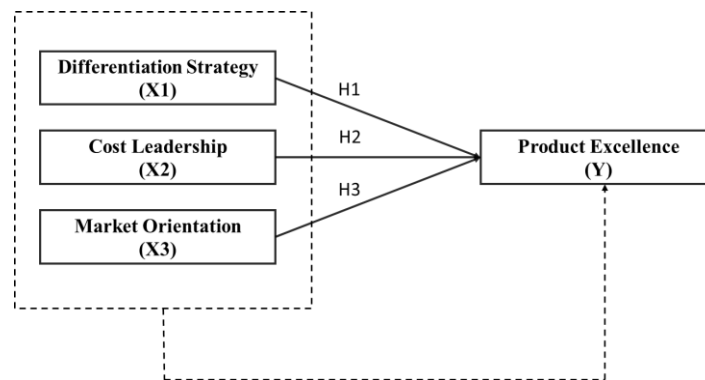


Figure 1.  
Conceptual Framework

Based on the formulation of the problems that have been set previously, the hypotheses of this study are:

***H1: Differentiation strategy affects product excellence***

Hypothesis This study assumes that the implementation of a differentiation strategy has an influence on a company's product excellence. In this context, differentiation strategy refers to a company's efforts to make its products different from its competitors' products, either through features, quality, price, or other elements that distinguish them in the eyes of consumers. The hypothesis predicts that the more effectively a firm implements a differentiation strategy, the more likely its products will have an advantage over competing products in the same market. This is based on the assumption that customers tend to value the additional value provided by differentiated and unique products, such as better quality, innovative features, or better user experience.

***H2: Cost Leadership affects product excellence***

Hypothesis This study speculates that the implementation of a cost leadership strategy may have a negative impact on a firm's product excellence. In this context, cost leadership strategy is defined as a firm's attempt to produce or operate products at a lower cost than its competitors. The hypothesis assumes that too strong a focus on cost reduction in a cost leadership strategy may result in a decrease in product quality or a sacrifice of features and innovations that consumers may consider important. In other words, although products may be available at a lower price, they may not be able to compete in terms of quality or added value provided.

***H3: Market Orientation affects product excellence***

Research conducted to test this hypothesis will help in understanding the relationship between Market Orientation and product excellence. Thus, companies can develop more effective marketing strategies to ensure that the products they offer meet the needs and wants of customers, thereby gaining a competitive advantage in the market. The hypothesis suggests that companies that actively implement Market Orientation tend to better understand the needs and wants of customers, and are thus able to produce products that are more in line with their expectations. Through continuous market data collection, competitor analysis, and direct interaction with customers, companies can design products that are more innovative, high quality, and in line with market needs.

## II. METHOD

The research approach taken is to use a qualitative approach, namely research that uses non-numerical data, such as text, images, videos, and interviews, to explore a deep understanding of the phenomenon under study. The population of this study are all employees, especially in the field of sales and marketing, with sample determination using Probability sampling technique (probability sampling) is a sampling method that allows each member of the population to have a known or calculable chance of being



part of the sample. In probability sampling, each member of the population has the same opportunity to be selected as a sample, so the sample size is set at 60 people.

The instrument used in this study is a questionnaire or questionnaire which is a form of collecting information from respondents through structured questions or statements regarding the information needed. Furthermore, the measuring instrument used from each answer uses a Likert scale with gradations from very positive to very negative, including: Strongly Agree, Agree, Undecided, Disagree, and Strongly Disagree. The data analysis technique used to quantitatively determine the effect between variables in this study used multiple linear regression analysis with the help of SPSS software. Hypothesis testing is done with the t test and F test. The questionnaire or questionnaire instrument used in this study was carefully designed to cover aspects relevant to the phenomenon under study. The questions or statements in the questionnaire are clearly formulated and in accordance with the research objectives. In addition, the questionnaire has also gone through the validity and reliability stages to ensure that this tool can accurately measure the constructs to be studied. The Likert scale is used as a measuring tool to describe the respondent's level of agreement or disagreement with the statements in the questionnaire. This scale gives respondents the flexibility to express their level of opinion in detail, ranging from very positive to very negative. Thus, the Likert scale allows researchers to capture variations in respondents' perceptions and attitudes towards the phenomenon under study.

Multiple linear regression analysis is a powerful statistical method for examining the relationship between independent variables and dependent variables in a research context. By using multiple linear regression analysis, researchers can evaluate the relative contribution of each independent variable to the dependent variable, as well as control for the effects of other relevant variables. The results of this analysis can provide a deeper insight into the factors that influence the phenomenon under study. The use of statistical software such as SPSS facilitates the data analysis process by providing a variety of statistical tools, data visualization, and the ability to produce easy-to-understand output. SPSS can also assist in conducting hypothesis testing accurately and efficiently, thus allowing researchers to make stronger conclusions based on the analyzed data.

