Indonesian Journal of Advanced Research (IJAR)
Vol. 4, No. 9, 2025: 1969-1980

The Influence of Product Innovation on Marketing Performance through Iconic Product Advantages of Bead Craft Business Actors in East Kalimantan

Hera Nuraeni[1], Herning Indriastuti[2*], Dwi Martiyanti[3]
University of Mulawarman
Corresponding Author: Herning Indriastuti,
herning.indriastuti@feb.unmul.ac.id

A R T I C L E I N F O

Keywords: Product Innovation, Iconic Product Excellence, Marketing Performance, Beaded Crafts, MSMEs

Received: 5, August
Revised: 20, August
Accepted: 22, September

A B S T R A C T

This research is motivated by the challenges faced by bead craft business actors in East Kalimantan, such as competition for similar products, limited promotions, and lack of design innovation that hinders marketing performance. This study aims to analyze the influence of product innovation on marketing performance with the advantages of iconic products as a mediating variable. The method used is a quantitative approach through an online questionnaire survey with purposive sampling technique. Of the 248 populations, 159 respondents were obtained whose data were analyzed using Partial Least Square (PLS). The results show that product innovation has a significant effect on the excellence of iconic products and marketing performance, and the relationship between the two is significantly mediated by the excellence of iconic products. These findings affirm the importance of local culture-based innovation in strengthening the competitiveness and sustainability of the bead craft business.

DOI prefix: https://doi.org/10.55927/ijar.v4i9.15437
ISSN-E: 2986-0768
https://journal.formosapublisher.org/index.php/ijar

INTRODUCTION

East Kalimantan's Dayak bead products have a deep value, not only as a spiritual and cultural symbol, but also as a form of artistic expression and community creativity. The skill of beading is passed down from generation to generation and reflects high hand skills. In its development, bead crafts are not only cultural heritage, but also have economic value, especially when marketed as typical souvenirs, ethnic accessories, and decorative elements that raise the local image of East Kalimantan. This shows that beaded crafts have great potential as a culturally based creative product that is able to attract the attention of tourists and national and international consumers.

However, in the modern era, the bead craft industry faces various significant challenges. Competition is getting tighter, both from similar handicraft products from other regions and from imported products at cheaper prices. The lack of effective promotion and branding has caused East Kalimantan bead products to be less known in the wider market. Most business actors still rely on direct sales through small stores with limited market reach. In addition, the limited use of digital platforms and social media also narrows the opportunity to expand the market. Fluctuations in demand influenced by trends and people's purchasing power further complicate marketing performance.

Another problem faced is the lack of product innovation. Many businesses still maintain traditional designs without significant updates, making them less desirable to young market segments who tend to seek contemporary designs without abandoning cultural identity. The lack of new material development, more efficient production techniques, and diversification of product functions, makes the competitiveness of bead products stagnant. This condition has implications for low sales volume and profitability. The results of initial observations at the Mattan Galery UKM in Samarinda also show that most of the artisans are over 45 years old and consider this business as only a side job with limited income. The low interest of the younger generation to continue this business adds to the challenges for the sustainability of beaded crafts.

This phenomenon has led to a decrease in the number of bead craft business actors in East Kalimantan from 2020 to 2024. This decline not only has an impact on the economic aspect of business actors, but also threatens the preservation of local cultural heritage. In fact, MSMEs have proven to have an important role in economic development, job creation, and poverty alleviation (Liu et al., 2022; Woźniak et al., 2019; Yolanda, 2024). However, MSMEs in Indonesia still face obstacles such as access to financing and marketing limitations (Diana et al., 2022), which directly impact business performance, including East Kalimantan bead crafts (Agus Suyono & Zuhri, 2022).

One of the important strategies to meet this challenge is through product innovation. Innovation is believed to be able to drive increased sales, revenue, and business sustainability (Cuevas-Vargas et al., 2021; Wang & Juo, 2021). However, innovations that are excessive or not in accordance with market needs can actually have a negative impact on marketing performance (Kusuma, 2022). Therefore, product innovation needs to be directed to be able to balance cultural identity and contemporary market needs. In this context, the excellence of iconic

products is thought to be a mediating variable that strengthens the influence of innovation on marketing performance. These advantages create clear differentiation, increase competitiveness, and help maintain business sustainability (Wibowo et al., 2024).

