

The Effect of Product Differentiation Strategies and Low Cost Strategies on Competitive Advantage and Company Performance

(Study on Small Scale Apparel Industry in Malang)

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Abstract:- This study aims to determine and test the Effect of Product Differentiation Strategy and Low Cost Strategy on Competitive Advantage and Company Performance in the Small Scale Apparel Industry in Malang. This type of research is quantitative (Explanatory), with a sample of 35 from 54 populations. Primary data collection using a questionnaire. Analysis of research data using Path Analysis. The results of the Inferential analysis show that the Product Differentiation Strategy (X1) and the Low Cost Strategy (X2) together have a significant effect on Competitive Advantage (Y1) with a R Square value of 0.713. Based on the regression analysis between the independent variable and the dependent variable partially shows that all independent variables have a significance of $t < 0.05$.

The results of the Inferential analysis also show that the Product Differentiation Strategy (X1) and the Low Cost Strategy (X2) and Competitive Advantage (Y1) on Company Performance (Y2) have a significant and joint effect on Company Performance (Y2) with an R Square value of 0.705. Based on the results of the regression analysis between independent variables partially dependent variables indicate that all independent variables have a significance of $t < 0.05$. Thus, the hypothesis proposed in this study has been tested because the Product Differentiation Strategy and the Low Cost Strategy have a significant effect on Competitive Advantage. Meanwhile, Product Differentiation Strategy, Low Cost Strategy and Competitive Advantage have a significant effect on Company Performance.

Keyword:- Product Differentiation Strategy, Low Cost Strategy, Competitive Advantage, Company Performance

I. INTRODUCTION

A. Background of the Problem

On Indonesian economy, the Micro, Small and Medium Enterprises (MSME's) are the business groups that have an important role in increasing and strengthening the people's economy with the largest number. This group has also proven resilient to various shocks in the economic crisis. Then, it is imperative that there is a strengthening of the Micro, Small and Medium Enterprises group which indeed involves many groups.

The development of MSME's in Malang certainly cannot be separated from the role of the government as a sector that conducts coaching related to empowering and enhancing the creative economy of the community and of course by the community itself. Malang, which is so dynamic its economy has many MSME's that are engaged in all fields of industry, (Enny Susilowati, 2013).

One of the many MSME's in the industrial sector in Malang is the convection industry which has recently become the main point of government development as an effort to improve the community's economy in the face of incessant imports of imported products, (Augusto Soares, 2014). Some forms of guidance and assistance have been carried out such as organizational training, business licenses, digital marketing, equipment facilitation, enhancement of global industry knowledge, creativity, design and product quality, (Chuthamas, 2011).

The government's attention to MSME's is manifested by the issuance of Law of the Republic of Indonesia number 20 of 2008 concerning Micro, Small and Medium Enterprises, (Endi Sarwoko, 2016). Which is mentioned in article 3 that ; "Micro, Small and Medium Enterprises aim to grow and develop their businesses in the context of building a national economy based on a just economic democracy".

Year	Labor		MSMEs	
	Amount	Growth	Amount	Growth
2014	119.421	-	8.196	-
2015	119.436	15	8.218	45
2016	119.467	31	8.317	99
2017	119.482	15	8.364	47
2018	119.503	21	8.431	67

Table 1:- Growth of MSME's and Manpower Absorption in Malang in 2014 – 2018

Source: Malang Department of Cooperative, Industry, and Trading (2019).

The form of policy seen as an effort to contribute to the problem of economic growth in Indonesia is Micro, Small and Medium Enterprises (MSME's). Based on the Central Statistics Agency (CSA) and the Ministry of Cooperatives and MSME's in 2018 amount of MSME's in Indonesia has reached 49.2 million and the MSME's have been able to provide 86.5 million job opportunities and can contribute 1,978.75 billion Rupiah or worth 53.7 % of national GDP, (Law Indonesian Republic 20, 2008). The percentage is expected to continue to increase in the coming years due to Indonesia's economic growth which is considered to have improved.

