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The Influence Of Digital Marketing, Product Innovation And Competency On Msme Performance In The South Tangerang Region

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ABSTRACT

The research aims to determine the influence of digital marketing, product innovation and competency on the performance of MSMEs in the South Tangerang region. This research uses a quantitative type of research with a survey approach with the method used is simple random sampling, with a sample of 96 MSME actors in the South Tangerang area. The data analysis technique for this research uses PLS software version 3.0 (Partial Least Square) with the research results showing that (1) Digital Marketing has no effect on MSME performance with at statistical value of $1.151 < t$ table 1.660 and a P-value of $0.250 > 0.05$, (2) Product innovation has no effect on MSME performance with at statistical value of $0.949 < t$ table 1.660 and P-value $0.343 > 0.05$ (3) Competency has a positive and significant effect on MSME performance with at statistical value of $34.254 > t$ table 1.660 and P-value $0.000 < 0.05$.

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INTRODUCTION

Economic growth is an indicator of successful development in an economy. The progress of an economy is determined by the amount of growth indicated by changes in national output. The existence of changes in output in the economy is a short-term economic analysis.

MSMEs are one that can contribute to improving the national economy (GDP) in the city of South Tangerang. To improve the community's economy, be selective by opening businesses and providing jobs for local residents.

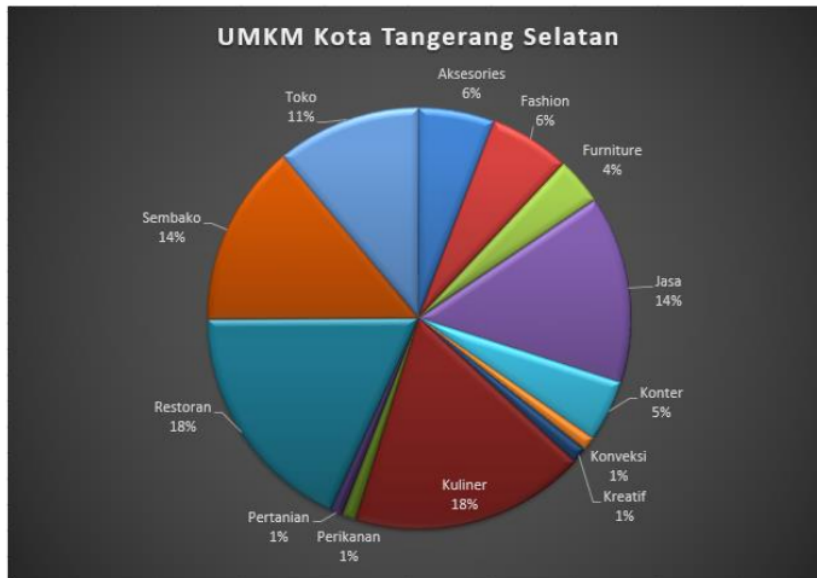


Figure 1. Distribution of MSME Products in South Tangerang

Source: Department of Cooperatives and UMKM, 2021

Based on Figure 1 above, it can be seen that the largest number of MSMEs in the South Tangerang region is in the culinary business and restaurant business at 18%, while the smallest is in agriculture, fisheries, convection and creative businesses, namely 1%.

MSMEs are a hope for the country in contributing to economic improvement, along with the development of digital technology, people's consumption patterns tend to change from offline to online. Technological developments have changed people's lifestyles in general, as can be seen from changes in people's behavior, including the way goods and services are purchased,

both of which can be done online to improve service, effectiveness, speed, and in terms of security, provide convenience for customers [1].

For MSME players who do not keep up with the times, they will be further left behind by business actors who use digital technology to market their products. Utilizing technology in marketing is certainly one of the most widespread and effective ways to use today. Digital Marketing is marketing that utilizes digital information technology such as using electronic media or internet-based media. Digital Marketing has now become one of the main focus areas for businesses across the world [2].