Based on empirical phenomena and previous studies, it can be concluded that East Kalimantan bead craft business actors need relevant innovations and strengthening the advantages of iconic products to improve competitiveness and marketing performance. Therefore, this study took the title "The Influence of Product Innovation on Marketing Performance through Iconic Product Excellence in Bead Handicraft Business Actors in East Kalimantan"

LITERATURE REVIEW

Marketing Performance

Marketing performance is a crucial indicator in evaluating the effectiveness of an organization's marketing strategy and activities. In general, marketing performance is understood as the results that a company achieves from its marketing efforts, which can be measured in both financial and non-financial forms (Kotler et al., 2022). This performance measurement allows companies to assess how well they are achieving marketing goals, identify areas that need improvement, and make strategic decisions in the future. The concept of marketing performance is used as an overall performance structure to evaluate aspects of financial performance and market performance in business performance (Khan & Khan, 2021).

Product Innovation

Product innovation is one of the crucial aspects in modern business dynamics, where competition and changing consumer preferences continue to grow. is a fundamental process that is important for the growth of a business. This process involves improving and refining an existing product, process, or service, or even creating something completely unprecedented (Tomov., 2020 n.d.), (OECD/Eurostat, 2018). At the heart of innovation is about delivering new value, both through significant improvements to what already exists and the creation of truly original solutions. Thus, innovation is a key pillar for companies to remain relevant and competitive in an ever-evolving market.

Figure 1. Research Concept Framework

METHODOLOGY

Research Design

This research is a quantitative research, namely research that uses data in the form of numbers that will be analyzed statistically to test the hypotheses that have been formulated in this study. This research will use survey methods and explanatory approaches. The survey will be carried out by distributing a questionnaire, respondents will be asked to fill out a questionnaire based on the Likert scale. The data obtained will be processed using statistical methods with the Smart-PLS software tool, *partial least square*. Basically, this research is a research that uses formal, standard and standard instruments to measure the variables used. The purpose of this study is to determine the influence of product innovation on the marketing performance of bead craft business actors in East Kalimantan with the iconic advantages of products as a mediating variable.

Population and Sample

The population of this study is all bead craft business actors in East Kalimantan who are registered with the Department of Industry, Trade, Cooperatives, and SMEs of East Kalimantan Province with a total of 248 business units. This population was chosen because it has a direct involvement in improving the marketing performance of beaded crafts.

The sample was determined by purposive sampling technique to fit the research focus, namely product innovation, iconic product excellence, and marketing performance. The sample criteria include: (1) business actors engaged in beadcraft, (2) businesses that have been operating for at least three years, and (3) have a maximum number of employees of 20 people.

The determination of the number of samples refers to Hair et al. (2021), which is 5–10 times the number of indicators. With 13 indicators, the minimum sample number is 130 respondents (13 × 10). To increase the validity of the results, this study uses a sample of more than 130 respondents so that the data obtained is more representative in describing the influence of product innovation

on marketing performance through the advantages of iconic products in bead craft business actors in East Kalimantan.

Data Collection Techniques

This study uses two types of data, namely primary data and secondary data.

1. Primary data was obtained through the distribution of online questionnaires using Google Form. The questionnaire was distributed through the person in charge at the agency related to the industrial sector in each district/city in East Kalimantan, then forwarded to bead craft business actors. Respondents' answers are automatically saved in Google Sheets for further processing. If the number of respondents is insufficient, the researcher will coordinate again with the person in charge to remind the respondents to fill out the questionnaire.
2. Secondary data was obtained through direct coordination with the Industrial Sector at the East Kalimantan Provincial Industry, Trade, Cooperatives, and SMEs Office.

