

The Role of Entrepreneurial Marketing, Digital Marketing through Product Innovation on SMEs Business Performance

Rike Selviasari^{1*}, Sudarmiati², Rafikhein Novia Ayuanti³

^{1,3}Fakultas Ekonomi Universitas Islam Kadiri

²Manajemen Jurusan Universitas Negeri Malang

Corresponding Author: Rike Selviasari

rike.selviasari.2304139@students.um.ac.id

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ABSTRACT

As the Indonesian economy develops, SMEs continue to be an important sector in the commercial landscape. Tofu sector entrepreneurs in Jombang Regency are the subjects of this research. The aim of this research is to examine the influence of digital marketing strategies and entrepreneurship on business performance which is influenced by the suitability of innovative products. The author conducted research using a sample size of 150 SME business actors using quantitative methods with a descriptive approach. According to this research, the impact of digital marketing on business performance is significantly reduced, and the influence of entrepreneurial marketing policies on business performance is significantly reduced through product innovation. Based on research findings, increasing product innovation and digital proficiency

INTRODUCTION

The economic growth of micro-enterprises in Indonesia plays a role in economic development as well as in the distribution of employment opportunities and development benefits. SMEs were not affected by the economic crisis of 1997–1998. Dewi Pratiwi Indriasari (2023) emphasized that small businesses always grow into medium businesses and large businesses in all regions. One of the government policy initiatives that supports the development of SMEs is called “small businesses grow big”. Additionally, there are likely to be commercial relationships, regional economic resources, and different business collaboration initiatives between public and private companies, such as corporate social responsibility initiatives. et al., Santi (2022). Apart from being a person who runs a small business, an entrepreneur must also be different, qualified and ready to become a player in his field, so his key role must be determined first. Apart from developing small businesses into large businesses, product innovation is also no less important. (Yanti Pujiastuti, 2023).

Putriasih & Giantari (2021) state that an item must at least have distinctive, original and innovative characteristics so that it can be seen by business owners. An entrepreneur who is able to solve challenges in the business world is a successful businessman. Small businesses have the capacity to produce goods for domestic and foreign markets, but they have challenges in marketing and finance, especially those related to entrepreneurial and management styles. Business owners who dare to take chances and dare to create new products; However, this is also influenced by low management practices in terms of competitive strategy techniques. Therefore, a company's ability to adapt to environmental changes can make innovation a source of competitive advantage (Dewi Pratiwi Indriasari, 2023).

Apart from product innovation, the emphasis in researching entrepreneurial marketing is on ways to create entrepreneurial approaches, innovations and opportunities. Marketing entrepreneurship means being proactive and exploring opportunities to gain consumer benefits through innovative approaches and creating value that customers receive. Business owners can improve their marketing performance and company performance by understanding the following dimensions: taking calculated risks, being proactive, focusing on opportunities, approaching customers, allocating more resources, creating opportunity value, and applying marketing fundamentals. Chusumastuti1 et al. (2023) stated that digital marketing in industry 5.0 is a product launch tactic that can help customers get to know them and see what they really need most. However, to find information about a product, you need knowledge about how to use digital media. The most popular digital platform is Google Business which, among other things, can be used to introduce products or improve brand image, especially for SMEs in the Jombang area that produce tofu.

Food processing is an industrial sector that makes a significant contribution to improving Indonesia's economic prosperity, according to Andy et al. (2016). Food processing, both vegetable and animal, is supported by agricultural products. Sector. Products from this industry have the potential to become natural resources in the area. Food sources include cassava, sweet potatoes, almonds, and fiber sources are also produced in large quantities in Indonesia, so they can be developed using digital marketing techniques in addition to traditional management techniques. With Google Business, you can create a profile for your company that is trying to expand its business functions in the future, especially as it relates to the use of map-based searches.

When customers enter a company name and it appears as a top search term, it's a sign that digital marketing with Google Business is working. This home production business located in Sumbermulyo Village, Bapang Hamlet, Satuna still introduces its processed products using traditional methods. Due to restrictions on the use of social media to market tofu products, the impact of the pandemic several years ago resulted in a decline in the quality of sales. This is an encouragement for researchers to conduct studies and train village communities in using digital media correctly. Increasing market networks and sales volume can also be achieved by optimizing Google Business features. According to Rachmasari & Suprpti (2022), entrepreneurs, especially in the food industry, use entrepreneurial marketing to demonstrate their company's future ambitions, willingness to try new things, and willingness to take calculated risks. Entrepreneurs who have a strong focus on product innovation and the ability to generate new ideas have the ability to generate large profits quickly, but those who do not have these traits usually experience stagnation in their sales. Since marketing entrepreneurship may be strongly influenced by innovation and creativity, in this case, We will focus more on creating goods for e-commerce in an effort to boost SME performance.