### III. RESULT AND DISCUSSION

To predict and see how much influence variable X simultaneously contributes to variable Y, the coefficient of determination analysis is used. The coefficient of determination used is the adjusted R square value because it is more reliable in evaluating the regression model. The following is a table of the results of the calculation of the coefficient of determination from the results of calculations using the SPSS Ver 22 program. The results of regression calculations using the SPSS program as shown in Table 1 show that the adjusted R square value is 0.988. This shows that 98.8% of Product Excellence is influenced by variations in the three independent variables (Differentiation Strategy, Cost leadership, Market Orientation), while the remaining 1.2% is influenced by other variables not examined.

**Table 1**  
**Coefficient of Determination**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.994 <sup>a</sup>	.988	.988	.341

a. Predictors: (Constant), Market\_Orientation\_X3, Diferensiasi\_X1, Cost\_Leadership\_X2

To measure the effect of independent variables including Differentiation Strategy, Cost leadership, and Market Orientation on Product Excellence, the multiple linear analysis method will be used. Based on the results of calculations using the calculation method of the SPSS Version 22 program, the SPSS output is obtained as shown in the following coefficient table:

**Table 2.**  
**Partial Test Result**

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.715	.727		2.360	.022		
	Diferensiasi_X1	.714	.024	.800	29.215	.000	.276	3.622
	Cost_Leadership_X2	.207	.032	.198	6.451	.000	.220	4.550
	Market_Orientation_X3	.040	.036	.045	1.115	.270	.129	7.730

Based on the coefficient table, it can be written in the form of a regression equation in the form of an unstandardized coefficients B value, the following equation is obtained:

$$Y = 1,715 + 0,714X1 + 0,207X2 + 0,040X3$$

The regression equation can be explained as follows:

1. The constant value ( $\beta_0$ ) is obtained at 1.715, which means that Product Excellence is 1.715 points without the influence of the three independent variables (Differentiation Strategy, Cost Leadership, Market Orientation).
2. The Independent Variable Differentiation Strategy (X1) has a positive effect on competitive advantage (Y) with a coefficient value of 0.714 which means that any change due to the Differentiation Strategy (X1) of 1 point will affect Product Excellence by 0.714 points assuming that other independent variables (Cost Leadership and Market Orientation) remain.
3. Independent Variable Cost Leadership (X2) has a positive effect on competitive advantage (Y) with a coefficient value of 0.207 which means that any change due to the existence of Cost Leadership (X2) of 1 point will affect Product Excellence by 0.207 points assuming that other independent variables (Differentiation Strategy and Market Orientation) remain.
4. Independent variable Market Orientation (X3) has no effect on competitive advantage (Y) with a coefficient value of 0.040.

Next, the t test is carried out to determine the significant effect of the independent variable on the dependent variable partially or individually. With a real level of 5% or 0.05, where the degree of freedom is:  $df = (n-k) = 60 - 4 = 56$ . So that the t-table result obtained is 1.67252. The assumption states that if  $t\text{-count} > t\text{-table}$ , it means that there is a significant influence between the independent variable and the dependent variable, otherwise if  $t\text{-count} < t\text{-table}$ , it means that there is no significant influence between the independent variable and the dependent variable. 22 obtained t-count values for each variable can be seen in table 2 (coefficients table) so that partial hypothesis testing for each independent variable on the dependent variable the results are as follows:

The independent variable Differentiation Strategy obtained a t-count value of 29.215 where the t-table is 1.67252, meaning that the  $t\text{-count} > t\text{-table}$  results so it can be concluded that there is a significant influence between the Differentiation Strategy on Product Excellence. Thus, the first hypothesis of the study which states that "It is suspected that Differentiation Strategy has a significant effect on Product Advantage", is accepted. These results can be interpreted as support for the hypothesis proposed in the study, namely that differentiation strategies play an important role in increasing the product advantage of a company. The implication is that companies that implement differentiation strategies successfully tend to produce products or services that are unique and different from competitors, so as to attract consumer attention and gain a competitive advantage in the market. (Datta, 2010) With the support for this hypothesis, this study makes an important contribution to the understanding of the importance of differentiation strategies in achieving product excellence, as well as providing a basis for companies to consider and develop effective differentiation strategies in an effort to improve their competitiveness.





The independent variable Cost Leadership obtained a t-count value of 6.451 where the t-table is 1.67252, meaning that the t-count > t-table results so it can be concluded that there is a significant influence between Cost Leadership on Product Excellence. Thus, the first hypothesis of the study which states that "It is suspected that Cost Leadership has a significant effect on Product Excellence", is accepted. This means that the statistical analysis shows that there is a strong and positive relationship between the implementation of cost leadership strategies and the excellence of the products produced by the company. With the acceptance of this first hypothesis, the research confirms that cost leadership strategies have a significant role in increasing the product excellence of a company. This indicates that companies that are able to achieve lower production and operational costs than competitors can offer products at more competitive prices in the market, without sacrificing quality. (Haque et al., 2021)