With the existence and increasing development of digital marketing, it can help a business to expand its market reach because digital marketing can provide an opportunity for a business to get a larger number of consumers, this is due to the freedom of time for consumers to explore or find out more about a product without a time limit. Apart from expanding consumer reach, digital marketing also provides easy access to information for consumers so that consumers can freely access information about a company's products that have been marketed via digital or electronic media. Digital marketing uses a wide selection of marketing tactics for services, products and brands most of which use the Internet as a core promotional medium in addition to mobile and traditional TV and radio [3]. Efforts are needed to increase sales by utilizing current technological advances and developments through digital-based product marketing activities (digital marketing) [4]. Product innovation is the result of the development of new products by a company or industry, whether existing or not. From old products that have reached saturation point on the market, innovation is needed to make the product more attractive. Product innovation is the process of introducing a new product or system that brings economic

RESEARCH METHOD

This study uses a quantitative approach method. The object of research is the level of sales at Culinary SMEs in Cianjur during the Covid-19 Pandemic. Sources of data in this study came from primary data. The population in this study are all SMEs in Cianjur who have met the criteria and considerations in the sampling method, namely purposive sampling, namely MSMEs have been established for at least 1 year,

RESULT AND DISCUSSION

This study uses a quantitative approach. This research was conducted to analyze

success to an entrepreneur. Innovative products produced by a business actor become one of the efforts to compete in the business world. As a business actor, you must be able to innovate your products to make them more attractive and competitive in the business world. Technological advances and high competition require every business actor to continuously innovate products.

Product development and innovation allows companies to gain competitive advantage, attract new customers, retain existing customers, and strengthen relationships with their distribution channels [5].

To be able to innovate products and market them through digital marketing, a capability or competency is needed for MSME entrepreneurs, because the competency possessed by business actors will be able to manage their business to achieve success in their business activities. Competence as an individual's capacity to solve problems and achieve predetermined goals [6].

Based on the background and phenomena that occurred above, the author is interested in conducting research entitled "The Influence of Digital Marketing, Product Innovation, and Competency on the Performance of MSMEs in the South Tangerang Region".

MSMEs are engaged in the culinary field, MSMEs are registered as members of the Department of Industry, Culinary SMEs in Cianjur have do digital marketing. The number of respondents who meet the requirements is 130 and after calculating using the Slovin formula and it was decided that the sample in this study was 300 respondents. The data collection method is done by distributing questionnaires to all respondents online using Google Form.

the influence of digital marketing, product innovation and competency on the performance of MSMEs in the South

Tangerang region. This research data collection method uses a survey research method, The data analysis technique for this research uses Structural Equation Modeling (Smart-PLS) analysis. The population and sample in this research are MSME actors in the South Tangerang area, the technique used in this research is Simple Random Sampling.

Population and Sample

Population refers to an entire community of individuals, incidents, or other things that researchers might use to draw conclusions (Sekaran, Uma and Bougie, 2016). The population is used for decision making or hypothesis testing. The population in this research is MSME actors in the South Tangerang area

According to Sugiyono, (2011:81), the sample is part of the number and characteristics of the population. If the sample size is not representative, then the research results cannot represent the population. In determining this sample size, the author used the Lemeshow Formula. The Lemeshow formula is used because the population is unknown or unlimited (infite population). The Lemeshow formula is as follows:

$$n = \frac{Z^2 P (1-P)}{d^2}$$

Information:

n = number of samples

z = z score at 95% confidence = 1.96

p = maximum estimate = 0.5

d = sampling error = 10% so using the formula above, the number of samples to be used can be calculated as follows:

$$n = \frac{Z^2 p (1-P)}{d^2}$$

$$n = 1,96^2 \cdot 0.5 (1-0.5)$$

0.12

$$n = 3.8416 \cdot 0.25$$

0.05

$$\underline{n} = 96.04$$

$$\underline{n} = 96$$

By using the Lemeshow formula above, the sample value (n) obtained is 96.04 and rounded to 96. MSME actors in the South Tangerang area.

.Data source

Data is information about a research object (Bungin, 2012: 123).

1. Primary data source

Primary data sources are data sources obtained directly from data sources that are observed and recorded for the first time. Meanwhile, according to Bungin, primary data sources are the first data sources where data is generated (Bungin, 2012: 128).

2. Secondary data sources

Meanwhile, secondary data is data obtained indirectly from the source, but obtained by researchers from second parties. This secondary data is supporting the primary data that the researcher has, secondary data is also adjusted to the needs of the researcher.

Data Collection Techniques

The data collection method used in this research is a questionnaire, namely a data collection method by distributing questionnaires (list of questions) addressed to respondents.