RESEARCH RESULTS

Coefficient of Determination (R2)

Hair et al (2019) Hair dkk (2019)[2] digunakan untuk menilai seberapa baik konstruk endogen dijelaskan oleh konstruk eksogen dalam model structural. Interprestasi umum untuk nilai R2 adalah R2≥ 0,75 : Substansial (kuat); R2≥ 0,50: Moderat; R2 ≥ 0.25: Lemah.

The R2 value is used to measure the proportion of variance in dependent variables that can be explained by independent variables that affect it in the structural model. Iconic Product Advantage: An R2 value of 0.304 (weak), indicating that 30.4% of the variance in iconic product advantage is explained simultaneously by the predictor variable that affects it in this model. Marketing performance: An R2 value of 0.537 (moderate) indicates that 53.7% of the variance in Marketing Performance can be explained simultaneously by the predictor variables that affect it in this model (Marketing Performance), the remaining 46.3% is explained by other variables outside the model.

Predictive Relevance (Q2)

Q2 values are evaluated through the blindfolding procedure and measure the model's ability to predict indicator values from endogenous latent constructs. A Q2 value above zero indicates the model has predictive relevance. Iconic Product Advantage (Z): Q2 value of 0.177 and Marketing Performance (Y): Q2 value of 0.359 indicates that the model has good predictive relevance to construct Iconic Product Advantage and Marketing Performance.

***Standardized Root Mean Square Residual* (SRMR)**

Standardized Root Mean Square Residual (SRMR) is one of the fit model measures used to assess the extent to which the structural model is built in accordance with observational data. The SRMR value measures the model's fit

with the data. An SRMR value of less than 0.08 indicates that the model has a good fit.

Table 1. SRMR Value

	Saturated Model	Estimated Model
SRMR	0.084	0.084
d_ULS	0.547	0.547
d_G	0.209	0.209
Chi-square	202.727	202.727
NFI	0.792	0.792

Source : data processed, 2025

According to (Kline, RB., 2023) states that SRMR **< 0.10** is generally considered *acceptable*, although **< 0.08** is more ideal. Based on table 5.13, an SRMR value of 0.084 is shown, which means that the structural model used is still acceptable to meet the global model suitability.

Multikolinearitas (VIF)

To test the presence of multicollinearity between latent constructs, the Variance Inflation Factor (VIF) value is used. VIF greater than 5 indicates significant multicollinearity between constructs, which can affect the reliability of the estimation results. The multicollinearity test between constructs was carried out by looking at the value of the Variance Inflation Factor (VIF). The VIF value is used to identify whether there is a high correlation between predictor constructs in the model.

Table 2. VIF Value

	VIF
Product Innovation (X) -> Iconic Product Excellence (Z)	1.000
Product Innovation (X) -> Marketing Performance (Y)	1.446
Iconic Product Excellence (Z) -> Marketing Performance (Y)	1.446

Source : data processed, 2025

Based on (Hair et al., 2021), the ideal VIF value is less than 5, which indicates that there is no significant multicollinearity problem. Based on the results of the internal VIF analysis, all VIF values are less than the limit of 5, ranging from 1,000 to 1,446. This shows that there is no significant multicollinearity problem between constructs in the structural model so that the model can be used for validly analysis of the relationships between variables.

Hypothesis Testing Results

Evaluation of the measurement model (outer model) and structural model (inner model), the next stage is to test the research hypothesis that has been formulated previously. This hypothesis test aims to determine the direct and indirect influence between variables in the model by using path coefficient values

and statistical significance based on t-statistical and p-value values obtained through the bootstrapping procedure.