LITERATURE REVIEW

Entrepreneurial Marketing

The main entrepreneurial rules are based on the entrepreneurial process. One way to become an agent of change is to become a female entrepreneur who is willing to innovate and create new opportunities rather than using traditional approaches to improve things. the capacity to produce something new and unseen, or the capacity to make money new and unseen. Sudiantini et al, 2023. Important marketing concepts may be helpful when conducting research in a business context. This further shows the compatibility between marketing theory and entrepreneurial practice. This research is based on Kotler's (2008) statement that the marketing strategies used by business owners can be different from the marketing strategies used secretly with customers. Andharini, Sri Nastiti (2012). Analyzing the results of conventional marketing practices can become a new tool for identifying customer needs. The concept of entrepreneurship may come from micro business owners or start-up business people. A proactive attitude from marketing entrepreneurs can identify various opportunities to get customers that have the potential to generate large profits. Pamuji, (2018).

Digital Marketing

Technological advances in the current era make the use of social media a necessity, especially in the field of digital marketing; however, few people realize how widespread the use of social media is by small and medium-sized businesses. Describe the process of working in digital marketing, and what you need to know about it. (Andy DKK, 2016). Digital marketing strategies that are easy for business owners to understand include email marketing, social media marketing, content marketing, search engine optimization (SEO), and search engine marketing (SEM). Bangun & Purnama, 2022. Effective digital marketing involves several steps, such as understanding the product, identifying the target market, conducting market research, creating product content, sharing content on social media, and analyzing data. On the other hand, a focus on product quality control, business negotiation skills, and digital marketing strategies can be more important for success in this field. Business owners must have a positive outlook, experience, and deeper awareness of the digital marketing context to understand and manage a portfolio (Chusumastuti1 et al., 2023). If company owners are able to manage digital content, then SME participation in the world of work can be optimized in this way.

Innovation Product

Product innovation can provide the powerful human resources – the foundation, advice, and resources – needed to discover opportunities for success, identify problems, and maximize opportunities. Dewi Pratiwi Indriasari (2023). Observing competitors is also done through product innovation. The most innovative businesses are those that can produce consumable goods; in other words, the more innovative a business is, the more competitive it becomes. The aim of competition at national and international levels is to provide opportunities that generate more profits. There are two unique product categories: Productivity improvements from transformational innovation are significant. An innovation of any significance requires providing new and meaningful information to customers. According to Hamali (2013), innovation in manufacturing is the process of developing a new product while maintaining the quality of existing products.

Business Performance

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METHODOLOGY

The smoothness of this mechanism is supported by associative research. The tofu center in Jombang Regency which provides money for village residents is the reason this place was chosen. The market potential for SMEs tofu factory entrepreneurs is focused on this area because of the high level of population mobility in this area. The research population was the owner of a tofu center in Sumbermulyo Village, Jogoroto District, Jombang Regency. In total there are one hundred tofu centers in this district. Non-probability sampling is a technique used for sampling. Table 1 contains a complete presentation of all dimensions. Purposive sampling, namely a sample selection method with certain considerations using a questionnaire, is the non-probability sampling strategy chosen. Specimens were taken with the characteristics of having been in operation for at least six months in Jombang Regency. Smart-Pls 3.0 is a data analysis technique used to test the mediation evaluation of measurement models and structural models.

Table.1 Research Variable Indicators

Variables	Dimensions	Source
Entrepreneurial Marketing (X1)	Value Creation and Legitimacy, Resource Management, Customer Focus, Potential, Initiative and Motivation.	Rachmasari & Suprapti, (2022)
Digital Marketing (X2)	Efficient, useful, effective, easy or clear and flexible.	Kholid Murtdlo, (2021)
Product Innovation (Z)	innovation in manufacturing, processes, materials, strategy and organization.	Hamali, (2013)
Business Performance (Y)	Company productivity, Target Market, Revenue growth rate, Profitability	Rachmasari & Suprapti, (2022)