Based on the above table, it can be seen that from 2014 to 2018 there was an increase in the number of MSME's in Malang with a total growth of 82 MSME's and able to absorb 8,431 workers. Thus, each region can strive for productive actions that can spur an increase in local revenue. One of them is by empowering MSME's in each region. Empowerment can make MSME's better and stimulate the growth of other businesses with the aim of increasing the welfare of MSME's actors, (Wisber, 2012).

B. Research Purposes

- To test and explain the effect of Product Differentiation Strategy (X_1) on Competitive Advantage (Y_1)
- To test and explain the effect of Low Cost Strategy (X_2) on Competitive Advantage (Y_1)
- To test and explain the effect of Product Differentiation Strategy (X_1) on Company Performance (Y_2)
- To test and explain the effect of Low Cost Strategy (X_2) on Company Performance (Y_2)
- To test and explain the effect of Competitive Advantage (Y_1) on Company Performance (Y_2)

II. LITERATURE REVIEW

Determining the criteria for a small business needs to be considered in determining the size of a business. The criteria for small businesses in Indonesia depend on each institution based on their interests and rationale, (Alma Buchari, 2013). The Ministry of Industry, "said the business / small and handicraft industries are part of community efforts to improve the welfare and standard of living of people through production activities in the

industrial field on a small size or scale. This activity utilizes the sources and factors of production available with small capital and appropriate, intermediate and simple technology", (Armstrong & Kotler, 2015).

Meanwhile, according to Indonesia Bank, determining the criteria for an industry is based more on a financial basis besides ownership. Tambunan (2012:41) mentions: "Some developments in determining the criteria for a small industry are a business unit that has a net asset value (excluding land and buildings) that does not exceed Rp. 20 million or sales per year not greater than 100 million".

Small Business according to Tjiptoherijanto (2009:39): "is a form of economic activity business by the community carried out with small capital, which by independently managing any resources that can be mastered, and is intended to meet the basic needs and their families". According to Sumantoro that (2012:87) : "states that small businesses are economic activities (micro-businesses) that are carried out by small communities, in these small businesses there are independent businesses, that are characteristic of the people's economic sector businesses".

Whereas based on the CSA definition, small industries can be classified into two sub-categories according amount of workers. First, Home Industry which is a business unit that self workers or have 1 up to 4 workers. Second, Small Factory is a business unit with 5 up to 19 amount of workers, (BPS RI, 2015).

Strategy is defined as an integrated plan designed to ensure the achievement of organizational goals by allocating resources efficiently. An effective strategy can be achieved through environmental analysis because using environmental analysis it can be seen the strengths and weaknesses of the company and its threats and opportunities, (Cravens, W. David and Nigel F. Piercy., 2004). Not that different from that:

- The Corporate Strategy is a comprehensive planning of how the company will achieve its mission and objectives, (Hunger and Wheelen, 2010).
- Strategy is defined by managers as their large-scale, future-oriented plan to interact with the competitive environment to achieve company goals, (Pearce and Robinson, 2007).
- Strategy is a unified, comprehensive and integrated plan that links the strengths of a company's strategy with environmental challenges and is designed to ensure that the company's main objectives can be achieved through proper implementation by the company, (Gluek and Jauch, 2005).

According to Rangkuti (2010: 102), the strategy management process provides various benefits, including:

- "Strategy formulation activities strengthen the company's ability to prevent problems".
- "Strategic decisions based on groups are likely to result from the best alternatives available".

- “Involvement of employees in the formulation of strategies increases their understanding of the productivity of rewards in each strategic plan and thus, heightens their motivation”.

