Influence Of Social Media Marketing, E-Commerce, and Product Innovation on Marketing Performance

Mia Adistia 1*, Sanaji Sanaji 2

1,2Department of Management, Faculty of Economics and Business, Universitas Negeri Surabaya, Indonesia

ARTICLE INFO

ISSN: 2723-1097

Keywords:
Marketing performance; Social media marketing; E-Commerce; Product innovation.

ABSTRACT

MSMEs play an essential role in the Indonesian economy regarding workforce and number of businesses. MSMEs play a strategic position and influence the development of the national economy in Indonesia. With the increasing number of businesses in the food sector that is starting to emerge, customers' needs are changing, and the competition is getting tougher, MSME actors need to carry out several alternative strategies to provide good performance, including marketing performance. This research aims to analyze the impact of social media marketing, e-commerce, and product innovation on marketing performance. The sample is MSME actors in Surabaya who sell food and beverages using social media and E-Commerce. Data were collected using a research questionnaire distributed to 155 respondents. The data analysis technique used multiple linear regression analysis performed by the SPSS-25 version program. The results showed that social media marketing has a positive and significant impact on marketing performance, E-Commerce has a positive and significant effect on marketing performance, and product innovation has a positive and significant impact on marketing performance.

Introduction

Micro, small and medium enterprises, or MSMEs, play an essential role in the Indonesian economy regarding workforce and number of businesses (Amelia et al., 2017). MSMEs play a strategic position and influence the development of the national economy in Indonesia, with a total of 64,194,057 employees from 116,978,631 workers in 2018 (Hardilawati, 2020). MSMEs contributed 59.08% to Gross Domestic Product (GDP) in 2012 and recorded 60% in 2018. The accumulation is based on all MSME
economic sectors contributing to Indonesia (LPPI Cooperation with Bank Indonesia, 2015). The number of MSMEs in Indonesia in 2021 is 64.2 million, contributing to the Gross Domestic Product by 61.07% or worth 8,573.89 billion people (Ministry of Finance, 2021).

From 2020 to 2021, the number of MSMEs in Surabaya increase to 40,0 businesses. In the previous year, from 11,000 businesses, there was an increase of 29,000 new MSMEs by the Office (Department of Cooperatives and Micro Enterprises Surabaya, 2020). The businesses that have significantly increased are businesses in the food and beverage sector (Fanani & Fitrayati, 2021). The increase in the number of MSMEs does not lead to an increase in sales turnover because the performance of MSMEs is still lacking or low, the cause of the low performance of MSMEs is due to external and internal factors. External factors include government policies, socio-cultural aspects, the world economy, and the role of relevant agencies such as the government, universities, private parties, and NGOs. Meanwhile, internal factors include HR aspects, technical aspects of production, marketing, and financial aspects (Munizu, 2010).

With the increasing number of businesses in the food sector that are starting to emerge, the needs of customers are changing and the competition is getting tougher (Djodjobo & Tawas, 2014). MSME actors are required to improve their marketing performance because, indirectly, business pressure from competitors can affect the marketing performance of MSMEs (Rahmawati et al., 2019). Therefore, marketing performance has a crucial role in winning the achievement of MSMEs through the overall marketing process. MSME actors must carry out several alternative strategies to provide good performance, including marketing performance. If the MSME marketing performance improves, the sales volume will increase, customer growth, and maximum profits. Marketing performance can be used to measure strategy in achieving company performance (Pertiwi & Siswoyo, 2016).

Marketing performance is also defined as the level of achievement from marketing activities in the company or organization. MSME actors need to adapt and adjust to the situation. Adaptation is the essential key so that the economic sector can survive the conditions. Adhering to technological developments and advancements that are becoming faster and more sophisticated, the MSME sector can take advantage of online strategies, making it easier for customers to receive information about the products sold. The cooperative and MSME service provides facilities for MSME actors by providing assistance and product promotion using digital platforms to compete and innovate in marketing a product online so that market and consumer reach becomes wider (Widari, 2021). By joining MSME actors in the digital platform, it is hoped that they can add innovation, adapt, do business from home, and connect to the digital ecosystem so that MSME products can reach a broader market. The key to MSMEs' economic recovery is using a more productive digital platform (Rafika, 2021).
One type of internet technology development related to business improvement is the use of Social Media Marketing. Using Social Media Marketing can help make it easier for MSME actors to market and sell products. People's dependence on the use of internet technology is included in carrying out Micro, Small, and Medium Enterprises (MSME) activities to run their business, especially in the era of the Eastern Economic Community (MEA) (Febriyantoro & Arisandi, 2018). Indonesia is known to be one of the countries with the highest internet usage in the world (Rahayu & Riyanto, 2020). The sophistication of Internet technology has affected Indonesia's population of up to 196.7 million, or equivalent to 73.7 percent of the population in Indonesia (Indonesian Internet Service Providers Association (APJII), 2020).