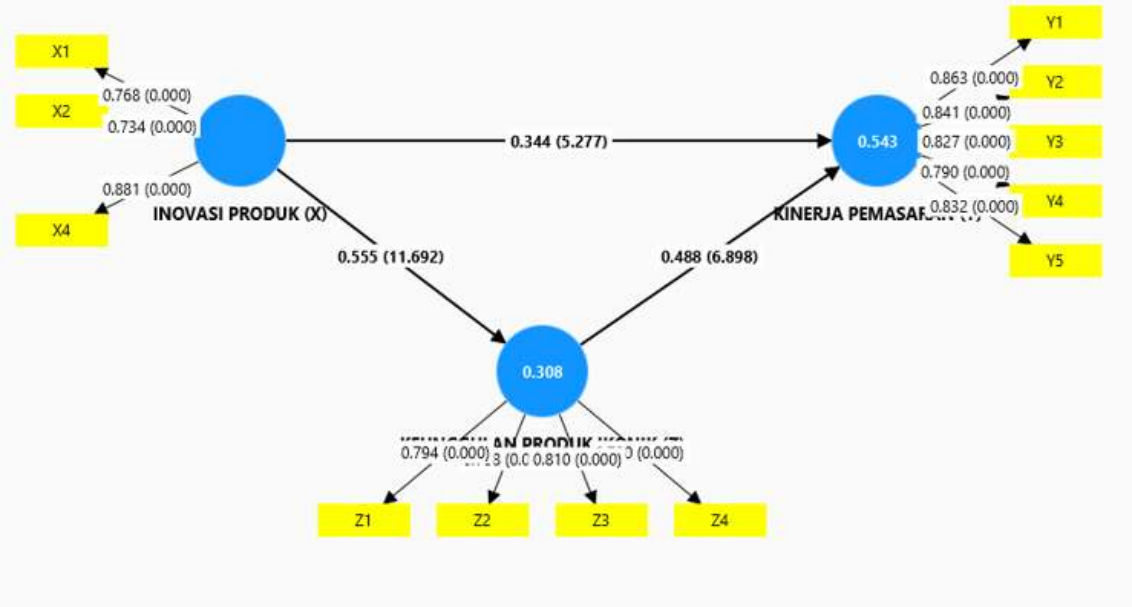

Figure 2. Bootstrapping Results 159 respondents

Based on the results of bootstrapping, the analysis was carried out to determine the direct and indirect influence between constructs in the model. Direct influence describes the causal relationship between two variables without going through an intermediate variable, while an indirect influence occurs, through one or more mediating variables. The following is an explanation of each influence to test whether the relationships built in the model are statistically supported.

In this process, the analysis is continued to see the direct and indirect influence between variables in the structural model. These results are important to understand the role of mediation and the power between constructs in supporting or rejecting the hypothesis proposed.

Hypothesis testing was carried out by observing the calculated t-value and significance value. The recommended t-value is ≥ 1.96 and the significance value or p-value ≤ 0.05. The results of the hypothesis test can be seen in table 3.

Table 3. Bootstrapping results of 159 respondents (direct influence)

No	Hypothesis	Relationships Between Variables	Path Coefficient	T statistics	p-value	Results
1	H1	Product Innovation (X) -> Iconic Product Excellence (Z)	0.555	11.692	0.000	Accepted
2	H2	Iconic Product Excellence (Z) -> Marketing Performance (Y)	0.488	6.898	0.000	Accepted

3	H3	Product Innovation (X) -> Marketing Performance (Y)	0.344	5.277	0.000	Accepted

Source : data processed, 2025

Based on table 5.15, the results of hypothesis testing for each pathway in the research model are as follows:

1. Hypothesis 1: Product innovation has a significant effect on the excellence of iconic products. The path coefficient (Original Sample) of 0.555 indicates the direction of the positive relationship between Product Innovation and Iconic Product Excellence. A statistical t-value of 11.692 (greater than the critical point value t) and a p-value of 0.000 (less than 0.05) indicate that the influence of Product Innovation on Iconic Product Excellence is statistically significant. Thus, hypothesis 1 which states that Product Innovation has a significant effect on the Excellence of Iconic Products is acceptable. This supports the theory that the level of excellence of an iconic product is determined by the product innovation carried out.
2. Hypothesis 2: The excellence of iconic products has a significant effect on marketing performance. The path coefficient (Original Sample) of 0.488 indicates the direction of the positive relationship between Iconic Product Excellence and Marketing Performance. A statistical t-value of 6.898 and a p-value of 0.000 (less than 0.05) indicate that the influence of Iconic Product Excellence on Marketing Performance is statistically significant. Thus, hypothesis 2 which states that Iconic Product Excellence has a significant effect on marketing performance is acceptable. These results support the theory that increasing the excellence of iconic products can improve the marketing performance of a business.
3. Hypothesis 3: Product innovation has a significant effect on marketing performance. The path coefficient (Original Sample) of 0.344 indicates the direction of the positive relationship between product innovation and marketing performance. The t-statistical value of 5.277 and the p-value of 0.000 (less than 0.05) show that the influence of product innovation on marketing performance is statistically significant. Thus, hypothesis 3 which states that Product Innovation has a Significant Effect on Marketing Performance is acceptable. These results support the theory that product innovation will improve the marketing performance of a business.