The next benefits of strategy management according to the thoughts put forward by Glueck and Jauch (2005: 104) are:

- “Strategy management allows companies to quickly anticipate changes and prepare instructions and controls for the company and also allows companies to base their decisions on long-term predictions and not on reactions that come immediately”.
- “Strategic management provides a strong stimulus for employees and management to achieve the company's goals, so that from the management of the strategy employees have a role to participate in achieving company goals”.
- “Strategy management helps educate managers to become better decision makers and also helps examine the company's main problems”.
- “Strategy management helps improve corporate communication individual project coordination, resource allocation and short-term planning”.

Based on the thoughts of Wheelen and Hunger (2010: 107), the process stages of strategy management can be described with the following model.

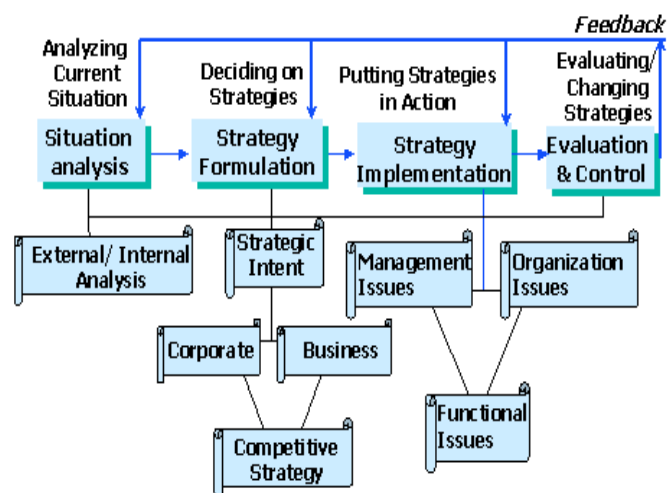


Fig 1:- Process of Strategy Management
Source: Wheelen and Hunger (2010).

From the picture above, it can be seen that the stages of strategic management have mutual interaction and reciprocity from the first stage to the end. This Strategic Management can be seen as a process that includes a number of interrelated and sequential stages, (Kuncoro, 2006). Then mentioned: “the strategic management process is dynamic and is a set of commitments, decisions and actions needed by a company or organization to achieve strategic competitiveness and generate above-average profits”.



Fig 2:- Product Positioning Strategies
Source: Kotler (2002).

Then mentioned according Kartajaya (2004:156) that : “in building strong and sustainable differentiation, it must carry out a minimum of four stages, namely : 1) Segmentation, targeting and positioning, 2). Analysis of differentiation, 3) Sustainable differentiation test and 4) Communication, with the following brief description”.

- Segmentation, targeting and positioning
- Analysis of differentiation
- Sustainable differentiation test
- Communication

Costs represent a certain number of sacrifices that have been incurred or are in the stage of likely to occur to achieve the goal and are measured in units of money. Standard costs are the costs of production or operating costs that have been carefully predetermined. Standard costs are the target costs that must be achieved, (Kasmir, 2010). In relation to the budget, standard costs are needed in the preparation of the budget, because standard costs are a reference to determine the budget.

Low Cost Strategy or in other languages is a business strategy by utilizing low cost, meaning that an entrepreneur makes a product or service of a quality that is still acceptable to the market at a lower price compared to its competitors, (Aurellia Duran, 2018). Using this strategy, it means there is something that is reduced, both employee wages and the quality of raw material products, to get a low selling price compared to competitor prices, (Tjijpton Fanday, 2010).

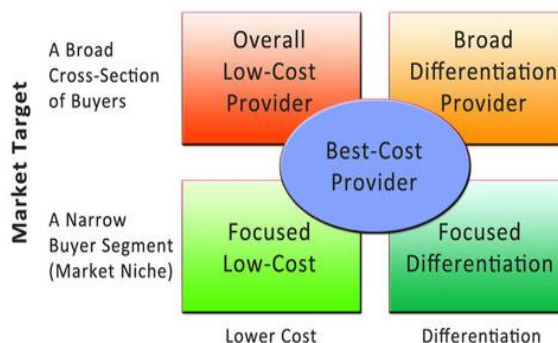


Fig 3:- Type of Competitive Advantage Being Pursued
Source : Kotler, P. and G. Armstrong (2004:136)

Jatmiko (2004: 102), “states that there are three generic strategy choices that companies can do to gain Competitive Advantage, one of which is : the low cost strategy / the cost of leadership”. Low cost strategies based on certain qualities carry out low cost strategies, through the value of exploiting external situations.