Social Media Marketing is a widely used type of effort (Ministry of Cooperatives and Small and Medium Enterprises 2021). E-commerce is used by MSME actors such as Shopee Food, Go food, and Grab food. The benefits of e-commerce for MSMEs include increasing sales, communication, corporate image, expanding markets, and increasing employee productivity (Rahayu & Day, 2017). By utilizing e-commerce facilities, companies can reach product sales and open opportunities for MSME actors (Darwin, 2020). E-commerce also makes it easier for buyers to get the goods they need (Mumtahana et al., 2017). E-commerce adoption within the company can be a lever to increase company competition (Brown & Jayakody, 2008).

In addition to social media marketing and e-commerce, product innovation can affect marketing performance. In addition, MSMEs face several limitations in facing their competitors, such as a lack of ability to adapt to the environment, lack of ingenuity, and lack of creativity to develop innovation to predict future business challenges (Mustikowati et al., 2014). O'Cass, Aron (2013) suggests that when the combination of intellectual abilities of business people, product innovation skills, and marketing skills is high, the growth of MSMEs is predicted to increase. Vigoda-Gadot et al. (2005) explained that several experts had proven a close relationship between product quality considerations and organizational performance. Innovation can be implemented through product updates, engineering management, or more efficient production processes. Killa (2014) belief is that companies that can innovate will improve company performance. This opinion is supported by Lapian et al. (2016), which stated that product innovation significantly impacts company performance.

The novelty of this research with previous research is the development Fatmariani, (2011) and Prihadi & Susilawati (2018), which show that e-commerce does not affect marketing performance. In addition, to develop research by Amin. et al., (2019) said that product innovation does not affect marketing performance. Based on the background of the problem and the results of previous studies, a study was conducted to determine the impact of the use of Social Media Marketing, E-Commerce, and Product Innovation that can affect Marketing Performance by MSMEs in East Java.
Literature Review

Marketing Performance

Performance is often interpreted as a work result or achievement (Lakoy, 2015). Therefore, performance results from the ability achieved with consistent work results in an organization (Tangkuman et al., 2015). Business owners need to use appropriate marketing strategies to optimize their products with good results to achieve marketing performance. Performance is a requirement to achieve business goals. The goals can be achieved through business owners' efforts to manage their business adequately based on the right marketing strategy so that performance can be achieved or even improved (Amanah, 2015). Marketing performance can be used to measure the level of success of market achievements obtained from company product sales (Wahyono, 2002; Merakati & Rusdarti, 2017). In addition, marketing performance is also known as a measure of achievement derived from the company's marketing process activities. In research on marketing performance variables, indicators from Hidayatullah et al. (2019) consist of sales volume, customer growth, and achievement of profit.

Social Media Marketing

Social media is a publication platform increasingly being used in the digital era. The use of social media is becoming faster so that it can be easily accessed without limits (Carlson et al., 2017). Social media has various channels, including blogs, social networking services, social news services, social media sharing services, social bookmarking services, and social geolocation and meeting services (Zimmerman & Sahlin, 2010). The use of social media can also enable the discovery and even exchange of information from content connoisseurs (Kaplan & Haenlein, 2010). Along with the development of technology, social media is also used as a field to market products or usually also called social media marketing. Social media marketing is a type of digital marketing that utilizes social networks, marketing blogs, and online communities (Bija & Balas, 2014). Social media marketing is an effort for business people to use social media to attract consumers to the products or services offered (Lunnay et al., 2015). In this study, the Social Media Marketing variable used indicators from Tarsakoo & Charoensukmongkol (2020), which consisted of social communication, planning, and implementation capability.

