

UTILIZATION OF DIGITAL MARKETING AND PRODUCT INNOVATION IN IMPROVING MSME MARKETING PERFORMANCE IN TALUN DISTRICT

Meisya Salsabilla¹, Dyta Aulia², Soesanty Maulany³

Faculty of Economics and Business, Universitas Swadaya Gunung Jati, Cirebon, Indonesia¹²³

e-mail: soesanty.maulany@ugj.ac.id

Keywords

Digital Marketing; Product Innovation; Marketing Performance; MSMEs; Talun District

ABSTRACT

The purpose of this study is to examine the influence of digital marketing and product innovation on the marketing performance of MSMEs in Talun District. This study used quantitative methods. The population in this study is culinary MSME business actors in Talun District, with a sample of 100 people. The data collection technique in this study used a questionnaire with a measurement scale using the Likert scale. The data analysis technique used in this study is multiple linear regression analysis. The results of this study show that partially digital marketing and product innovation have a positive and significant influence on marketing performance, and simultaneously digital marketing and product innovation have a positive and significant effect on market performance.

INTRODUCTION

The presence of MSMEs cannot be ignored, even though they are considered small businesses. MSMEs continue to develop and spread to remote areas, and have a significant contribution to the Indonesian economy (Fatimah & Fadhilah, 2022). Evidence of the strength of MSMEs was proven when the monetary crisis hit Indonesia, with this sector remaining stable. While other sectors have had difficulty recovering their businesses after the crisis, MSMEs have made a significant positive contribution to the national economy (Curatman et al., 2016). MSMEs in Indonesia are considered one of the most effective and successful initiatives in improving community welfare, with many business opportunities that can be improved through creativity (Widiastuti et al., 2023). According to Hafsah (2012) in (Effendi et al., 2022), It is important for the development of MSMEs to get great attention from the government and the community in order to compete more effectively with other business actors.

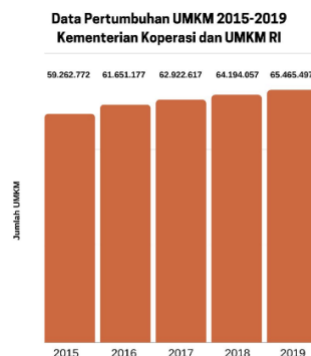


Figure 1. MSME Growth Data

Source: Ministry of Cooperatives & SMEs of the Republic of Indonesia, 2020

According to data (Ministry of Cooperatives and MSMEs of the Republic of Indonesia processed by BPS, 2020), the number of MSMEs in Indonesia has increased by 1.98% from the previous 64,194,057 units in 2018 to 65,465,497 units in 2019, showing the vital role of MSMEs in driving the local economy. This illustrates the importance of MSMEs in the Indonesian economic ecosystem. One of the MSMEs in Indonesia is West Java, Cirebon Regency. Here is the data of MSMEs in Cirebon Regency:

Table 1. MSME Data of Cirebon Regency

Year	Sum
2019	302.452 unit
2020	321.166 unit
2021	341.037 unit
2022	362.138 unit
2023	384.544 unit

Source: opendata.jabarprov.go.id

Data shows that the number of MSMEs in Cirebon Regency continues to experience positive growth and increase in the number of MSME units every year. However, this growth is not always followed by an increase in MSME turnover. The increasing number of MSMEs that appear also strengthens competition in the market. According to BPS Cirebon Regency, the population in Talun District in 2020 amounted to 71,464 people which were divided into 11 villages. MSME players in Talun District face various problems, such as declining sales, limited capital, difficulty obtaining raw materials, obstacles in production and distribution, and lack of understanding of information technology. Therefore, it is important for MSME players to improve marketing performance in order to compete in this modern era.

Marketing performance is an important aspect for MSME actors, because marketing performance greatly affects the survival of MSMEs. If the survival of MSMEs is low, this can be a sign of the company's poor marketing performance (Rahman et al., 2023). According to (Ferdinand, 2011) Marketing performance is often a benchmark for the impact of the strategy implemented by a company. Marketing performance is an important factor in the overall evaluation of a company's performance because it reflects the level of success in its marketing efforts. The concept of marketing performance is used as a tool to assess the marketing achievements of an enterprise. Every company has an interest in evaluating its marketing performance as a clue to success in facing competition in the market. Marketing performance is often a parameter to evaluate the impact of the strategy implemented by the company, including product market performance. This is because every company is interested in an effective marketing strategy (Warganegara et al., 2023).