III. CONCEPTUAL FRAMEWORK

Based on the conceptual foundation, it can be seen that in a research there are problems as mentioned in the background. Then the problem formulation is compiled, to further present the previous research that supports and study the theory in accordance with the research objectives.

Furthermore, data collection is done at the research site, testing and data analysis, so that problems can be identified and a final conclusion is made from the research, so that the research conceptual framework can be made as follows.

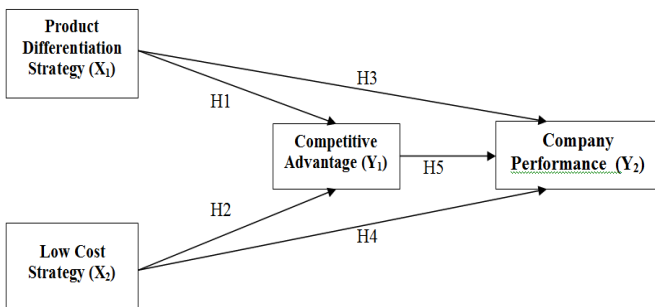


Fig 4:- The Research Conceptual Frame-work Model

Based on the conceptual framework, the following hypotheses can be made:

- H 1: Is there a significant effect Product Differentiation Strategy on Competitive Advantage
- H 2: Is there a significant effect of the Low Cost Strategy on Competitive Advantage
- H 3: Is there a significant effect Product Differentiation Strategy on Company Performance
- H4: Is there a significant effect on the Low Cost Strategy on Company Performance
- H5: Is there a significant effect Competitive Advantage on Company Performance

IV. RESEARCH METHODS

Based on the thoughts that have been described, the right type of research when listening to the thoughts Creswell, (2015:211) is explanatory research, that :

“Explanatory design is typically used to explain and interpret quantitative results by collecting and analyzing follow-up qualitative data. It can be especially useful when unexpected results arise from a quantitative study. In this case, the qualitative data collection that follows can be used to examine these surprising results in more detail”.

Primary data is research through questionnaires and recording data from interviews with business owners of Small Scale Apparel Industry in Malang. Secondary data in the form of data is the owner of a Small Scale Apparel Industry Business in Malang which has been recorded in the Malang Department of Cooperatives, Industry, and Trading and registered with the Amang Tiwi Apparel industry Community of Malang Clothing Industry Community.

With a sample research of 35 of 54 populations. Primary data collection using a questionnaire. Analysis of research data using Path Analysis.

- Formulate hypotheses and structural equations ;
 $Y_1 = \beta_{y_1x_1}X_1 + \beta_{y_1x_2}X_2 + \epsilon_1$ (Substruktur 1)
 $Y_2 = \beta_{y_2x_1}X_1 + \beta_{y_2x_2}X_2 + \beta_{y_2y_1}Y_1 + \epsilon_2$(Substruktur 2)
- Calculates the path coefficient based on the regression coefficient, illustrating the path diagram ;

V. RESEARCH RESULTS

Malang Department of Cooperative, Industry, and Trading are the executor of creative economy-based MSME’s empowerment policies. In implementing the policy, it certainly has clear direction and objectives so that the implementation of the policy can run according to the vision, mission, duties and functions as well as the policies and targets that have been set.

From a little description above, the mission of this chapter are first, trying to outline the profile of the Malang Department of Cooperative, Industry, and Trading, this is intended to find out the vision-mission, goals, objectives, work programs, policies, tasks and functions that are has been established. Second, trying to outline the scope of policy making for empowering MSME’s. Third, trying to elaborate on MSME’s fostered by Malang Department of Cooperative, Industry, and Trading.