E-Commerce

Kumar et al. (2020) defined e-commerce as a place for electronic (internet)-based economic transactions based on terms and conditions regarding prices and delivery of goods, as well as conducting transactions according to the rules that apply to related e-commerce. Another opinion from Kumbhar & Mahajan (2016) defines e-commerce as the use of internet or web networks to conduct business transactions between sellers (business to business) and between sellers and individual consumers (business to
E-commerce is described as a concept that carries the process of buying and selling goods/services and a place for exchanging information using the internet network (Turban et al., 2018). Meanwhile, according to Laudon & Traver (2013), e-commerce is an activity from a business transaction supported by devices connected to the internet. In the research on the e-commerce variable, the indicator from (Gregory et al., 2019) is measured by the capability indicator.

### Product Innovation

Innovation is defined as the company's way of adapting to a dynamic environment, generally in the form of new ideas, new assessments, creating innovative products, and improving service performance by prioritizing customer satisfaction (Utaminingsih, 2016). Innovation is also known as the ability of creativity as a form of company efforts in solving problems and finding opportunities. Meanwhile, according to Hadiyati (2011), innovation is an ability to create or create something new. In essence, innovation is a company's effort to exploit changes or new ideas into an opportunity for the company in the future. The ability of innovation is also assessed as a description of the company's performance, which means that there is a significance between the level of innovation and the level of company performance (Siringoringo, 2012).

### Relationship between Variables

The importance of new efforts when starting an online business is to monitor the condition of a business related to the technology taken and manage the quality of relationships, especially with customers (Durkin et al., 2013). The use of social media is a new opportunity to become a marketing medium in a business that can achieve an increase in sales, improve the image of a business, and increase customers.

Efforts created by social media marketing include using social media to persuade consumers to use products or services (Lunnay et al., 2015). Studies from Khamaludin et al., (2022), Kartika, (2021), Munir et al., (2021), Primanto & Athia, (2020), Krisnanto et al., (2020) stated that there is a significant relationship between social media marketing with marketing performance.

H1: The social media marketing variable has a positive effect on the marketing performance of MSMEs in Surabaya

The effectiveness of the e-commerce transaction model allows transactions between countries and across cultures at a more affordable cost than traditional transactions. With universal standards, e-commerce mechanisms can be operated flexibly in all countries worldwide (Kwahk & Ge, 2012). E-commerce makes it easy for MSME actors to enter the global market. The existence of e-commerce makes it easier for business actors to provide good reciprocal relationships to fellow business owners.
and provide full service to customers (Liu et al., 2015). E-commerce can provide marketing reach to MSME actors to establish relationships with distributors, customers, and suppliers quickly and on time (Salwani et al., 2009). The form of information technological advances offered by e-commerce has brought several changes, including flexible interactions, reducing cost requirements, the availability of more varied alternatives, easy promotions, business transparency, and not requiring large capital and investment in expanding market share and improve customer service (Prihadi & Susilawati, 2018). The use of e-commerce has a remarkable impact on improving a company's marketing performance. Yadnya & Santika (2017) stated significant relationship between e-commerce and marketing performance. However, Prihadi & Susilawati's research (2018) explained that e-commerce does not significantly impact marketing performance.

H2: The e-commerce variable has a positive effect on the marketing performance of MSMEs in Surabaya

Product innovation is closely related to product renewal. Product renewal is carried out through research and development efforts, including original products, modified products, product improvements, or brand development (Haryono, 2017). Continuous innovation has become an effort that companies must make to provide a competitive advantage against their competitors, so product innovation is a determinant of superior business performance (Utaminingsih, 2016). The innovation process is also considered to play a role as a strategy in emphasizing costs. Research of Nurjaya et al., (2021), Nurlaely et al., (2019), Djayaningrat et al., (2017), Prabawati & Handayani, (2019), Salindeho, (2018), Putri & Yasa, (2018) stated that there is a relationship between product innovation and marketing performance.

H3 : The product innovation variable has a positive effect on the marketing performance of MSMEs in Surabaya

Method

The type of this research is a type of quantitative research. Quantitative research is a method that aims to measure data and usually uses some statistical analysis. The research design applied in this study is conclusive research, namely a research design characterized by a precise measurement of the marketing phenomenon. Conclusive research tests the hypothesis and the relationship between certain variables (Malhotra, 2010). The population in this study are MSME actors located throughout Surabaya with the following characteristics: a) Food and beverage MSME actors. They are users of social media marketing and e-commerce. b) MSME actors who can innovate products in packaging, taste, and size. c) The food MSMEs in question are MSMEs that have dry food businesses. d) MSMEs in question are MSMEs that have a packaged beverage business. e) Social media marketing in question is Whatsapp Business,
Instagram Advertising, and Facebook Advertising. f) The e-commerce in question is Shopee Food, Go food, and Grab food. This study uses a sampling technique, namely non-probability sampling. In non-probability sampling, the type of population is selected based on its availability or the researcher's consideration that they represent the population. This study uses one type of non-probability sampling, namely judgmental sampling. In judgmental sampling, the researcher selects the right elements and represents the population to be included in the research sample (Malhotra, 2007).

