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Determinants Of Marketing Performance Through Product Innovation On Msmes In The Fisheries Center Area Of Jember Regency

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Abstract:
A dynamic business environment requires MSMEs to continue to be able to find new ideas and create product innovations to win the market. The strategic orientation component consisting of market orientation, technology orientation, and entrepreneurial orientation can stimulate the birth of product innovation so that MSMEs can offer superior products with high competitiveness. This study examines the effect of market orientation, technology orientation, and entrepreneurial orientation on marketing performance, with product innovation as an intervening variable. The sampling method is census or saturated sampling conducted on 63 SMEs in the fisheries center area of Jember Regency, East Java, Indonesia. The data collection method in this study was carried out using structured interviews with the help of a questionnaire. Data analysis in this study uses Partial Least Square (PLS). The results showed that all components of the strategic orientation partially had a significant effect on product innovation. Still, only market orientation and entrepreneurial orientation had a partially significant impact on marketing performance. Product innovation can also mediate the effect of market orientation and entrepreneurial orientation on marketing performance.

Key Word: *Market orientation; Technology orientation; Entrepreneurial orientation; Product Innovation; Market Performance*

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I. Introduction

Jember Regency is an area with excellent marine resource potential. There is the southern sea of the island of Java, with a coastline length of 170 km and a water area reaching 8,338.5 km^2. The Jember Regency fishery center is located in the Puger District, with total production coming to 10,545.76 tons consisting of various commodities. The fishery is one of the agricultural sub-sectors that produce primary products with characteristics that cannot be stored for a long time, so many small-scale agroindustries are located near sources of raw materials to speed up and optimize processing [1]. This situation has made many fishery sector SMEs concentrated in this region. The number of competitors focused on one area makes the resulting market achievements go up and down every time. A large selection of similar products makes customers tend to have more preferences to choose from. Every agroindustry is ultimately required to create various product innovations to win the market.

Product innovation carried out by business actors can improve marketing performance [2]. Based on [3], new products resulting from company innovation are categorized into three main categories: new products for companies, new products for markets, and new products for markets and companies. MSME product innovation in the Jember fisheries center tends to produce new products for the company. The resulting products are general products that have been around for a long time in the market, such as shrimp paste, fermented fish or shrimp, fish crackers, fish sausages, fish meal, smoked fish, shredded fish, and so on. It's just that the products are made by updating the product composition and packaging following the creativity of SMEs. Product innovation can be achieved by optimizing its strategic orientation to produce high-quality products. Based on [4] and [5], a strategic orientation consisting of market orientation, technology orientation, and entrepreneurial orientation helps develop superior innovation in business competition. Integrating the various components of a strategic orientation is the key to gaining a competitive advantage and achieving better corporate performance in an always competitive and dynamic business environment [6]. This research examined the determinants of marketing performance through product innovation in MSMEs in the fisheries center area of Jember Regency, East Java Province, Indonesia. This research will be the first to combine strategic orientation measurements, product innovation, and marketing performance in fisheries agroindustry.

II. Literatur Review

Marketing strategy is a marketing logic in which the company seeks to achieve its marketing goals, creating customer value and building profitable customer relationships [7]. The development of the business environment, which tends to be fast and dynamic results in businesses needing more time to consider every potential resource. Based on the theory of Conservation of Resources, companies can overcome the potential loss of resources by acquiring, protecting, and developing their existing resources. Such activities can lead to developing a mindset geared towards continuous operations or a common coping mechanism. Self-resources can refer to object resources, conditional resources, personal resources (for example, skills, personal orientation, and personal traits such as self-efficacy and optimism), and energy resources that one or more individuals feel are valuable and can contribute to work results [8].

Strategic orientation is a company's strategic direction that is implemented in the proper behavior to achieve superior performance [4]. Strategic orientation becomes an organizational or company resource that can increase success and an organization's dynamic ability to integrate and build its internal and external competencies. With these competencies, business success can be increased as a form of marketing achievement [9]. Integrating the components of a strategic orientation consisting of market orientation, technology orientation, and entrepreneurial orientation, where all three can influence company performance for the better [5].

Market orientation is a strategic orientation component, a marketing concept related to how a company or organization focuses on customer needs [10]. Companies with a market orientation can win the market by strengthening customer relationships, understanding competitors' strengths and weaknesses better, and developing strategies to increase customer satisfaction [11]. The following strategic orientation component is technology orientation. Technology-oriented companies have the desire and ability to obtain adequate technological support to create and develop innovative products and to meet new market needs [12]. Another strategic orientation component is an entrepreneurial orientation. Entrepreneurial orientation is the tendency of a business owner to innovate, be proactive, and be willing to take risks to start and manage a business [13].