Table 3. Bootstrapping results of 159 respondents (indirec influence/mediation)

No	Hypothesis	Relationships Between Variables	Path Coefficient	T statistics	p-value	Results
1	H4	Product Innovation (X) -> Iconic Product Excellence (Z) - > Marketing Performance (Y)	0.271	6.103	0.000	Accepted

Source:d ata processed, 2025

Based on table 5.16, the results of the indirect influence (mediation) test for the relevant pathways in this research model are as follows:

4. Hypothesis 4: Product Innovation Has a Significant Effect on Marketing Performance Mediated by Iconic Product Excellence
   The specific indirect effect value (original sample) of 0.271 indicates the indirect influence of product innovation on marketing performance through mediation variables (iconic product excellence). The direction of this indirect influence is positive. The statistical t-value of 6.103 (greater than the critical point value of t at $\alpha = 0.05$) and the p-value of 0.000 (smaller than the significance level of $\alpha = 0.05$) indicate that the indirect influence of product innovation on marketing performance through the advantages of iconic products is statistically significant.

Thus, a hypothesis that states that there is a significant influence of product innovation on marketing performance through the advantages of iconic products is acceptable. This supports the mediating role of iconic product excellence in conveying the influence of product innovation on marketing performance.

DISCUSSION

This study examines the influence of product innovation on marketing performance with the advantage of iconic products as a mediating variable in bead craft business actors in East Kalimantan. The results of the analysis with Partial Least Square (PLS) show several key findings.

First, product innovation has a positive and significant effect on the excellence of iconic products ($\beta = 0.555$; $p = 0.000$). This confirms that the development of design, function, and technology is able to create differentiation that strengthens product iconography. These findings are consistent with previous research (Jiang & Haoxiang, 2022; Anom & Safii, 2022) which states that innovation is the main driver of the creation of iconic products with brand loyalty and long-term competitiveness.

Second, the excellence of iconic products has a positive and significant effect on marketing performance ($\beta = 0.488$; $p = 0.000$). Products with distinctive characteristics, cultural symbols, or unique designs not only function as a result of innovation, but also as a differentiation strategy that increases brand recall, customer loyalty, and market attractiveness (Soukhathammavong & Park, 2019; Kotler et al., 2022).

Third, product innovation has a significant effect on marketing performance through the excellence of iconic products ($\beta = 0.344$; $p = 0.000$). This is in line with the theories of Resource-Based View and Dynamic Capabilities, which explain that innovation creates unique resources and adaptive capabilities that are difficult to replicate. However, new product innovations will have an optimal impact if they are realized in the form of iconic products that consumers recognize.

Fourth, the excellence of iconic products has been shown to mediate the relationship between product innovation and marketing performance ($\beta = 0.271$; $p = 0.000$). This means that consistent innovation based on local culture is able to strengthen product iconography so as to increase the attractiveness and performance of marketing. Iconic products are not only an aesthetic element, but also an important means of differentiation in a competitive market (Subagyo, 2023; Ningrum et al., 2020).

Overall, the results of this study confirm that product innovation plays an important role in improving marketing performance, but the influence is stronger when mediated by the excellence of iconic products. In the context of East Kalimantan bead crafts, business actors need to combine innovation with local cultural identity to create products that are unique, emotionally valuable, and have sustainable competitiveness.

