Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

Aprilda Yanti[1], Putri Mauliza[2], Irawati M. Jamil[3], Nadia Nur Saghira[4], Wenny Waafini[5]

[1,2,3,4,5]Universitas Battuta

ABSTRACT: The purpose of the study is to analyze the role of e-commerce through Interface, Navigation, Content, Reliability, and Technical indicators in an effort to increase MSME income during the Covid-19 Pandemic in order to improve the welfare of MSME actors. The analytical method of this research is descriptive quantitative research. This research uses data analysis with Partial Least Square (PLS) approach. Where PLS is a model of Structural Equation Modeling (SEM) equations based on variables or components. PLS is an alternative approach that shifts from a covariance-based SEM approach to a variance-based approach. The population in this study is MSME users of e-commerce. The problem is that more than 53% of MSMEs experience a decline in asset value. Then, two-thirds of MSMEs experienced a decline in income during the pandemic, while more than 80% recorded lower profit margins during covid-19, this of course has an impact on the survival of MSME actors where income has decreased while the needs of family life continue. The results of the E-commerce research have a positive and significant effect on the marketing performance of MSMEs while Product Innovation does not have a significant effect on the marketing performance of MSMEs.

KEYWORDS: E-Commerce; Product Innovation; Performance Marketing, MSMEs

INTRODUCTION

The development of micro, small and medium enterprises (MSMEs) in Indonesia has a major contribution to the country's economy. When the crisis hit Indonesia in 1997-1998, the MSME sector was proven to remain strong when other large businesses fell. The advantages of SMEs in surviving the crisis for various reasons.
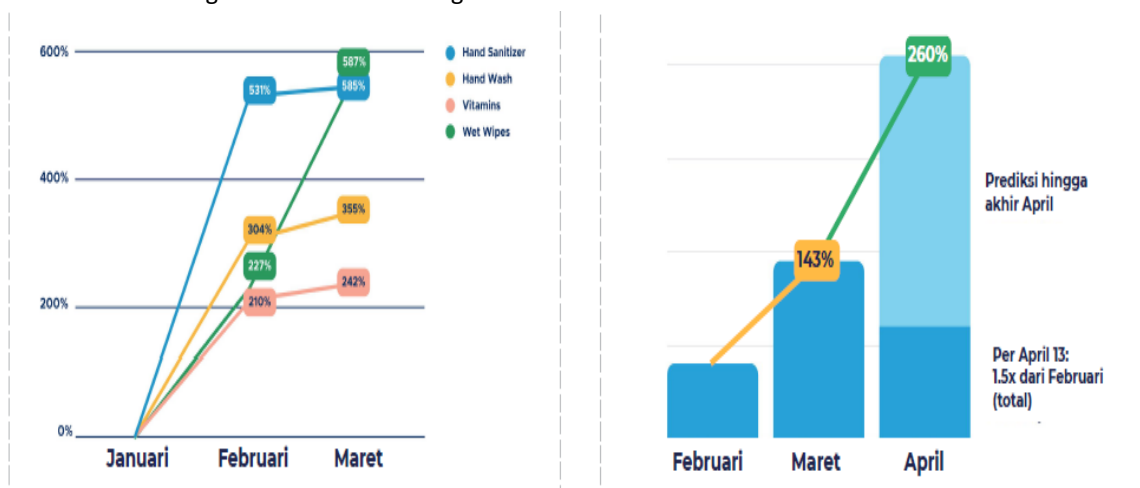

Figure 1. Projection of E-Commerce Development During the Covid-19 Pandemic

The emergence of the e-commerce market has created broad market opportunities for retailers and logistics service providers, can increase purchase and sales satisfaction and can facilitate the ability of logistics service providers to manage greater (R. A. Bahtiar and J. P. Saragih :2020). Even though the Covid-19 pandemic is hitting, internet access can still be used. E-commerce actually appeared long before the Covid-19 outbreak and brought major changes to the company's business patterns and influenced people's transaction patterns. During the world recession of 2008-2009, e-commerce was a relatively

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

stable retail company. Online sales have even continued to increase since 2012 until now where the Covid-19 outbreak occurred, and is expected to continue to strengthen after the pandemic (2.Afsar, A., Nasiri, Z., & Zadeh, M. O : 2013).

The world of e-commerce is wide open for MSME players to increase their sales. MSMEs are indirectly forced to change the way they transact, which was originally offline, then during this pandemic it turned to online (3.K. L. Kotler, Philip ; Keller: 2016). E-commerce is believed to be able to increase sales of MSME actors. During the COVID-19 pandemic, e-commerce has great advantages over traditional transactions, offering reduced transaction costs and providing convenience for all consumers. During the Covid-19 pandemic, e-commerce is able to accelerate business development and accelerate operational adjustments.