The potentials that exist in MSME’s are very diverse, considering that MSME’s are a form of creative endeavor, it is also seen in MSME’s in Malang which do have a wide variety of businesses. MSME’s in Malang are divided into several business sectors such as small scale apparel, food and beverages, crafts, and others.

However, like MSME’s in Indonesia in general, MSME’s conditions in Malang are not much different from MSME’s in other cities, namely a business that is largely not professionally managed, without clear management and just to support the family.

This MSME’s should be able to develop rapidly if managed professionally. Micro, Small an Medium Enterprises for Small Scale Apparel Industry in Malang are spread in 5 (five) districts with amount of MSME’s recorded by the Malang Department of Cooperative,

Industry, and Trading and Amang Tiwi Apparel Industry Community in 2019 can be seen on the table below this.

(22.86%) while the age level > 50 years only 2 people (5.71%).

No	Business Sector	Blimbing	Kedung Kandang	Klojen	Lowok waru	Sukun	Total
1	Total Population Small scale apparel industries in Malang	7	13	17	6	11	54
2	Total Sample/Respondent (MSME's, who want to do research and fill in or answer the questionnaire correctly) Small scale apparel industries in Malang	7	4	12	3	9	35

Table 2:- Small-scale apparel industry by region in Malang in 2019 Population data Source : Office of Cooperation, Industry and Trading of Malang Th. 2020

Based on table 2 show that MSME's samples of small scale apparel industry sector for 54 respondent which returned a questionnaire result of 35 respondent. Therefore research on 35 respondent as sample of research.

Respondent on this study amounted to 35 people who are owners of small scale apparel industry business in Malang with different backgrounds as presented in the table below.

No	The Information	Amount (people)	Percentage (%)
1	Gender :		
	a. Male	12	34,29
	b. Famale	23	65,71
2	Age :		
	a. > 10-20 years	-	-
	b. > 20-30 years	8	22,86
	c. > 40-50 years	25	71,43
	d. > 50 years old	2	5,71
3	Duration of Business:		
	a. 15 years	-	-
	b. 6-10 years	4	11,43
	c. 11-15 years old	8	22,86
	d. > 15 years	23	65,71
4	Education:		
	a. SD / equivalent	-	-
	b. JSS / equivalent	-	-
	c. Senior High School	3	8,57
	d. Diploma	17	48,57
	e. Bachelor	15	42,86

Table 3:- The Overview of Respondents Source: Primary data processed (2020)

Respondents in this study amounted to 35 people who are the owners of small-scale apparel industry business activities in the city of Malang with different backgrounds. From the table above, it can be seen that the background of respondents, amounting to 35 the owner of a small scale apparel industry consists of 12 men (34.29%), and 23 women (65.71%). In general the respondents have the most age level > 40-50 years, amounting to 25 people (71.43%) while the age level > 20-30 years there are 8 people

If seen from the length of business it is known that there are no respondents who have a business duration of 1-5 years, who have a business time of 6-10 years totaling 4 people (11.43%), who have a business duration of 11-15 years as many as 8 people (22, 86%) and 23 years (65.71%) had > 15 years of business.

Then when viewed from the level of education it is known that the respondents in this study did not have the level of education in elementary / equivalent or junior / equivalent, respondents who have a high school level / equivalent amounted to 3 people (8.57%), respondents who have a diploma level of education as many as 17 people (48.57%) and respondents who have a Bachelor's level of education amounted to 15 people (42.86%).

Based on calculations, the results of the path analysis of the Product Differentiation Strategy (X₁) and Low Cost Strategy (X₂) on Competitive Advantage (Y₁) are presented in the following table 4.