Data Analysis Techniques

The data analysis technique for this research uses PLS software version 3.0 (Partial Least Square) which is a variant-based structural equation analysis (Structural Equation Model) which can simultaneously test the measurement model as well as test the structural model. From the research results collected, the

following analysis methods will be available:

1. Measurement Model (Outer Model)

Measurement model (*outer model*) was carried out to test the validity and reliability of the research instrument. The validity test in this research uses convergent validity and discriminant validity. Convergent validity is seen from the measurement model with reflection indicators which are assessed based on the correlation of the model between the component score/item score and the construct score calculated using PLS. If the correlation is more than 0.70 with the construct to be measured, the individual reflection measure is said to be high. For early stage research, measurements with an outer loading value of 0.5-0.6 are considered sufficient.

Ghozali (2015:114) explains that in assessing discriminant validity using other methods is comparing the values *square root of average variance extracted* (AVE) The recommended value is that the AVE value must be greater than 0.5. The AVE formula according to Ghozali (2015:115) is: $AVE = \lambda_i^2 + \text{var}(\epsilon_i)$

Mark composite reliability the

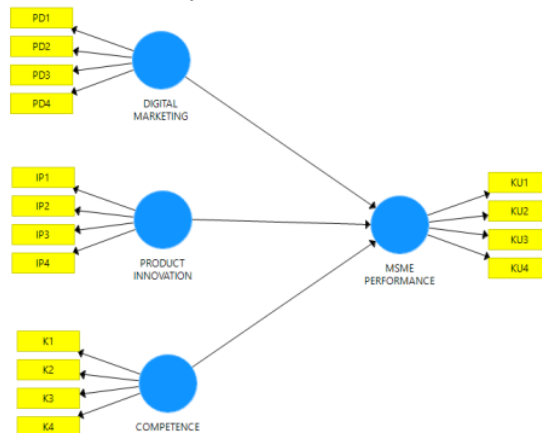


Figure 1. Research Model

3. Hypothesis test

Hypothesis testing (β , γ , and λ) was carried

recommended one should be above 0.6 (Ghozali, 2015: 115).

2. Structural Model (Inner Model)

Structural models are used to predict causal relationships between latent variables. The structural model was evaluated by looking at the percentage of variance explained by the R2 value for the dependent variable using the Stone-Geisser Q-Square Test (Ghozali, 2015: 117). The equation model is:

$$N = O + \gamma + \lambda + \epsilon$$

Where γ describes the vector of endogenous (dependent) latent variables, ϵ is a vector of residual variables. Each dependent latent variable of the latent variable can be specified as follows:

$$pc = \gamma_{ji} \gamma_i + \gamma_{jb} \gamma_b + \epsilon_j$$

Where γ_{ji} and γ_{jb} is the path coefficient that connects the endogenous predictor and the exogenous latent variable γ_i and γ_b along the index range i and b , and ϵ_j is the inner residual variable. If the results produce an R2 value greater than 0.2, it can be interpreted that the latent predictor has a large structural level influence. The following is an image of the research structural model:

According to Aras [8] the significance measure of hypothesis support can be used by comparing the t table and t statistic values through the following decision making criteria:

- 1) If t statistic > t table and p value < sig 0.05, it means Ha is accepted, Ho is rejected.
- 2) If t statistic ≤ t table and p values ≥ sig 0.05 means Ha is rejected, Ho is accepted).

Outer Model Analysis

Testing the measurement model (outer model) is used to determine the specifications of the relationship between

latent variables and their manifest variables. This test includes convergent validity, discriminant validity and reliability.

a. Convergent Validity

According to Ghozali [7] a correlation can be said to meet convergent validity if it has a loading value of > 0.7. The output shows that the loading factor provides a value above the recommended value, namely 0.7. However, at the research scale development stage, a loading of 0.60 is still acceptable. So that the indicators used in this research have met convergent validity. The structural model in this research is shown in the following figure:

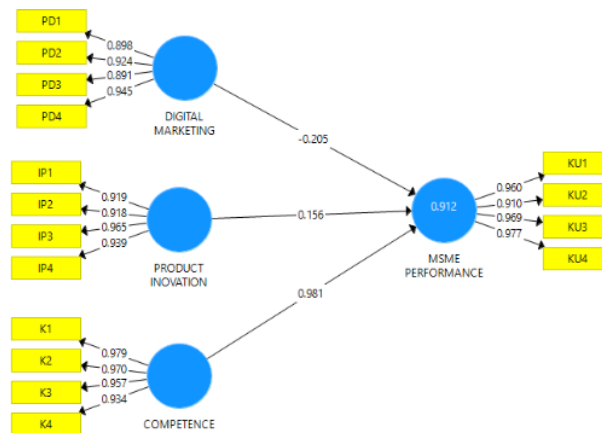


Figure 3. Outer Model, Algorithm Testing

Table 2. Outer Loading

	DIGITAL MARKETING	PRODUCT INNOVATION	COMPETENCE	MSME PERFORMANCE
IP1		0.919		
IP2		0.918		
IP3		0.965		
IP4		0.939		
K1			0.979	
K2			0.970	
K3			0.957	
K4			0.934	
KU1				0.960
KU2				0.910
KU3				0.969
KU4				0.977

WW1	0.898			
WW2	0.924			
PD3	0.891			
PD4	0.945			

Source: Smart PLS Program Output. 3.0, 2023

Based on the data in table 2, it can be seen that the lowest outer loading value in the outer model test results of this research is 0.891 in the PD3 indicator. Refers to the previously determined outer loading limit, namely 0.7. So these results show that the model meets the assumption of convergent validity because the lowest outer loading value is 0.883 > 0.7.

b. Construct Validity and Reliability

Table 3. Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
DIGITAL MARKETING	0.935	0.937	0.954	0.837
PRODUCT INNOVATION	0.953	0.968	0.966	0.875
COMPETENCE	0.972	0.973	0.979	0.922
MSME PERFORMANCE	0.967	0.967	0.976	0.911

Source: Smart PLS Program Output. 3.0, 2023

The data in Table 3 above shows that the lowest AVE value of the 3 variables is 0.837 for the Digital Marketing variable. These results indicate that the three research variables have met the assumptions *discriminant validity* because the lowest AVE value obtained is more than 0.5. Meanwhile, in the Cronbach alpha and composite reliability results, it is known that the lowest values are 0.937 and 0.954 for the Digital Marketing variable. Thus, these results also prove

that all variables meet the construct reliability assumptions because the lowest Cronbach alpha and composite reliability values are > 0.7.

2. Inner Model Testing

After testing the outer model, it is necessary to evaluate the final structural equation model (*inner model*). The inner model test for this research was carried out by looking at the path coefficient and R square values as follows:

Table 4. R Square

	R Square	R Square Adjusted
MSME PERFORMANCE	0.912	0.909

Source: Smart PLS Program Output. 3.0, data processed by the author in 2023

Based on table 4 above, it shows that the value *R Square* for the MSME Performance variable it is 0.912. This gain explains that the percentage of MSME Performance is 91.2%. This means that the Digital

Marketing variable, Product Innovation and Competency variables influence MSME performance by 91.2% and the remaining 8.8% is influenced by other variables,

Table 5. Inner Model test results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values

DIGITAL MARKETING -> MSME PERFORMANCE	-0.205	-0.211	0.178	1,151	0.250
PRODUCT INNOVATION -> MSME PERFORMANCE	0.156	0.164	0.164	0.949	0.343
COMPETENCE -> MSME PERFORMANCE	0.981	0.982	0.029	34,254	0,000

Source: Smart PLS Program Output. 3.0, data processed by the author in 2023

Based on table 5 above, the results of the evaluation of the structural equation model of the relationship between variables are partially explained by the values *path coefficient* can be described as follows:

- 1) *Path coefficient* Hypothesis 1, namely on Digital Marketing, is -0.205. This value shows that there is an influence of -20.5% (0.205 x 100%). This result means that the higher the level of digital marketing, the lower the performance of MSMEs.
- 2) The path coefficient value in hypothesis 2 was obtained at 0.156. This value shows that Product Innovation has an influence of 15.6% (0.156 x 100%) on MSME Performance. This result also means that the better the product innovation, the higher the performance of MSMEs

- 3) The path coefficient value in hypothesis 3 was obtained at 0.981. This value shows that Competency has an influence of 98.1% (0.981 x 100%) on MSME Performance. This result also means that the higher the competence of MSME actors, the higher the MSME performance will be.