This emphasizes the need for optimal performance of MSMEs, including in terms of innovation and skilled digital marketing. MSME players must improve their marketing performance to be able to survive against competition in the market. Good marketing performance will be reflected in sales growth and wider market share, while poor marketing performance is characterized by a decrease in sales and market share, as well as superior competitors (Utomo & Nugraha, 2017) in (Sudarti & Dewi, 2022). This increase in marketing performance is expected to increase sales turnover and maintain business continuity with innovation and expansion of marketing areas through the application of digital marketing optimally (Ramadhani et al., 2022).

One that can affect marketing performance is digital marketing. Digital marketing is a marketing strategy that utilizes online media with interactive features, uses attractive site designs, and incentive programs, which has the potential to reduce transaction costs (Kim & Kim, 2004). Digital marketing

refers to services provided by companies using digital technology to communicate and convey information to customers and other related parties (Kannan & Li, 2016).

Digital marketing is one of the strategies that is widely used by business actors because of the shift in consumer behavior towards digitalization. With digital marketing, communication and transactions can be done in real-time and can be accessed globally (Kotler P. &, 2008). According to Prabowo (2018) in (Ramadhani et al., 2022), Digital marketing has the potential to support business actors in promoting and marketing their products and services. In addition, digital marketing also has the ability to open new markets that previously may be limited or unreachable due to restrictions on time, distance, and conventional ways of communication.

This is in line with previous research, according to the study (Rotinsulu et al., 2022), (Marpaung & Sibarani, 2018) and (Murtadlo, 2021) Digital marketing has a positive and significant effect on MSME business performance. Because digital marketing really helps business actors be more effective in improving performance. In addition to digital marketing, there are product innovations that also affect marketing performance. (Damanpour & Gopalakrishnan, 2001) defines product innovation as the introduction of a new product or service aimed at meeting the needs of users or external markets. Innovation plays a very important role in the business realm because it can produce something new from a product, both in terms of appearance, systems, and processes. Consumer demand and preferences for goods or services are always changing along with the times and technology.

The development of product innovation will increase the company's capacity to produce quality products. By producing quality products, companies need to continuously improve product development capabilities to ensure the products produced can continue to grow through continuous innovation (Zou & Chen, 2019). Therefore, MSME players need to continue to apply innovation to their products in order to gain a competitive advantage that will play a role in improving marketing performance (Ramadhani et al., 2022).

This is in line with previous research, according to the study (Putri & Yasa, 2018) and (Wiryawan & Semirani, 2022) It is conveyed that product innovation has a positive and significant influence on marketing performance. Because product innovation is an important focus in developing MSMEs, by prioritizing effectiveness in achieving goals and offering new products, without having to sacrifice efficiency (Maisont et al., 2020); (Kahn, 2018). Based on the explanation above, the phenomenon that can be observed is the importance of good marketing performance, through the use of digital marketing and product innovation in increasing the success and sustainability of MSMEs, especially in the culinary sector in Talun District. The formulation of this research problem includes:

1. How digital marketing affects MSME marketing performance?
2. How product innovation affects MSME marketing performance?
3. How does digital marketing and product innovation affect MSME marketing performance together?

Thus, this study aims to obtain the right knowledge and understanding of the influence of digital marketing and product innovation on the marketing performance of MSMEs in Talun District. This is expected to provide a better understanding of the factors that affect the marketing performance of MSMEs in the culinary sector and provide strategic recommendations to improve marketing performance.

METHODS

This research is included in the quantitative research method. This method is referred to as quantitative because of its relationship with numbers and statistical analysis (Purwana et al., 2017). In this study, there is 1 dependent variable, namely marketing performance, and 2 independent variables,

namely digital marketing and product innovation. The population in this study is a population of Talun District totaling 71,464 people. To determine the number of samples, this study uses the Slovin formula with 10% as the margin of error. Based on the results of the calculation, the sample in this study is 100 MSME actors.

The techniques used in sampling are purposive sampling and the type of data used is primary data (Sugiyono, 2018). The criteria for sampling are: 1. MSMEs engaged in culinary, 2. MSMEs that innovate products, 3. MSMEs that apply digital marketing in marketing their products. The data collection technique in this study uses a questionnaire with a measurement scale using a Likert scale. The data analysis technique used in this study is multiple linear regression analysis using SPSS Ver.29.