Variabel	Standardized Coefficients Beta	t	Sig	Result
Product Differentiation Strategy (X ₁)	0,428	5,352	0,001	Significant
Low Cost Strategy (X ₂)	0,285	5,266	0,003	
R Square	= 0,713			
α	= 0,05			

Table 4:- Results of Product Differentiation Strategy (X₁) and Low Cost Strategy (X₂) Path coefficients towards Competitive Advantage (Y₁) Source: Primary data processed (2020)

Based on the table above for Product Differentiation Strategy variables have a t_{count} of 5.352 so that it is greater than t_{table} (2.364) with a significant 0.001, the Product Differentiation Strategy has a significant effect on Competitive Advantage. For the Low Cost Strategy variable has a t_{count} of 5.266 so that it is greater than t_{table} (2.364) with a significant 0.0032, the Low Cost Strategy has a significant effect on Competitive Advantage. The results of the path coefficient influence the variable Product Differentiation Strategy and Low Cost Strategy on Competitive Advantage with a R Square value of 0.713 so that it has an effect of 71.3%.

Based on the calculations performed, the results of the analysis of the path of influence of the Product Differentiation Strategy (X₁) and the Low Cost Strategy (X₂) and Competitive Advantage (Y₁) on Company Performance (Y₂) are presented in the following table.

Variabel	Standardized Coefficients Beta	t	Sig	Result
Product Differentiation Strategy (X ₁)	0,057	3,124	0,004	Significant
Low Cost Strategy (X ₂)	0,056	3,120	0,004	
Competitive Advantage (Y ₁)	0,592	10,608	0,000	
R Square	= 0,705			
α	= 0,05			

Table 5:- Results of Product Differentiation Strategy (X₁) and Low Cost Strategy (X₂) Pathways and Competitive Advantage (Y₁) on Company Performance (Y₂)
Source: Primary data processed (2020)

Based on the table above for the variable Product Differentiation Strategy has a t_{count} of 3.124 so that it is greater than t_{table} (2.364) with a significant 0.004, the Product Differentiation Strategy has a significant effect on Company Performance. For the Low Cost Strategy variable has a t_{count} of 3.120 so that it is greater than t_{table} (2.364) with a significant 0.004, the Low Cost Strategy has a significant effect on Company Performance.

Then the Competitive Advantage variable has a t_{count} of 10.608 so that it is greater than t_{table} (2,364) with a significant 0,000 then the Competitive Advantage has a significant effect on Company Performance. The results of the path coefficient influence the variable Product Differentiation Strategy and Low Cost Strategy and Competitive Advantage to Company Performance with a R Square value of 0.705 so that it has an effect of 70.5%.

Based on the path coefficients that have been described in the results of this study, the equation for the path can be made as follows.

$$Y_1 = 0,428 (X_1) + 0,285 (X_2)$$

$$Y_2 = 0,057 (X_1) + 0,056 (X_2) + 0,592 (Y_1)$$

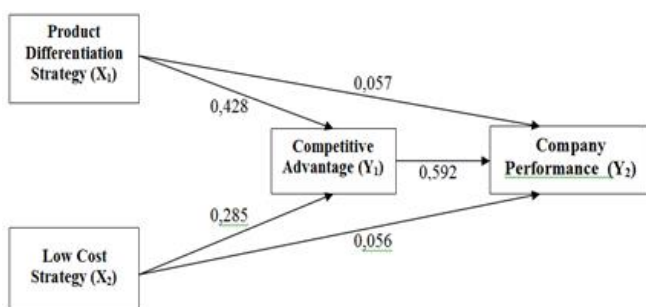


Fig 5:- Results of Paths Analysis
Source: Primary data processed (2020)

The research hypothesis is a conjecture of the relationship or influence of the variables studied, there are five hypotheses proposed in this study, with the results as presented in the following table.