The population research is food and beverage MSME actors who are users of social media marketing and e-commerce. While the sample used is 155 respondents aged 20-50 years who are food and beverage MSME business actors and use social media marketing or e-commerce. The measurement scale uses a Likert scale with five categories, from "strongly agree" to "strongly disagree," and participants are required to indicate a degree of agreement or disagreement with a series of statements about the stimulus object (Malhotra, 2007). The data analysis technique used in this research is multiple linear regression analysis which is processed using SPSS version 25 data processing.

Result and Discussion

Respondent Profile

Respondents who meet the criteria and are eligible for this study are 155 respondents. From these data, it is known that the majority who have filled out the questionnaire are women, namely 105 people (67.7%), the highest average age is 26-30 years, as many as 61 people (39.4%), most of the respondents have high school education /Equal as many as 97 people (62.6%), the majority of the products sold are in the form of food as many as 97 people (62.6%). Furthermore, social media that MSMEs actively use to support their business activities are WhatsApp Business as many as 46 people (29%) and as many as 57 people (37%) have used social media in 2021, and e-commerce which MSMEs actively use to support their activities. Its businesses are Go Food as many as 33 people (21%) and 61 people (40%) have used e-commerce in 2021.

Tabel 1. Characteristics of Respondents

<table>
<thead>
<tr>
<th>Respondent Profile</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>50</td>
<td>32,3%</td>
</tr>
<tr>
<td>Female</td>
<td>105</td>
<td>67,7%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-25</td>
<td>17</td>
<td>11%</td>
</tr>
<tr>
<td>26-30</td>
<td>61</td>
<td>39,4%</td>
</tr>
<tr>
<td>31-35</td>
<td>56</td>
<td>36,1%</td>
</tr>
</tbody>
</table>
### The Result of the Coefficient of Determination

Table 2. Result of Determination Coefficient Analysis ($R^2$)

<table>
<thead>
<tr>
<th>Mode</th>
<th>$R$</th>
<th>$R$ Square</th>
<th>Adjusted $R$ Square</th>
<th>Std. Error of the Estimate</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.715&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0.511</td>
<td>0.501</td>
<td>1.707</td>
<td>153.014</td>
<td>52.505</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

Source: Processed data (2022)

The results of the calculations in the table explain the contribution of the independent variables of social media marketing ($X_1$), e-commerce ($X_2$), and product innovation ($X_3$) to the dependent variable of Marketing Performance ($Y$). The adjusted $R^2$ value is $0.511 = 51.1\%$ which indicates that social media marketing ($X_1$), e-commerce ($X_2$), and product innovation ($X_3$) affect the marketing performance of MSMEs by 51.1%. At the same time, the remaining 48.9% is influenced by other variables outside the variables in this study. This research can be classified as good because it has more significant coefficient of determination than other variables that have not been defined and have errors. The $F$ test results obtained a significance value of 0.000, meaning 0.05. It can be concluded that testing the multiple linear regression model on the variables of social media marketing, e-commerce, and product innovation on marketing performance is declared feasible or good.

Table 3. Hypothesis Test Result
### The Effect of Social Media Marketing on Marketing Performance

This study shows that social media marketing has a positive effect on marketing performance in Surabaya. Social media marketing does not only introduce MSME products to the general public but can also function as a medium to group markets effectively and can create creative and fast product marketing strategies. Based on the average results of respondents' answers, MSME actors in Surabaya tend to use social media marketing to deliver innovative product marketing programs; it appears that this indicator has a mean value of 4.51 or is defined as a highly approved indicator. The usefulness of social media, which is increasingly showing its newest features, will undoubtedly support the MSME business to become more recognized and attractive to consumers (Lunnay et al., 2015). In addition, the characteristics of social media marketing offered are also, on average free or even paid is still at a low level, so it can be ascertained that they can boost even greater profits for MSME businesses, meaning the better the level of their marketing performance. These results support research Primanto & Athia, (2020) and Prihadi & Susilawati, (2018) stating that social media marketing significantly affects marketing performance.
The Effect of e-commerce on Marketing Performance