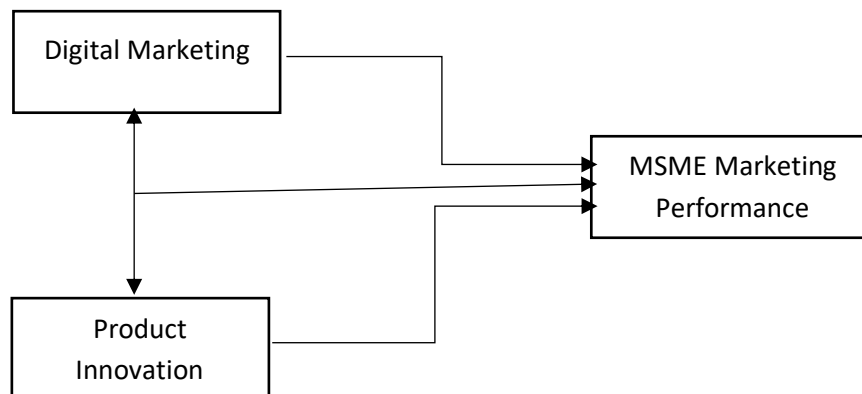


Figure 2. Frame of Mind

RESULTS

This research took the object of MSME actors in Cirebon Regency, precisely in Talun District. The respondents used were 100 MSME actors in the culinary sector. Questionnaires that have been filled out by respondents, then processed into research data. The first step is to conduct a data quality test consisting of validity and reliability.

Validity Test

Table 1. Validity Test

Variable	Indicator	R Calculate	Information
Digital Marketing (X1)	X1.1	0,708	Valid
	X1.2	0,624	Valid
	X1.3	0,598	Valid
	X1.4	0,732	Valid
	X1.5	0,646	Valid
	X1.6	0,568	Valid
	X1.7	0,688	Valid
	X1.8	0,676	Valid
Product Innovation (X2)	X2.1	0,689	Valid
	X2.2	0,807	Valid
	X2.3	0,771	Valid
Marketing Performance (Y)	Y.1	0,717	Valid
	Y.2	0,786	Valid
	Y.3	0,813	Valid

Y.4	0,787	Valid
Y.5	0,731	Valid

Source: processed primary data (2024)

Based on the results of validity testing, it is known that digital marketing variables, product innovation variables and marketing performance variables are valid. Because each variable has a calculated r value greater than the r table, all r count values greater than 0.196. To find out the consistent degree of research instruments, the researchers conducted instrument reliability tests whose results are in the table below:

Uji Reliabilitas

Table 2. Reliability Test

Reliability Statistics			
Variable	Cronbach's Alpha	N of Items	Information
Digital Marketing (X1)	0,800	8	Reliable
Product Innovation (X2)	0,607	3	Reliable
Marketing Performance (Y)	0,824	5	Reliable

Source: processed primary data (2024)

Based on the results of reliability tests, it is known that the value of Cronbach's Alpha digital marketing variable, product innovation variable and marketing performance variable, shows that all research variables are reliable because Cronbach's Alpha value is above 0.6. To find out the amount of influence of digital marketing variables and product innovation on marketing performance, it can be known by looking at the coefficient of determination test whose results are in the table below:

Coefficient of Determination Test

Table 3. Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728	.531	.521	1.794

a. Predictors: (Constant), Digital Marketing (X1), Inovasi Produk (X2)

b. Dependent Variable: Marketing Performance (Y)

Source: processed primary data (2024)

Based on the results of the coefficient of determination test, it is known that the R square value of digital marketing variables and product innovation on marketing performance is 0.531, which means that the influence of digital marketing and product innovation on marketing performance is 53.1% while the remaining 46.9% is explained by other factors outside the research model. To determine the significance of the influence of digital marketing variables and product innovation on marketing performance, the results are in the table below:

T Test

Table 4. T Test

Model		Coefficients				t	Say.
		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta			
1	(Constant)	4.588	1.627		2.821	.006	
	Digital Marketing (X1)	.371	.057	.565	6.566	.000	
	Product Innovation (X2)	.318	.117	.234	2.723	.008	

a. Dependent Variable: Marketing Performance (Y)

Source: processed primary data (2024)

Based on the table above, it is known that the Sig value of digital marketing variables is $0.000 < 0.05$, this means that there is a positive and significant influence between digital marketing on marketing performance. Furthermore, it is known that the Sig value of the product innovation variable is $0.008 < 0.05$, this means that there is a significant influence between product innovation variables on marketing performance. To determine the significance of the influence of digital marketing and product innovation on marketing performance simultaneously, the results are in the table below:

Test F

Table 5. Test F

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Say.
1	Regression	352.868	2	176.434	54.831	.000
	Residual	312.122	97	3.218		
	Total	664.990	99			

a. Dependent Variable: Marketing Performance (Y)

b. Predictors: (Constant), Digital Marketing (X1), Product Innovation (X2)

Source: processed primary data (2024)

Based on the table above, it is known that the Sig value is $0.000 < 0.05$, so it can be concluded that simultaneously there is a positive and significant influence between digital marketing and product innovation on marketing performance.