CONCLUSION

This research shows that product innovation has an important role in improving the marketing performance of bead craft business actors in East Kalimantan. Innovation has been proven to have a significant effect on the excellence of iconic products as well as directly on marketing performance. In addition, the excellence of iconic products has a significant effect on strengthening competitiveness and marketing, and has been proven to mediate the relationship between product innovation and marketing performance. Thus, innovation combined with the strengthening of the characteristics of products based on local culture is able to create differentiation that increases attractiveness, consumer loyalty, and business sustainability.

RECOMMENDATION

Beadcraft business actors in East Kalimantan need to continue to develop innovations in design, materials, and production techniques while strengthening local culture-based characteristics so that products are more iconic, easily recognizable, and highly competitive. Continuous innovation will maintain product relevance to market trends while improving marketing performance. In addition, strengthening the excellence of iconic products has been proven to be able to mediate the influence of innovation on marketing, so it needs to be used as the main strategy in product differentiation.

Local governments are expected to support through training and facilitation, especially related to innovation, digital marketing, and business management. For further research, it is recommended to expand the model with other variables such as promotion strategies, customer satisfaction, brand loyalty, and the use of social media to provide a more comprehensive picture of the determinants of the success of marketing beadcraft based on local culture.

ADVANCED RESEARCH

Further research can be directed at the expansion of the model by including other variables such as promotional strategies, customer satisfaction, brand loyalty, and marketing digitalization that are increasingly relevant in the modern era. In addition, a more in-depth study of the role of social media and e-

commerce platforms in strengthening the advantages of iconic products is also important. Comparative studies with other regions that have local culture-based crafts can provide a more effective picture of differentiation strategies. Long-term (longitudinal) research is also recommended to look at the consistency of the influence of innovation on marketing performance in the face of changing trends and consumer behavior. Thus, further research can provide a more comprehensive understanding of the factors that determine the success of marketing local culture-based bead crafts.

REFERENCES

Afriyie, S., Du, J., Ibn Musah, A. A., Cheah, J., Leong, S. Y., Fernando, Y., Otache, I., & Shafi, M. (2020). Sustainable development of micro firms: examining the effects of cooperation on handicraft firm's performance through innovation capability. *Benchmarking*, *12*(4), 529–548. https://doi.org/10.1108/IJOEM-11-2019-0989

Agus Suyono, N., & Zuhri, F. (2022). Pengaruh Inklusi Keuangan, Literasi Keuangan, Kemampuan Manajerial, Pengetahuan Akuntansi dan Kompetensi SDM Terhadap Kinerja UMKM. *Jurnal Akuntansi, Manajemen & Perbankan Syariah*, *2*(6), 57–72.

Badan Pusat Statistik Kalimantan Timur. (2025). *Kalimantan Timur dalam angka 2025*. BPS Provinsi Kalimantan Timur.

Dörnyei, Z., & Griffee, D. T. (2010). Research methods in applied linguistics. *TESOL Journal, 1*(1), 181–183. https://doi.org/10.5054/tj.2010.215611

Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Partial least squares structural equation modeling (PLS-SEM) using R*. Springer International Publishing. https://doi.org/10.1007/978-3-030-80519-7

Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review, 31*(1), 2–24. https://doi.org/10.1108/EBR-11-2018-0203

Hanfan, A. (2017). Membangun keunggulan produk ikonik untuk meningkatkan kinerja pemasaran UMKM. *DeReMa Jurnal Manajemen, 12*(2), 162–186. https://doi.org/10.19166/derema.v12i2.465

Hanfan, A., Nupus, H., & Lutfi. (2020). Iconic product advantage for improving marketing performance of Indonesian small and medium enterprises. *International Journal of Economics and Business Administration, 8*(1), 31–41. https://doi.org/10.35808/ijeba/406

Kotler, P., & Armstrong, G. (2008). *Prinsip-prinsip pemasaran* (12th ed.). Erlangga.

Kotler, P., Keller, K. L., & Chernev, A. (2022). *Marketing management* (16th ed.). Pearson Education Limited.