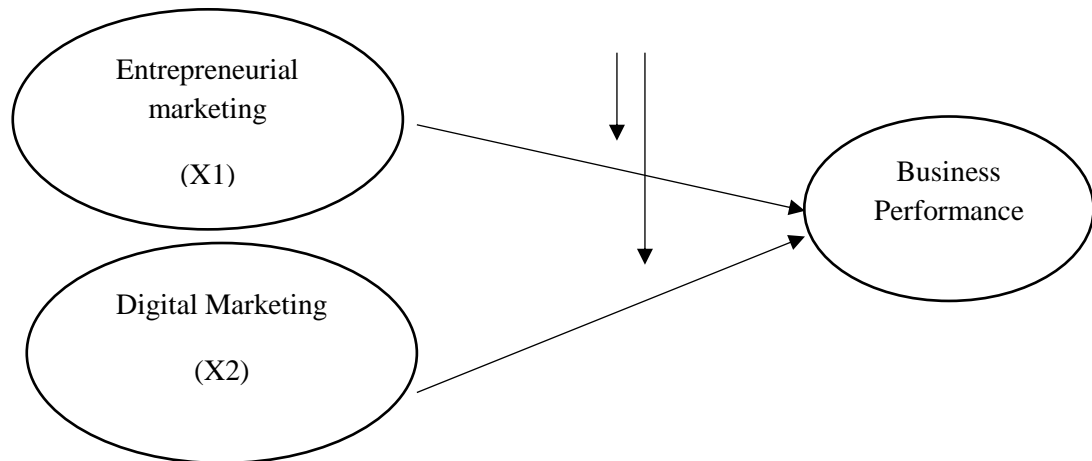


Figure 1. Research Framework

Based on figure 1, the research hypothesis are:

- H1 : The positive effect of entrepreneurial marketing on business performance
- H2 : The positive effect of digital marketing on business performance
- H3 : The positive effect of entrepreneurial marketing with innovation product as the moderating variable
- H4 : The positive effect of digital marketing with innovation product as the moderating variable
- H5 : The positive effect business performance on innovation product

RESULT AND DISCUSSION

The significance in testing the structural model can be seen from the t-statistic value between the independent variable and the dependent variable from the n path coefficients in Table 2 and Figure 2.

Table 2, Total Effect (Mean,Stdev,t-value)

Variable	Original sample (O)	AVE	Standar Deviation	t-statistic	p-value
X1-Y	0,188	0,193	0,085	2,208	0,028
X1-Z	0,569	0,576	0,066	8,601	0,000
X2-Y	0,187	0,184	0,083	2,267	0,024
X2-Z	0,278	0,275	0,078	3,570	0,000
Z-Y	0,438	0,440	0,103	4,256	0,000

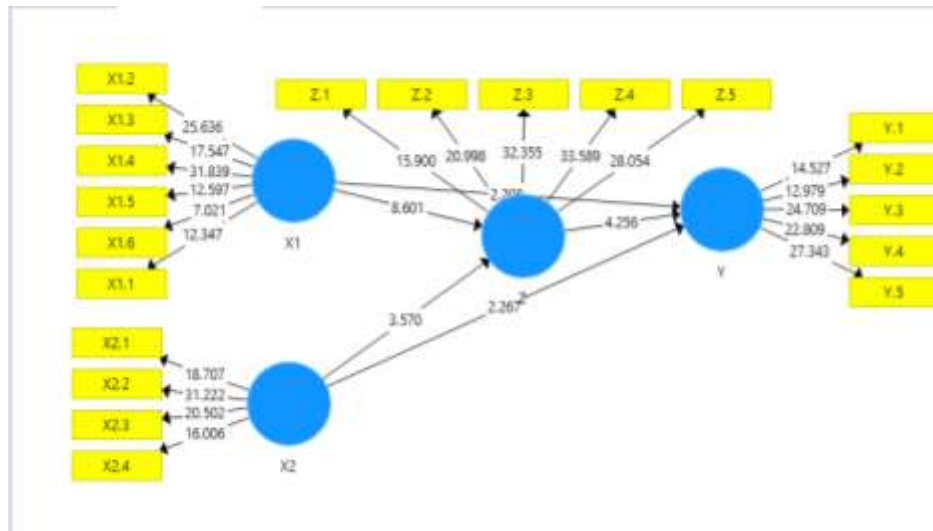


Figure.2 Output Bootstrapping

The loading factor value is a value that measures the construct of the question item indicator with an assessment that produces a higher value than other indicators. Validity test is used in table 3 to display cross-loading. Table 3 shows that this value shows good discriminant validity because the indicator's correlation with the concept is higher than its relationship with other constructs. In other words, each construct in the table below has a value (original sample-O) greater than 0.70. This shows that all research instrument items are valid and the manifest variables or indicators of this research have explained other latent variables accurately.