The main key to win the competition is to create innovation. innovation must be created by the company because innovation is one of the sources of company growth. Product innovation is one of the most reliable factors by a marketer in marketing a product. Innovation will increase the added value of a product, innovation will create a new product that can provide better solutions for solving problems faced by consumers (4. G. Kotler, Philip ; Armstrong: 2004). High innovation, both process innovation and product innovation, will increase the company's ability to create quality products. High product quality will increase the company's competitive advantage which in turn has an impact on company performance (Irawan: 2020).

The problem is seeing the impact of the declining economy due to this pandemic which has an impact on the income of MSME actors, besides that there are still many MSME actors who are constrained by the lack of knowledge of e-commerce and product innovation. Utilization of e-commerce and product innovation is still not optimal. The urgency of this research is to increase MSME income, e-commerce and product innovation are believed to be able to improve MSME marketing performance, thus MSME income will increase so that it can restore the community's economy.".

THEORETICAL BASIS

Theory Planned Behavior(TPB)

Starting from the Theory of Reasoned Action (TRA), which was developed, TRA is a derivation of previous research which started from the theory of attitude which studies attitudes and behavior. TRA explains that behavior (behavior) is carried out because the individual has the intention or desire to do (behavioral intention) something. So it can be said that TRA is a determining factor of an individual's intention in doing a thing/activity. The definition of attitude is a person's affection (feeling) to accept or reject an object or behavior and is measured by a procedure that places the individual on a two-pole evaluative scale, for example good or bad, agree or reject, and so on (Fishbein, M, & Ajzen: 1975)].

Theory Technology Acceptance Model (TAM)

Technology Acceptance Model(TAM) is a model to provide an explanation of what external factors affect the behavior of users of an information system from the acceptance of the use of the information system itself. A theory that examines what external factors motivate a person to accept or adopt an object/behavior (system, certain technology). The TAM model can produce an explanation of the acceptance of information systems with certain forms that can affect the response to whether or not an information system is accepted by its users (users) (Setyorini : 2019).

Marketing Performance

Marketing performance can simply be defined as the efficiency or effectiveness of an action taken. Efficiency also refers to the amount of resources used in producing outputs or results, while effectiveness refers to the extent to which the output of an action can meet company expectations or specifications. MSME performance is a form of assessment measure of something produced by MSMEs in a period of time with a predetermined standard assessment. The assessment consists of how well the processes and activities carried out by MSMEs are fundamental in increasing profitability (Susanti : 2018). Marketing performance is a measure used to measure the success of the company in achieving the goals that have been set where a company is said to have experienced success in the fields if the existing practices match all the needs of the constituency (Juniardi dan I. G. So : 2018). Company performance can be measured through 3 things, namely efficiency, coordination and trade (market position and sales) where these three things are expected to be obtained from the adoption of new information technology by a company (Dehkordi : 2012).

E-Commerce

Electronic Commerce (E-commerce) is a new concept that can be described as the process of buying and selling goods or services on the World Wide Web Internet or the process of buying and selling or exchanging products, services and

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

information through information networks including the internet. E-commerce adoption is one of the important factors to support business success. Business success is a process of increasing the quantity of the company's dimensions. Some indicators of business success include increasing capital, increasing the number of production, increasing the number of customers, expanding business, expanding marketing areas, improving physical facilities, and increasing business income (Daniel, E. C. and S. E. Kalu : 2017).

Product Innovation

Product innovation is one type of innovation, in addition to process innovation, organizational innovation and business innovation. Product innovation is defined as a new product (goods or service) introduced to the market to meet market needs (El-Gohary : 2010). There are 3 characteristics of product innovation, namely product excellence, product cost and product credibility. Product innovation is innovation that is used in the entire operation of the company where a new product is created and marketed, including innovation in all functional processes / uses (Takhim, Muhammda dan Meftahudin : 2018). Innovation is one of the determining aspects of the company's performance, in an increasingly competitive environment. The innovation ability of a company will ensure the company's competitive ability to see innovation as a new idea that can create added value for the company. Innovation is the process of turning creative ideas into useful products or work methods. Innovation is the ability to see things in new and sometimes out of the ordinary ways.