Implementation of strategic orientation can increase innovation and marketing performance in business actors. Product innovation is developing ideas by utilizing resources that are managed in new ways to provide added value to customers. This activity can be in the form of improvements to technical specifications, components, and raw materials that result from developments in science and technology [14]. While marketing performance is closely related to the level of success of all performance which includes the success of the strategy implemented, company profits, and to sales growth of a product [15]. To improve marketing performance, companies must prioritize strategies to enhance market orientation through increasing consumer orientation, competitor orientation, inter-functional coordination, and technology orientation and innovation through product innovation [28].

III. Methodology

Conceptual Model

This study uses three exogenous variables including market orientation (X1), technological orientation (X2), and entrepreneurial orientation (X3). The intervening variable used is product innovation (Y1). Finally, the endogenous variable in this study is marketing performance (Y2).

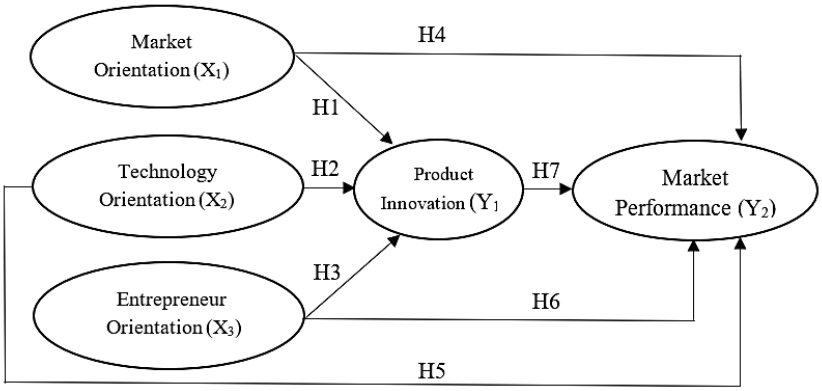

Figure 1. Conseptual Framework

Hypothesis

H1 : Market orientation has a significant effect on product innovation
H2 : Technology orientation has a significant effect on product innovation
H3 : Entrepreneurial orientation has a significant effect on product innovation
H4 : Market orientation has a significant effect on marketing performance
H5 : Technology orientation has a significant effect on performance

H6 : Entrepreneurial orientation has a significant effect on marketing performance
H7 : Product innovation has a significant effect on marketing performance

Measurement of the Variables

The study uses five latent variables: market orientation, technology orientation, entrepreneurial orientation, product innovation, and marketing performance. Where the indicators for each latent variable are presented in the table below.

Table no 1 : Measurement of the Variable

No	Latent Variable	Measurement of the Variable
1	Market Orientation	Business goals are based on consumer satisfaction
		The MSME mission is based on consumer needs
		Providing the right product
		Drive consumer judgment
		After-sales service
		Response to competitor's action
		The right target market
		Regular discussion of competitor tactics
2	Technology Orientation	Advanced technology
		New technology adaptation
		Proactive
		New technology development commitment
		Technology insights
3	Entrepreneurial orientation	Radical changes to the product line
		Competitor Response
		Ability to introduce new products
		Courage to take risks
		Exploit potential opportunities
4	Product innovation	Product variant changes
		Development of specifications on existing products
		Product design changes
5	Marketing performance	Growth in sales value
		Sales volume growth
		Market share growth
		Increase in the number of customers
		Profit growth

IV. Result and Discussion

Evaluation of the Measurement Model (Outer Model)

All indicators of latent variables: market orientation, technology orientation, entrepreneurial orientation, and product innovation and marketing performance, have an outer loading value of > 0.70, so indicators measuring latent variables are reliable. All latent variables have a Cronbach's alpha value > 0.7, a composite reliability value > 0.8, and a rho alpha value > 0.6 so that they meet the internal consistency reliability test criteria, and it can be said that latent variable indicators can measure their latent constructs well. Based on the convergent validity test, the AVE value for each construct is > 0.5, thus indicating that the developed model meets the convergent validity test criteria. Based on the discriminant validity test, the cross-loading value on each indicator of the research variable shows a construct correlation with the measurement item that is greater than the other constructs so that it meets the test criteria [16].