Table 3. Cross Loading Output

Indicator	Orignal Sample (O)	AVE (M)	Standar Deviation (STDEV)	t-statistic (O/STDEV)	p-value
X1.1-X1	0,620	0,620	0,050	12.347	0,000
X1.2-X1	0,815	0,817	0,032	25,636	0,000
X1.3-X1	0,761	0,761	0,043	17,547	0,000
X1.4-X1	0,820	0,821	0,026	31,839	0,000
X1.5-X1	0,668	0,671	0,053	12,579	0,000
X1.6-X1	0,672	0,682	0,096	7,021	0,000
X2.1-X2	0,753	0,754	0,040	18,707	0,000
X2.2-X2	0,864	0,865	0,028	31,222	0,000
X2.3-X2	0,789	0,789	0,038	20,502	0,000
X2.4-X2	0,771	0,768	0,048	16,006	0,000
Y.1-Y	0,683	0,685	0,047	14,527	0,000
Y.2-Y	0,708	0,712	0,055	12,979	0,000
Y.3-Y	0,841	0,843	0,037	22,809	0,000
Y.4-Y	0,827	0,829	0,030	27,343	0,000
Y.5-Y	0,746	0,744	0,047	15,900	0,000
Z.1-Z	0,789	0,788	0,038	20,998	0,000
Z.2-Z	0,863	0,865	0,027	32,355	0,000

Indicator	Original Sample (O)	AVE (M)	Standar Deviation (STDEV)	t-statistic (O/STDEV)	p-value
Z.3-Z	0,882	0,882	0,026	33,589	0,000
Z.4-Z	0,832	0,833	0,030	28,054	0,000
Z.5-Z	0,620	0,620	0,050	12,347	0,000

If the Cronbach's alpha and Composite Reliability values are above 0.70 and 0.60 respectively, then the question indicator value is considered reliable. Table 4 displays the findings of Cronbach's alpha and composite reliability tests. Each construct had a composite reliability rating between 0.60 and 0.70 based on Smart PLS results, and Cronbach's alpha > 0.60. Therefore, it can be concluded that a strong reliability value is in accordance with Hair's (2014) statement which states that although a value of 0.6 is still acceptable, the alpha or Composite Reliability value must be > 0.7 as a general rule.

The convergent validity test with relevant spontaneous indicators is based on the results of the outer loading test above because the loading factor or "rule of thumb" will be applied in testing the validity of various indicators whose research variables are above 0.7. Indicators with a loading factor greater than 0.5 are still considered original, and convergent or external loadings are more than (>) 0.7.

Based on Table 2 and Figure 2, the results of statistical hypothesis testing can be described as follows:

- (A). The initial value of the estimated sample value is positive, 0.188, and the calculated t value is 2.208 (>1.97), as well as a significant p-value of 0.028, which is the result of the t-statistical test of the impact of entrepreneurship marketing (X1) on business performance Y. The first hypothesis, namely that entrepreneurial marketing has a significant and positive influence on business performance, is accepted because the t-count is greater than the t-table and the significance value is smaller than alpha (α) 5%.
- (B). The estimated value of the original sample has a positive sign, namely 0.187, according to the findings of the t-statistical test of the influence of digital marketing (X2) on company performance (Y). The calculated t value is 2.267 (>1.97), and the p value is significant at 0.024. The second hypothesis which states that digital marketing has a significant and beneficial influence on business performance is accepted because the t-count is greater than the t-table and the significance value is less than alpha (α) 5%.
- (C). The original sample estimate of 0.569 is positive, and the t-statistical test of the relationship between entrepreneurial marketing (X1) and product innovation (Z) produces a t-value of 8.601 (>1.97) and a significant p-value of 0.000. The third hypothesis which shows that there is a positive and substantial influence of marketing entrepreneurship on product innovation is accepted because tcount is greater than ttable and the significance value is smaller than alpha (α) 5%.

- (D). The statistical test of product innovation (Z) (X2) in digital marketing produces a t value of 3.570 (>1.97), an accuracy p value of 0.000, and the estimated value for the original sample is 0.278 which is positive. The hypothesis that digital marketing has a significant and positive effect on product innovation is accepted because tcount is greater than ttable and the significance value is smaller than alpha (α) 5%.
- (E). Product innovation (moderation effect) on business performance Y was tested statistically, and the results showed a t value of 4.256 (<1.97), a significant p value of 0.000, and a positive sample estimate value of 0.438. This shows that the significance value is smaller than alpha (α) 5% and the tcount value is greater than ttable. Therefore, it is agreed that product innovation greatly reduces the impact of digital marketing and entrepreneurship on company performance.