This study shows that e-commerce positively affects marketing performance in Surabaya. Based on the average results of respondents' answers, the use of e-commerce by MSME actors in Surabaya mainly uses e-commerce to deliver product catalogs to customers, this indicator has an average value of 4.44 which means the respondents highly agree with it. E-commerce is indeed known as a means of marketing products that are simple in use and have a proper appearance for a more current product catalog. Apart from that, e-commerce in Indonesia is also famous for being free to use. This will undoubtedly benefit its users, including MSMEs, which are known to have low capital. E-commerce can support the quality of their marketing performance, the marketing performance of MSMEs will increase if they maximize the use of e-commerce very well. This opinion supports the research conducted by Yadnya & Santika (2017), which stated that e-commerce significantly affects marketing performance. E-commerce is used to promote products and as a means of personal contact with consumers to provide information about products, record consumer needs, and so on.

The Effect of Product Innovation on Marketing Performance

This study obtained the results that product innovation positively influences marketing performance in Surabaya. Based on the average results of respondents' answers, MSMEs in Surabaya put forward a product innovation in the form of introducing new flavors each year. This indicator has an average of 4.28, meaning that respondents strongly agree. Looking at the culinary business market in Indonesia, food and beverages are still people's idols to look forward to for the latest innovations. It can be seen in the emergence of new food and beverage businesses. In terms of taste, innovation is considered more profitable because the opportunity for consumers to make repeat purchases is more significant than innovation in terms of packaging or size. Product innovation in terms of packaging is a trick to increase consumer attractiveness to buy our products. Besides that, it can also build a sense of consumer confidence where there is clear product information such as expiration date, product safety, and halal certification from authorized institutions in the packaging. Attractive packaging is a product characteristic that will distinguish it from other products so that consumers can easily recognize and remember the features attached to products, such as logos, colors, to packaging designs. Product innovation in terms of new flavors is the essential thing in a food and beverage product because the taste is the level of quality of a product. These results supported research by Karinda et al., (2018) and Lapian et al., (2016), which stated that product innovation significantly affects marketing performance.

Conclusion
From the results of data analysis and discussion, it can be concluded that there is a positive and significant influence between social media marketing on the performance of MSMEs in Surabaya, it means that the better the use of social media as a means of marketing a product so that the marketing performance of MSMEs in Surabaya will increase. There is a positive and significant influence between e-commerce on the performance of MSMEs in Surabaya, meaning that the better the use of e-commerce, the higher the marketing performance of MSMEs in Surabaya. There is a positive and significant influence between product innovation on the performance of MSMEs in Surabaya, meaning that product innovations developed by MSME actors will increase marketing performance to the maximum.

This study has several limitations, such as only focusing on SMEs scattered in Surabaya. Thus, the generalizability of the results from the model may not apply to other markets/regions. This research only focuses on food and beverage SMEs, so the results that can be mapped are very minimal. In addition, the sample used in this study amounted to 155 respondents and only knew the marketing performance of SMEs in Surabaya, only used three independent variables and did not use mediating or moderating variables. Further research may involve other variables such as competitive advantage, where competition is increasingly vital and technology is increasingly sophisticated, making it difficult to distinguish one product from another. In the face of competition, it is not only based on marketing performance but also on the company’s strategy in dealing with threats from competitors.

The managerial implication that can be applied is that the maximum use of social media marketing will make MSME products more widely and quickly known by consumers and will undoubtedly support more creative marketing performance. The utilization of social media marketing, such as Whatsapp business, Facebook advertising, and Instagram advertising which is increasingly showing its newest features, will undoubtedly support the MSME business to be increasingly known and more attractive to consumers. In addition, the characteristics of social media marketing offered are also, on average free or even paid, are still at a low level, so it can be ascertained that they can boost even greater profits for MSME businesses, meaning the better the level of their marketing performance.

The use of e-commerce in selling MSME products, shopee food, grab food, and go food, is a product marketing tool that is easy to use and has a decent appearance for a more current product catalog. In addition, e-commerce in Indonesia is also famous for being free to use. In addition, developing product innovations such as new packaging, flavors, and sizes, if continuously carried out by MSMEs, can open opportunities to improve marketing performance and product development and introduce superior products to build consumer trust and loyalty to consumers.

References