Discussion

The Effect of Digital Marketing on Marketing Performance

The test results in this study show that digital marketing variables have a positive and significant effect on marketing performance for MSME actors in Talun District. The better the application of digital marketing, the better the marketing performance. The existence of digital marketing can provide benefits for MSME players in Talun District with the potential to introduce and market products more effectively, reach a wider market, expand business networks with other business actors, and facilitate communication with consumers without the need to meet face to face. Thus, if MSME players can optimize the use of digital marketing, it will increase sales volume which is part of marketing performance (Purwana et al., 2017). The results of this study are supported by previous research (Rotinsulu et al., 2022), (Marpaung & Sibarani, 2018), (Murtadlo, 2021), (Warganegara et al., 2023), (Effendi et al., 2022), (Ramadhani et al., 2022), (Liesander et al., 2017), states that digital marketing has a positive and significant effect on marketing performance.

The Effect of Product Innovation on Marketing Performance

The test results in this study show that the product innovation variable has a positive and significant effect on marketing performance for MSME players in Talun District. The better the

application of product innovation, the better the marketing performance. In order to compete more effectively, MSME players in Talun District need to design strategies to develop their business by innovating in their products. This means that through product innovation, companies create new products that are different from existing ones or make improvements to existing products, in response to a dynamic business environment. It aims to create services that satisfy customers, considering that innovation is an important variable in determining marketing performance (William et al., 2023). Through product innovation, MSME players can get recognition from consumers which will ultimately increase their profitability. The results of this study are supported by previous research (Putri & Yasa, 2018) (Wiryawan & Semirani, 2022), (Kiveu et al., 2019), (Nurwendi & Haryadi, 2022), (Fatimah, 2022), (Oktavinus et al., 2019), states that product innovation has a positive and significant effect on marketing performance.

The Influence of Digital Marketing and Product Innovation on Marketing Performance

The test results in this study show that the digital marketing variable and the product innovation variable simultaneously have a positive and significant effect on the marketing performance variable for MSME players in Talun District. The more innovative products carried out by MSME players in Talun District, the greater the influence of digital marketing on the marketing performance of MSMEs in Talun District. In Talun District, MSME players utilize knowledge and understanding to create innovations in their products and utilize digital marketing optimally to promote their products. By marketing products through digital marketing will be able to improve marketing performance, because digital marketing can help business actors in promoting and marketing products. In addition to digital marketing, the innovation will also be able to improve marketing performance, because the products produced will be in accordance with consumer desires. It is concluded that digital marketing and product innovation are two important factors that must be applied by MSME players in improving their marketing performance. This can increase the effectiveness of marketing performance for MSME actors. The results of this study are supported by previous research (Wuisan et al., 2021), (Effendi et al., 2022), (Warganegara et al., 2023), states that digital marketing and product innovation simultaneously have a positive and significant impact on marketing performance.

CONCLUSION

Based on the results of research and discussion, research on "Utilization of Digital Marketing and Product Innovation on MSME Marketing Performance in Talun District" can be concluded that digital marketing has a positive and significant effect on MSME marketing performance. In this study, utilizing digital marketing can provide many benefits for MSME players, namely with the potential to market their products more effectively, reach a wider market, build strong relationships with consumers and increase profits. This proves that the use of digital marketing plays an important role in supporting the growth and success of MSME players in Talun District. Product innovation has a positive and significant effect on the marketing performance of MSMEs. MSME players in Talun District need to make strategies and focus on developing their business by innovating products so that they can increase profits in their business. Digital marketing and product innovation simultaneously have a positive and significant effect on the marketing performance of MSMEs. By utilizing knowledge to create product innovations and utilizing digital marketing optimally, this can improve marketing performance for MSME players in Talun District. The limitation of this research is the discussion of MSME actors in the culinary sector in Talun District, with digital marketing variables, product innovation and marketing performance. Therefore, future research is expected to expand the scope of fields and variables.

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