Tabel.4 Realibility Composite

Variabel	Cronbach's Alpha	Realibility Composite
X1	0,822	0,871
X2	0,806	0,873
Y	0,830	0,880
Z	0,881	0,913

Kinerja dunia usaha sangat dipengaruhi oleh kewirausahaan pemasaran. Kita dapat menyimpulkan bahwa UKM manufaktur tahu memiliki kinerja yang lebih baik sebagai sebuah bisnis ketika pemasaran kewirausahaan diterapkan dengan lebih efektif. Selain itu Setyaningrum & Ramawati (2020) menemukan bahwa kewirausahaan dapat mempengaruhi keberhasilan usaha. Arfanly dkk. (2017) mengatakan bahwa Marketing entrepreneurship is the key to improving company performance. Thus, this shows that marketing has a big impact on how well a company performs. Talking about the marketing domain, SME performance can be improved by setting marketing goals, creating sales distribution channels, setting packaging prices in accordance with sales, and maintaining the uniqueness of goods and customer needs. (Andharini, Sri Nastiti (2012).

In addition, business performance is greatly influenced by digital marketing. The more effective digital marketing is evaluated, the more successful the tofu factory SME business will be. This is in accordance with the statement of Putu et al. (2024) that MSME business performance is influenced by digital marketing. According to research by Amelia & Sulistyowatie, (2022), implementing digital marketing can increase the sales graph by 446 accounts. This is in line with their findings that the results of the development of development activities and future strategic plans for MSMEs come from insights that have so far. The pace of implementation in MSMEs has increased drastically in the last three months. This can be seen from the insights of the Instagram platform. where there were 446 accounts and 66 accounts, with the respective

percentage increases, namely accounts reaching 141% and involved accounts reaching 1,220%.

Product innovation greatly reduces the impact of entrepreneurial marketing on business success. If SMEs innovate their products to improve the performance of tofu packaging companies and give them a more attractive appearance, this will show how effectively entrepreneurial marketing can be used. According to Fitri & Halik (2023), product innovation has a big impact on how well a business functions. Therefore, according to Siregar (2022), marketing entrepreneurship requires product innovation to increase business success. Research findings show that entrepreneurship has a significant and positive effect on the performance of MSMEs in the food and beverage industry in Padangsidempuan City. This survey adds significantly to knowledge regarding the function of entrepreneurial marketing in improving the performance of small and medium enterprises. This shows the importance of placing entrepreneurial marketing by owners and management in the development of MSMEs.

Product innovation activities play an important role in reducing the impact of digital marketing on company performance. This shows that the research findings of Abdullah et al., (2023) are consistent that digital marketing has a big impact on marketing performance. MSMEs can benefit from a variety of digital marketing strategies, including pay-per-click (PPC), email marketing, social media marketing, content marketing, search engine optimization (SEO), search engine marketing (SEM), and instant messaging. Of course, there are differences in user characteristics of each type of digital marketing that MSME players need to be aware of. These are the findings of the Bangun & Purnama investigation (2022). With the right knowledge, MSME companies can take advantage of digital marketing to increase their sales turnover.

CONCLUSIONS AND RECOMMENDATIONS

Business success is significantly and positively influenced by digital marketing strategies and entrepreneurship. Apart from that, the main moderator factor that influences company performance is product innovation. The application of digital marketing and the use of entrepreneurial marketing on business performance are significantly moderated by product innovation. To improve their business performance through digital marketing, small and medium enterprise (SME) owners in tofu factories must strive to expand their knowledge and skills in product innovation.

In addition to these results, SME factory owners realized that increasing employee competence in product innovation—especially in the areas of product design and original idea generation—would help them improve company performance. Apart from that, Sumbermulyo Village, which has been around for a long time, needs to develop its internet marketing skills to increase public awareness of tofu products. Further research is also needed, using mixed techniques and other variables as independent and mediating variables, such as entrepreneurship and entrepreneurial competence.

ADVANCED RESEARCH

Considering the researchers' own limited knowledge and skills, the researcher has come to the realization while producing this article that there are still numerous deficiencies in language, writing, and presentation style. As a result, the researcher anticipates helpful critiques and recommendations from a range of sources to ensure the piece is flawless.

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