Evaluation of the Structural Model (Inner Model)

All inner VIF values have a value < 5, so it can be concluded that the model is free from indications of collinearity between constructs. Based on the test of the coefficient of determination, it is known that the simultaneous influence (together) of market orientation (X1), technology orientation (X2), and entrepreneurial orientation (X3) variables on the product innovation variable (Y1) is 0.708. This means that it can be explained that all exogenous constructs: X1, X2, and X3 simultaneously affect the product innovation variable (Y) by 70.8%, while other factors outside the model influence the rest. The R Square value, which shows the simultaneous effect of market orientation (X1), technology orientation (X2), entrepreneurial orientation (X3), and product innovation (Y1) on marketing performance variables (Y2) is 0.845, meaning that the four construct variables are exogenous (X1, X2, X3, and Y1) simultaneously affect the marketing performance variable (Y2) by 84.5%. At the same time, the rest is influenced by factors outside the model. Furthermore, the Q Square values for the variables Y1 and Y2 are 0.536 and 0.638, respectively. The magnitude of the two Q Square values > 0 indicates that the model has accurate predictive relevance [16]. An SRMR value < 0.08 indicates a fit or suitable model [17], while a Chi-

square fit (X2) value < 504.68 [18] and NFI values range from 0-1 [16]. Based on the results of testing the fit model on the structural model, the SRMR value was 0.073 <0.08, the Chi-square value was 448.361 <504.68, and the NFI value was 0.696. Guided by the assessment of the three criteria, it can be concluded that the model is fit.

Hypothesis Testing

Hypothesis testing in this study used Partial Least Square (PLS) with SmartPLS 3.0 software and a significance level of α = 0.05. The PLS test results with the Bootstrapping method can be seen in the following table.

Table no 2 : Hypothesis Testing Result

Hypothesis	Regression Coefficient	Stdev	t-Statistics	P-Values	Result
X1 -> Y1	0,361	0,137	2,643	0,008	Accepted
X2 -> Y1	0,226	0,080	2,838	0,005	Accepted
X3 -> Y1	0,447	0,127	3,514	0,000	Accepted
X1 -> Y2	0,217	0,086	2,525	0,012	Accepted
X2 -> Y2	0,019	0,064	0,292	0,770	Rejected
X3 -> Y2	0,366	0,139	2,637	0,009	Accepted
Y1 -> Y2	0,429	0,139	3,075	0,002	Accepted
X1 -> Y1 -> Y2	0,155	0,064	2,418	0,016	Accepted
X2 -> Y1 -> Y2	0,097	0,052	1,850	0,065	Rejected
X3 -> Y1 -> Y2	0,192	0,090	2,121	0,034	Accepted

The significant effect is based on the p-value <0.05, while the regression coefficient value indicates the magnitude of the influence of these variables in influencing other variables. Based on the table above, market orientation has a significant effect on marketing performance. Understanding customer needs and wants is an essential factor in increasing market orientation, which can help MSMEs gain the broadest possible insight regarding various information regarding customer preferences and market trends so that they can produce innovative products according to market needs. This study supports the results of research conducted by [19], which states that market orientation has a significant effect on increasing product innovation in biotechnology businesses in the United States and Scandinavia. [20] said the same thing, the higher market orientation possessed by business actors can increase access to obtain new ideas from the market and increase their motivation to respond to community demands. A strong market orientation also reflects a thorough understanding of customer needs and the competitive situation competitors are currently facing. Therefore, market orientation can increase product innovation that better suits market needs.

Technology orientation has a significant effect on product innovation in MSMEs in the fisheries center area of Jember Regency. A strong technology orientation is one of the keys to creating competitive product innovations in the market. In addition, technology orientation can help MSMEs in the fisheries center area of Jember Regency to identify new emerging technologies and develop their capabilities effectively to create innovative products. Based on [12], technology-oriented companies have the desire and ability to obtain adequate technological support to design and develop innovative products to meet new market needs. This study's results support previous research conducted by [21], which stated that technological orientation has a significant effect on product innovation.

Entrepreneurial orientation significantly influences product innovation. Entrepreneurial orientation play an important role to increasing MSME product innovation in the fisheries center area of Jember Regency. In the business context, entrepreneurial orientation describes the ability of MSMEs to see business opportunities and develop innovative ideas that can provide added value to customers through the product innovations they create. Entrepreneurship and innovation are concepts that are closely intertwined. Entrepreneurship becomes an ability to identify opportunities and grow innovative businesses to get prospects and profits. The innovation resulting from an entrepreneur can generate value through the creation, development, and implementation of new ideas, technology, products, services, and business models [22]. This study supports the research result conducted by [23], which states that entrepreneurial orientation has a significant effect on product innovation.

Market orientation shows a significant influence on marketing performance. The market orientation of MSMEs can determine how much marketing performance is achieved. Through a strong market orientation, MSMEs can better adapt their products to market needs, thereby increasing customer satisfaction and achieving marketing performance, including increasing total revenue, increasing the number of product units sold, increasing market share, increasing the number of customers to increasing net profit received by MSMEs in the fisheries center area of Jember Regency. Companies with a good market orientation can win the market by strengthening

customer relationships, understanding competitors' strengths and weaknesses better, and developing strategies to increase customer satisfaction [11]. This study supports the results of research conducted by [2] that market orientation has a significant effect on marketing performance.