Hypothesis	t	Sig	Result
1. Product Differentiation Strategy (X ₁) has a significant effect on Competitive Advantage (Y ₁)	5,139	0,000	significant
2. Low Cost Strategy (X ₂) significantly influence Competitive Advantage (Y ₁)	8,470	0,000	significant
3. Product Differentiation Strategy (X ₁) significantly influences company performance (Y ₂)	2,448	0,000	significant
4. Low Cost Strategy (X ₂) significantly influence Company Performance (Y ₂)	3,185	0,000	significant
5. Competitive Advantage (Y ₁) has a significant effect on Company Performance (Y ₂)	12,610	0,000	significant

Table 6:- Research Hypothesis
Source : Primary data processed (2020)

Based on the table above, it can be seen that the value of t for the Product Differentiation Strategy (X₁) against Competitive Advantage (Y₁) of 5.139 is greater than t_{table} (2.364) and with a P Value of 0.000 (less than α 0.05), the hypothesis is stated first (H1) received namely: "Strategy Differentiation Strategy (X₁) has a significant effect on Competitive Advantage (Y₁)".

The calculated value for the Low Cost Strategy (X₂) against Competitive Advantage (Y₁) of 8.470 is greater than t_{table} (2.364) and with a P Value of 0.000 (less than α 0.05), then the second hypothesis (H2) is accepted, i.e. : "Low Cost Strategy (X₁) has a significant effect on Competitive Advantage (Y₁)".

The t_{count} for Product Differentiation Strategy (X₁) to Company Performance (Y₂) of 2.448 is greater than t_{table} (2.364) and with a P Value of 0.000 (less than α 0.05), then the third hypothesis (H3) is accepted, i.e. : "Product Differentiation Strategy (X₁) has a significant effect on Company Performance (Y₂)".

The t_{count} for the Low Cost Strategy (X₂) on Company Performance (Y₂) of 3.185 is greater than t_{table} (2.364) and with a P Value of 0.000 (less than α 0.05), then the fourth hypothesis (H4) is accepted, i.e. : "Low Cost Strategy (X₂) has a significant effect on Company Performance (Y₂)".

The t_{count} for Competitive Advantage (Y₁) on Company Performance (Y₂) of 12,610 is greater than t_{table} (2,364) and with a P Value of 0,000 (less than α 0.05), the fifth hypothesis (H5) is accepted, i.e. : "Competitive Advantage (Y₁) has a significant effect on Company Performance (Y₂)".

Competitive advantage is an advantage that is owned by the company, where is the advantages are used for competition and compete with other companies. Competitive advantage may take the form of lower prices than competitor prices for appropriate benefits or the provision of unique benefits that are more than offset by price, (Kottler and Armstrong, 2005). So it can be said : "competitive advantage is an advantage over competitors obtained by offering more value to consumers, either through lower prices or by providing more benefits that support more expensive pricing".

Competitive advantage involves determining a position that is an attempt to maximize the value of abilities that distinguish them from competitors, (Lovelock, C, and John Wirtz., 2006).

A company occupying a position of competitive advantage is due to comparative advantage in resources producing superior value at lower costs. Competitive Advantage comes from many different activities carried out by companies to design, produce, market deliver, and supported their products, (Wyckof, 2002).

There are basic ways to achieve Competitive Advantage:

“First, with a low cost strategy that makes companies to offer products at prices that are cheaper than competitors. A low cost position usually puts the company in an advantageous position in the face of its competitors in an industry”.

“Second is the product differentiation strategy, so that customers feel that they get other benefits as well as more at a reasonable price. But both of these strategies have the same effect of increasing the perceived benefits enjoyed by the customer”.

There are also three factors needed to create a competitive advantage that can be maintained, namely:

- Basic Competition (basic of competition) “Strategy must be based on a set of assets, skills and abilities. These three things will support the strategy that is being carried out so that it helps maintain excellence”.
- In which markets the company competes (where you compete). “It is important for companies to choose a target market that is appropriate to the strategy implemented, so that assets, skills and abilities can support the strategy in providing something of value to the market”.
- With whom the company competes (who you compete against): “Companies must also be able to identify competitors, whether competitors are weak, medium or strong”.