3. Hypothesis Testing

This research has 4 hypotheses as research questions that have been formulated and need to be tested for truth. Hypothesis testing in this research uses the t test, namely by comparing the t statistical values obtained from the test *bootstrapping* with a critical limit of the t table value of 1.641 at a significance level of 5% (0.05). The results of this research hypothesis test are presented as follows:

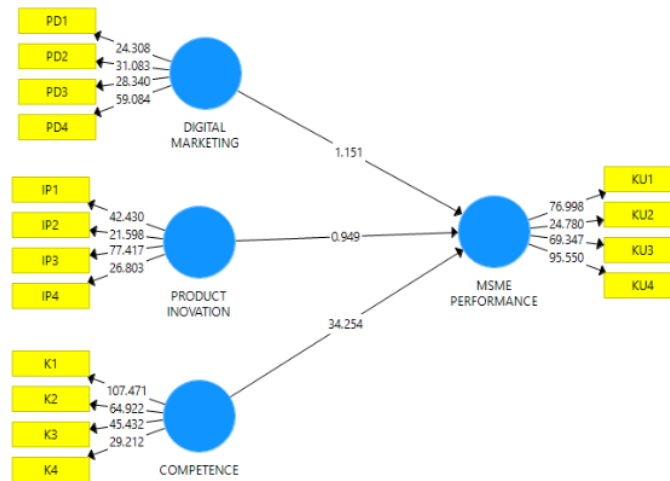


Figure 4. Inner Model, Bootstrapping Testing
Source: Data processed by the Author, 2023

Table 6. Direct Effect Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Note
DIGITAL MARKETING -> MSME PERFORMANCE	-0.205	-0.211	0.178	1,151	0.250	Rejected
PRODUCT INNOVATION -> MSME PERFORMANCE	0.156	0.164	0.164	0.949	0.343	Rejected
COMPETENCE -> MSME PERFORMANCE	0.981	0.982	0.029	34,254	0,000	Accepted

Source: Smart PLS Program Output. 3.0, data processed by the author in 2023

Based on the PLS output (bootstrapping test) presented in Table 6, it can be explained that:

1. Hypothesis 1: From the original sample value of -0.205, the t statistic value is 1.151 and the P-value is 0.250. These results prove that Digital Marketing has no significant effect on MSME performance with a relationship value of -20.5% (0.205 x 100%). The t statistic value of 1.151 < t table 1.660 and P-value 0.250 > 0.05 proves that hypothesis 1 in this study can be rejected.
2. Hypothesis 2: From the original sample value of 0.156, the t statistic value is 0.949 > 1.660 and the P-value is 0.343. These results prove that product innovation has no effect on MSME performance with a relationship value of 15.6% (15.6 x 100%). The t statistic value of 0.949 < t table 1.660 and P-value 0.343 > 0.05 proves that hypothesis 2 in this study is rejected.

Hypothesis 3: From the original sample value of 0.981, the t statistic value is 34.254 > 1.660 and the P-value is 0.000. These results prove that competency has a positive and significant effect on MSME

performance with a relationship value of 98.1% (0.981 x 100%). The t statistic value of 34.254 > t table 1.660 and P-value 0.000 < 0.05 proves that hypothesis 3 in this study is accepted

CONCLUSION

Based on the research findings and data analysis presented in the preceding chapter, several conclusions can be derived. First, there is no significant influence of Digital Marketing on MSME Performance in the South Tangerang Region. Second, the study also found no significant impact of Product Innovation on MSME Performance in the same region. However, it's worth noting that there is a positive and significant correlation between Competency and the Performance of MSMEs in the South Tangerang Region.

In light of these conclusions, the researchers offer the following recommendations. Firstly, it is advisable for MSME operators in the South Tangerang region to leverage technology effectively in their marketing strategies to boost sales, thereby enhancing the overall performance of their businesses, especially

in this digital era. Secondly, MSME entrepreneurs in the same area should consider introducing new product innovations to attract a larger customer base and increase sales, ultimately leading

to improved MSME performance. These measures can contribute to the growth and sustainability of MSMEs in the South Tangerang Region.

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