



## The Influence of Innovation on Increasing Sales of MSME Products

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### ABSTRACT

This research aims to determine the effect of product innovation on increasing product sales for Micro, Small and Medium Enterprises. This research uses quantitative research, the method for collecting data used is by filling out a questionnaire using a distributed Google form. The population in this study were students who had businesses and the sample was 40 respondents taken from students who were micro, small and medium businesses. The data analysis technique used is multiple linear regression analysis. Based on the research results, it shows that testing was carried out on students as Micro, Small and Medium Enterprises actors simultaneously, three variables (X) had a significant influence together on increasing sales of Micro, Small and Medium Enterprises products (Y). Based on the results of the partial significance test, the Innovation variable (X1) has a positive and significant influence on increasing product sales for Micro, Small and Medium Enterprises (Y)

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## INTRODUCTION

In Indonesia, SMEs are known as UMKM (Micro, Small and Medium Enterprises). Strengthening SMEs in Indonesia is part of national development aimed at revitalizing the national economy. Cooperatives and SMEs have proven to be independent, strong and flexible economic actors in normal times and in times of crisis. In fact, MSMEs have the potential to become leaders of the Indonesian economy and are at the forefront of the national economy. In supporting Indonesia's economic development, MSMEs are the main actors in economic activities, the main providers of employment opportunities, the main actors in local economic development and community empowerment, as well as new markets and sources of innovation (Cakranegara et al., 2022). It has many roles, such as creator of resources, and creator of that contribution to the balance of payments.

Innovation according to (Avriyanti, 2022) is defined as the process of using new technology in a product so that the product has added value. Product innovation can be carried out on goods, services, or ideas that are accepted by someone as something new, so it is possible that an idea has emerged in the past, but can be considered innovative for consumers who have just discovered it (Elia, 2020). Technology product innovation helps companies to build competitive advantages, more effective services and processes, new businesses, and so on. It is the organization's obligation to monitor technological changes, train and motivate employees to innovate products because technology covers all aspects of all organizations (Avriyanti, 2020).

Apart from that, according to (Fakhriyyah et al., 2022) creative innovation in MSME products is very important so that they can provide added value to the product and attract more consumer interest. Sometimes the market experiences saturation with a product, so product renewal or innovation is needed to attract market interest again (Alkachvi, 2018). Product innovation shows the development and introduction of new products or product development, including changes to the design, components and architecture of the product itself. Product innovation has also been proven to influence consumer satisfaction (Afriyani & Muhajirin, 2021).

According to (Anugrah, 2020) With technological developments in the digital era, more and more e-commerce is emerging in Indonesia. E-commerce is a buying and selling platform that can be accessed by the public using digital technology. One of the predecessors said (Karin & Abner, 2022) This is certainly a threat to MSME businesses in Indonesia. Previous researchers (Mahardhika & Arintowati, 2021) said that this makes people more interested in shopping via e-commerce rather than having to go around looking for the product they want, which actually drains their energy. Some researchers say that (Putri et al., 2022) Utilizing digital business communications in the new normal era is the right step to meet current consumer needs. Research conducted by (Sherly et al., 2020) states that providing online platforms such as Instagram, Facebook, websites and other platforms as a medium for marketing and selling products to consumers is a form of digital business communication strategy that needs to be adapted and utilized optimally. for MSME players in Indonesia. Based on the previous

background, this research will examine the influence of innovation and the digital economy on increasing sales of MSME products

### **LITERATURE REVIEW**

According to (Nizam et al., 2020) Product innovation is a process that seeks to provide solutions to existing problems. Problems that often occur in business are good but expensive products or cheap but poor quality products. Product innovation is also an important factor that must exist in a company which will influence marketing performance (Harini et al., 2022). Product innovation is the process and use of new technology in a product so that the product has use value. This means that companies that are able to design their products according to customer desires will be able to survive amidst competition because their products are still in demand by consumers (Saraswati, 2019).

Research conducted by (Antari & Widagda, 2022) states that by creating and developing new processes and products by adapting to consumer desires, consumers will be interested in buying company products, thereby increasing product sales. According to research (Tuan et al., 2016) states that innovation is a process of activities that channel ideas for performance, so innovation can be measured from the results obtained. Innovation has a positive and significant impact on increasing sales. This research is in line with research conducted (Putri et al., 2018) which states that innovation has a significant and influential effect on increasing sales of MSME products.

### **METHODOLOGY**

This research is a quantitative approach research which aims to determine the influence of innovation and the digital economy on increasing sales of MSME products. In general, quantitative research methods are research related to numbers that are analyzed using statistical techniques to analyze the results. Likewise, quantitative research is a research approach that uses a lot of numbers, starting from collecting data, interpreting the data obtained, and presenting the results. In this research, the instrument used was through administering questionnaires as a data collection option to students as MSME actors.

Researchers use Likert scales to collect quantitative data, giving each item a score or value statement to ensure the accuracy and dependability of the data. In this study, researchers took respondents who had the criteria (1) Students running a business (2) Having a business for 1-3 years (3) Able to use social media.