In determining its business strategy, a small apparel business that can be applied applies a functional strategy that is determined by four things: strategies in the fields of Production, Marketing, Human Resource Management, and Finance, because these four things are considered to be a benchmark in developing their business. Thus the way to achieve and maintain competitive advantage with an orientation to the customer is not only internal to the company and competitors.

VI. CONCLUSIONS

This research proves that t_{count} for Product Differentiation Strategy (X_1) against Competitive Advantage (Y_1) of 5.139 is greater than t_{table} (2.364) and with a P value of 0.000 (less than α 0.05), the first hypothesis (H1) is accepted, i.e.: "Strategy Differentiation Strategy (X_1) has a significant effect on Competitive Advantage (Y_1)".

The calculated value for the Low Cost Strategy (X_2) on Competitive Advantage (Y_1) of 8.470 is greater than t_{table} (2.364) and with a P value of 0.000 (less than α 0.05), then the second hypothesis (H2) is accepted, i.e. : "Low Cost Strategy (X_1) has a significant effect on Competitive Advantage (Y_1)".

Then t_{count} for Product Differentiation Strategy (X_1) to Company Performance (Y_2) of 2.448 is greater than t_{table} (2.364) and with a P value of 0.000 (less than α 0.05), then the third hypothesis (H3) is accepted, i.e. : "Product Differentiation Strategy (X_1) has a significant effect on Company Performance (Y_2)".

The t_{count} for the Low Cost Strategy (X_2) on Company Performance (Y_2) of 3.185 is greater than t_{table} (2.364) and with a P value of 0.000 (less than α 0.05), then the fourth hypothesis (H4) is accepted, i.e.: "Low Cost Strategy (X_2) has a significant effect on Company Performance (Y_2)".

The t_{count} for Competitive Advantage (Y_1) against Company Performance (Y_2) of 12,610 is greater than t_{table} (2,364) and with a P Value of 0,000 (less than α 0.05), the fifth hypothesis (H5) is accepted, namely: "Competitive Advantage (Y_1) has a significant effect on Company Performance (Y_2)".

VII. SUGGESTIONS

- a. The product produced must be of good quality. b. Products are expected to follow the style or model that is trendy in accordance with the changing times. c. MSME's at least have experts in the field of product design so they can produce good quality and attractive products and are unique. d. Submitting ordered products according to the agreement with better service and packaging. e. Can receive and complete product orders well and on time. f. Can conduct production activities with cross-subsidized financing in order to create products of various types based on determining price and quality differences so as to provide product choices for consumers.
- a. Can find or procure raw materials that are cheaper in price with a quality level of raw materials that are not too much different. b. Utilizing the workforce around so as to reduce labor costs. c. Trying to create a product of superior quality to competing products. d. Creating a product image of the product produced so that the product is easily remembered by consumers. e. MSME's is endeavored to be able to open opportunities by finding new markets both at the consumer level and at the level of the area.
- Can record financial statements properly based on sales results more neatly and measurably so that they know with certainty the level of profit in each period of the current year. b. It is important for every MSME's to understand market strategies and opportunities so that they can have the ability to compete to improve business performance. c. Improving the ability in quality and product design that has its own uniqueness so as to create a brand image of the product produced.

- d. See and take advantage of market opportunities to the widest by creating product differentiation. e. Attended training on business development and started to create business networks both online and offline. f. Improve the ability to conduct financial records in a neat and structured manner in accordance with the standard presentation of financial statements in general in order to be able to clearly know the increase in profits and the addition of business assets.
- Collecting data on the number of MSME's based on type, scale, and region, with the aim to really know how much the populist economic potential of Malang City has. b. Creating training and coaching programs for MSME's in order to increase their ability to conduct business activities so that they have a competitive advantage. c. Providing capital loans with low interest rates in collaboration with third parties, so that MSME's can improve business performance.
 - Can make the results of this study as a reference and information material and recommendations for further researchers who are interested and interested in reviewing and analyzing similar scholarship and if there are deficiencies in this research please improve it.

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