These results provide support for the importance of implementing a cost leadership strategy in achieving product excellence, especially in a competitive business environment. By understanding and recognizing the role of cost leadership strategies, companies can optimize their production costs to increase competitiveness and meet market demand more effectively (Kharub et al., 2019). By accepting this first hypothesis, research confirms that cost leadership strategy has a significant role in increasing the superiority of a company's products. This indicates that companies that are able to achieve lower production and operational costs than competitors can offer products at more competitive prices in the market, without sacrificing quality. As a result, companies can attract more consumers and gain a larger market share. These results provide support for the importance of implementing a cost leadership strategy in achieving product excellence, especially in a competitive business environment. By understanding and recognizing the role of cost leadership strategies, companies can optimize their production costs to increase competitiveness and meet market demand more effectively. This strategy also allows companies to increase their profitability, as lower production costs can result in greater profit margins per unit of product. The independent variable Market Orientation obtained a t-count value of 1.115 where the t-table was 1.67252, meaning the t-count < t-table result so it can be concluded that there is no significant influence between Market Orientation and Product Excellence. Thus, the first research hypothesis which states that "It is suspected that Market Orientation has a significant effect on Product Excellence", is rejected. By rejecting the hypothesis that Market Orientation has a significant effect on Product Excellence, the research results show that there is no significant relationship between the company's focus on consumer needs and desires (market orientation) and the superiority of the products produced. This shows that although it is important to understand the market and consumer preferences, it does not directly have a significant impact on a company's ability to produce superior products or services. Rejection of this hypothesis can be interpreted as an indication that the product superiority obtained by a company is more influenced by factors other than market focus or market orientation. For example, differentiation or cost leadership strategies may have a greater influence in creating product superiority. Thus, these results highlight the complexity of factors influencing product superiority in a business context. Although market orientation remains important as a strategy for understanding markets and consumers, this research shows that other factors also need to be seriously considered in efforts to increase product superiority. (Micheels & Gow, 2012) In practice, rejection of this hypothesis may encourage companies to evaluate revisit their business strategy and consider other factors that could contribute more significantly to product superiority. This could include paying more attention to product innovation, improving operational efficiency, or developing a unique competitive advantage within their industry.

After the partial test is carried out, the hypothesis testing is then carried out jointly or simultaneously, often also known as simultaneous hypothesis testing using the F test. From the results of testing and calculations using the SPSS Ver.22 program, data is obtained as can be seen in the following ANOVA table. :

**Table 3**  
**Simultaneous Test Results**



ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	553.155	3	184.385	1589.780	.000 <sup>b</sup>
	Residual	6.495	56	.116		
	Total	559.650	59			

The assumption states: If the F-count is greater than the F-table, it means that there is a significant relationship between the research independent variables (Differentiation Strategy, Cost Leadership and Market Orientation) together or simultaneously with the dependent variable (Product Advantage), otherwise If the F-count is smaller than the F-table, it means that there is no significant influence simultaneously or together between these independent variables on employee job satisfaction. With a real level of 5% or 0.05, where  $dk$  in the numerator =  $4 - 1 = 3$ , and  $dk$  in the denominator =  $60 - 4 = 56$ , the F-table is obtained at 2.77. From the results of calculations using the SPSS Ver 22.00 program, an F-count of 1589.780 was obtained, this means that  $F\text{-count} > F\text{-table}$ , which means that there is a significant influence simultaneously between the research independent variables (Differentiation Strategy, Cost Leadership and Market Orientation ) on the dependent variable (Product Advantage). This is also confirmed by the significance value obtained at 0.000, which is smaller than the real level set at 0.05. greater competitiveness by adopting a holistic approach in managing differentiation strategies, cost leadership and market orientation. This reinforces the importance of not only focusing on one aspect of business strategy, but also considering the interaction and integration between various factors that influence product superiority. In addition, these results provide a strong basis for managers and decision makers to allocate resources wisely in developing and implementing these strategies. Companies can use these findings as a guide to design more effective action plans in improving the quality and competitiveness of their products in increasingly competitive markets. Overall, the results of this analysis provide a deeper understanding of the importance of integrating differentiation, cost leadership, and market strategies. orientation in creating sustainable product excellence and strengthening the company's position in the market.

VI. CONCLUSIONS

As a conclusion from the results of this research, the conclusions are First, the Differentiation Strategy has a positive and significant effect on Product Excellence. This is proven by the results of the regression coefficient value which is positive and the significant value is smaller than 0.05 or where the t-count value is greater than the t-table value. Second, Cost Leadership has a positive and significant effect on Product Excellence. This is proven by the results of the regression coefficient value which is positive and the significant value is greater than 0.05 or where the t-count value is smaller than the t-table value. Third, Market Orientation has no effect on Product Excellence. This is proven by the t-count value being smaller than the t-table value. Finally, simultaneously, the three independent variables (Differentiation Strategy, Cost Leadership and Market Orientation) have a positive and significant effect on Product Excellence. This is proven by the coefficient of determination value which is positive and the significant value is smaller than 0.05 or where the F-calculated value is greater than the F-table value. The results show that an effective combination of differentiation strategies, cost leadership, and holistic market understanding can make a significant contribution to a company's ability to win competition and maintain a strong position in the market. Therefore, for companies, it is important to take appropriate strategic steps based on these findings to improve the quality and competitiveness of their products.

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