Table 1. Collect Data

Variable	Indicator
Innovation	1. Unexpected Events 2. Changes in Industry to Market 3. Demographic Changes 4. Changes in Perception 5. Basic Knowledge Concepts <b>(Idah, 2019)</b>
Increased Sales of MSME Products	1. Make a Profit 2. Number of Consumers 3. Promotion 4. Sales growth 5. Market Competition 6. <b>(Wibowo &amp; Sitorus, 2022)</b>

Data analysis in this research is Multiple Linear Regression Analysis which is used to measure the relationship between the independent variable and the dependent variable. Where in this research we will test the influence of Innovation (X) in increasing sales of MSME products (Y). In order for this research to provide good research results, a research instrument test was carried out. The instrument tests used are validity tests and reliability tests. Hypothesis tests were also carried out, namely normality tests, multicollinearity tests, and heteroscedasticity tests to answer the problem formulation in this research.

## RESULTS

This research uses quantitative methods. Research methods related to numbers are analyzed using statistics. Starting from the data collection process to its interpretation. To collect this data, a questionnaire was used via Google Form so that the analysis of each variable can be known in this research. Respondent characteristics are one of the things that need to be described as a form of approach regarding the research sample used in this research. There were 40 respondents who met the criteria in this study. The characteristics of the respondents in this study will be explained and shown below.

Table 2. Respondent

<b>Respondent Characteristics</b>	<b>Frequency</b>	<b>Persentase (%)</b>
<b>Gender :</b>		
L	23	57,5
P	17	42,5
Total	40	100
<b>Age :</b>		
19-20	14	35
21-22	19	47,5
23-24	7	17,5
Total	40	100
<b>Length of Business :</b>		
1-2 Year	23	57,5
3-4 Year	17	42,5
Total	40	100

Source: Data Processing Results (2023)

Based on the table above, it can be concluded that the respondents in this study were mostly men with a percentage of 57.5.70% or a total of 23 people and women with a percentage of 42.5% or a total of 17 people. Furthermore, it can be seen in the age column that respondents aged 19-20 years with a total of 14 respondents with a percentage of 35%, aged 21-22 years with a percentage of 19 respondents with a percentage of 47.5%, aged 23-24 years with a percentage of 7 respondents. 17.5%. Furthermore, it can be seen in the column for the length of business owned by respondents with a length of business of 1-2 years with a total of 23 respondents with a percentage of 57.5%, a length of business of 3-4 years with a total of 17 respondents with a percentage of 42.5%.

Table 3. Variabel

Variabel	No. Item	Pearson Correlation	Signifikan	Keterangan
Innovation	X1_1	0,722	0,000	Valid
	X1_2	0,671	0,000	Valid
	X1_3	0,757	0,000	Valid
	X1_4	0,447	0,013	Valid
	X1_5	0,612	0,000	Valid
Increased Sales of MSME Products	Y2_1	0,581	0,001	Valid
	Y2_2	0,471	0,001	Valid
	Y2_3	0,514	0,004	Valid
	Y2_4	0,803	0,000	Valid
	Y2_5	0,511	0,004	Valid

Source: Data Processing Results (2023)

The table above shows each question item from variables X and Y. You can find out and determine which items can be said to be valid. Based on the validity test decision, looking at the value  $< 0.050$  means the item is valid. Items whose value is  $< 0.050$  are declared reliable and have consistent values. Items that are  $> 0.50$  are declared unreliable and do not have consistent values. All research questionnaire question items can be tested for reliability simultaneously. The fundamental decisions of reliability tests are as follows:

## DISCUSSIONS

Based on the research results above, researchers can conclude that the Innovation variable (X) has an effect on increasing MSME sales (Y). Innovation is taking creative ideas which include creating/making new products, implementing new processes, as well as introducing products through marketing and upgrading newer organizations (Iqbal & Yuliandari, 2019). Innovation carried out by MSME players is not always about new products or services, but renewal and development of existing products. Apart from that, innovation in marketing also needs to be done to make it look more different than other competitors. Without innovation, a business will easily be displaced by competitors (Joko et al., 2022).

According to research (Idayati & Sulistyowati, 2022) states that by increasing promotional and innovation activities, the public can become more familiar with the products produced by the company and feel interested in the existence of innovative products so that this will have an impact on increasing sales volume and providing long-term income growth. for the company. According to researchers (Rahayu et al., 2020) who stated that finding product innovation would be useful for increasing sales volume. This is because product innovation can increase the value of a product, which in turn can reduce consumer complaints and increase sales volume.

## **CONCLUSIONS AND RECOMMENDATIONS**

Researchers conclude that the innovation variable has a significant and influential effect on increasing sales of MSME products. This is because consumers are more likely to be interested in innovative products. Researchers conclude that digital economic variables have a significant and influential effect on increasing sales of MSME products. This is because current technological developments have influenced other fields including the economic sector, such as the use of social media which makes it easier for consumers to choose and buy so they no longer worry about distance. Researchers concluded that business communication strategy variables and the digital economy had an influence on increasing sales of MSME products. This is because communication and the digital economy have their respective roles, to carry out business communication itself there are many benefits provided, such as the latest updates of products marketed through online media. Likewise, the digital economy plays a role in making it easier for consumers to buy the goods they want.

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