Technology orientation has no significant effect on marketing performance. This study shows that it takes longer to answer the effect of technology orientation on marketing performance. The implementation of technology orientation through the application of various latest machines for MSMEs in the Jember Regency fishery sector cannot be seen directly at this time, considering that MSMEs have not used the latest technology for a long time. The use of sophisticated machines at first certainly requires a large investment to reduce profits in the short term, while the marketing performance measured in this study involves the parameter of net profit or profit received by MSMEs. The results of this study do not show the effect of technology orientation on marketing performance. Still, over a longer time, technology orientation can have a real impact on marketing performance. This study also shows similar results to research [24], where the impact of technology orientation on company performance requires a longer time frame or will be delayed, and results cannot be seen in the near future, considering that implementing technology orientation requires investment before profits are generated. Based on this, a longitudinal study is needed to adequately answer the influence of technology orientation on marketing performance.

Entrepreneurial orientation has a significant effect on marketing performance. To achieve good marketing performance, MSMEs in the fisheries center area of Jember Regency must have a strong entrepreneurial orientation. Entrepreneurial orientation can stimulate the ability of MSMEs to find new ideas and develop their creative power to maintain and increase customer buying interest. It takes effort and willingness to improve business management capabilities. Thus, to improve their business performance, MSME actors need to work hard and implement the principle of smart work through the courage to face challenges, take risks, and optimize their creativity by utilizing the available facilities. This study supports the results of research [25], which states that entrepreneurial orientation has a significant effect on marketing performance.

Product innovation has a significant effect on marketing performance. The forms of innovation by MSMEs in Puger Wetan and Puger Kulon villages include adjusting the composition of raw materials, increasing product shelf life, and updating packaging models according to the latest trends. Product innovation can be used as a strategy to improve marketing performance. Over time, competition in the industrial world is not only limited to price competition and product quality but also related to product innovation developed by companies. With innovations that follow market desires, marketing performance can be improved because the company has more advanced and superior opportunities than its competitors. This study supports the research results [25], which state that product innovation affects marketing performance.

The role of product innovation mediating variables in influencing the relationship between market orientation, technology orientation, and entrepreneurial orientation on marketing performance can also be seen in the results of the Assess the Variance (VAF) test in addition to testing the indirect effect in the previous table. If the VAF value is above 80%, then the mediation role is full (full mediation). If the VAF value is around 20-80%, it is categorized as a partial mediation, and if the VAF value is below 20%, then it can be concluded that there is no mediating effect [26]. The VAF test results on the research model is presented in the following table.

Table no 3 : Assess the Variance (VAF)

No	Hypothesis	VAF (%)	Result
1	X1 -> Y1 -> Y2	41,67	Partial Mediation
2	X2 -> Y1 -> Y2	-	No Mediation
3	X3 -> Y1 -> Y2	34,41	Partial Mediation

Based on the hypothesis test, market orientation has a significant effect on marketing performance through product innovation. Based on Assess the Variance (VAF), product innovation acts as a partial mediator that can mediate the effect of market orientation on marketing performance. Market-oriented MSMEs will strive to continue developing better, more effective, and more efficient products through various forms of product innovation and ultimately improve marketing performance. In contrast, technology orientation does not significantly affect marketing performance through product innovation variables. Through the mediation of product innovation, the influence of technology orientation does not significantly affect marketing performance. Such results are understandable, considering that when viewed from a technological aspect, product innovation requires relatively large investment capital to reduce profits, including marketing performance in the short term [24]. Entrepreneurial orientation has a significant effect on marketing performance through product innovation. Product innovation acts as a partial mediator that can mediate the effect of entrepreneurial orientation on marketing performance. Entrepreneurial orientation will encourage creativity and innovation, providing significant added value to marketing performance. Entrepreneurs also always need to add product variants,

recognize risks and expand the reach of marketing areas to improve marketing performance and be able to compete in intense industrial competition [27].

V. Conclusion

The strategic orientation components: market orientation, entrepreneurial orientation, and technology orientation, partially affect product innovation. Market orientation, entrepreneurial orientation, and product innovation partly have a significant effect on marketing performance, while technology orientation does not significantly affect marketing performance. MSMEs should be able to optimize the role of market orientation and entrepreneurial orientation to improve their marketing performance. MSMEs need to pay attention to changes in consumer tastes and respond to these changes through quality and service improvements to maintain consumer buying interest. Thus, MSMEs can continue to improve their marketing performance achievements. The role of strategic orientation can be developed through various forms of activities such as training, mentoring, seminars, or organizing entrepreneurial events as a stimulus to increase market orientation and entrepreneurial orientation.

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