Conceptual Framework

The conceptual framework can be formulated as follows in accordance with the above description:
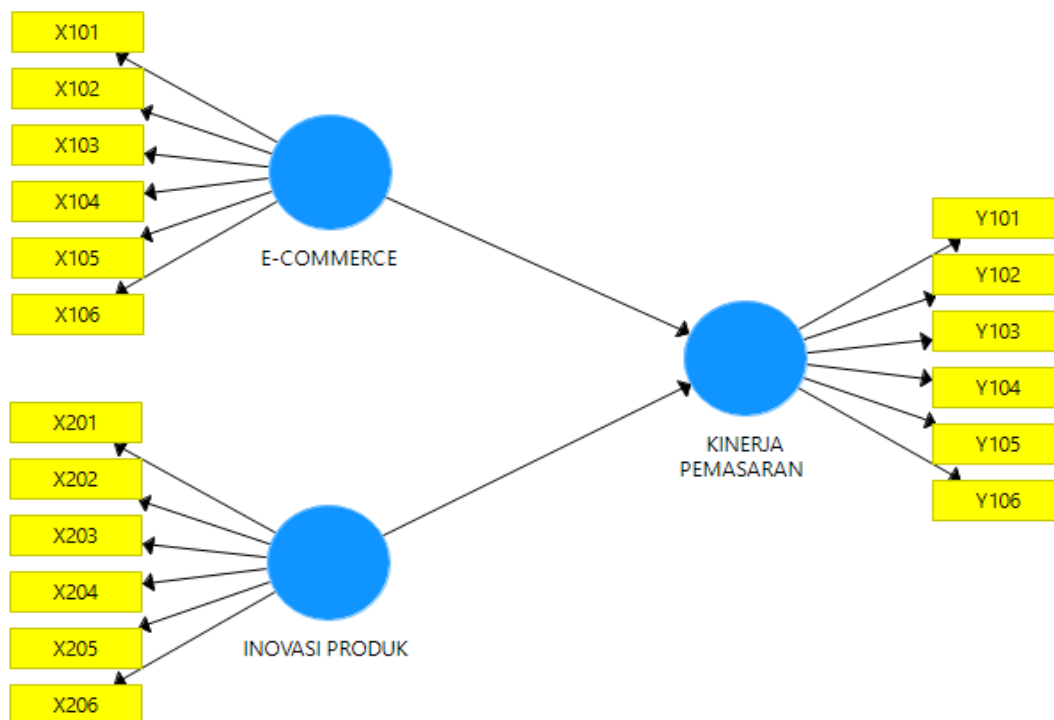

Figure 2. Conceptual Framework

HYPOTHESIS

The hypotheses used in this study are:

H1 : E-CommerceSignificant influence on the marketing performance of MSMEs in Lubuk Pakam City in the midst of the Covid-19 Pandemic.

H2 :Product Innovation Has a Significant Influence on MSME Marketing Performance in Lubuk Pakam City Amid the Covid-19 Pandemic.

RESEARCH METHODS

Research Site

This research was conducted on MSMEs in Lubuk Pakam City. The research is planned from January 2022 to December 2022.

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

Population, sample and data determination techniques

The population in this study were 98 SMEs in Lubuk Pakam City based on data obtained from the Cooperatives and UMKM Service in Lubuk Pakam City. The sample in this study uses a saturated sample where the population will be used as the research sample.

Research Design

The data collection technique in this study was using a questionnaire. According to Sugiyono (2019), a questionnaire is a data collection technique that is carried out by giving a set of questions or written statements to respondents to answer.

Data Collection Technique

The type of data used in this study is quantitative data. According to Sugiyono (2016), quantitative methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative/statistical, with the aim of testing hypotheses that have been established. Set.

Data Analysis Technology

The data collection method used a questionnaire with a modified Likert scale consisting of 4 answer options, namely point 4 Strongly Agree (SS), point 3 Agree (S), point 2 Disagree (TS), and point 1 Strongly Disagree (STS). . The data analysis technique used in this study is multiple linear regression analysis, with the following stages:

a. convergent validity

Rule of thumbwhich is usually used to assess convergent validity, namely the loading factor value must be more than 0.7 for confirmatory research and the loading factor value between 0.6-0.7 for exploratory research is still acceptable and the average variance extracted (AVE) value must be greater than 0.5. However, for research in the early stages of developing a measurement scale, a loading factor value of 0.5-0.6 is still considered sufficient.

b. discriminant validity.

Discriminant validity relates to the principle that different constructs should not correlate with height. The way to test discriminant validity with a reflection indicator is to look at the cross loading value for each variable that must be > 0.70.

c. average variance extracted(AVE)

This measurement can be used to measure the reliability of the component score of latent variables and the results are more conservative than composite reliability. It is recommended that the AVE value must be greater than 0.50 which means that 50% or more of the variance of the indicator can be explained.

d. Composite Reliability and Cronbanch Alpha.

Rule of thumbwhich is usually used to assess construct reliability, namely the value of composite reliability must be greater than 0.7 for confirmatory research and a value of 0.6-0.7 is still acceptable for exporatory research.

e. Coefficient of Determination/RSquare value.

Changes in the value of R-Square can be used to explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect. R-Square values of 0.75, 0.50 and 0.25 can be concluded that the model is strong, moderate and weak.

f. Hypothesis test.

Whether or not a proposed hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function on SmartPLS 3.0. The hypothesis is accepted when the significance level is less than 0.05 or the t-value exceeds the critical value. The value of t statistics for the 5% significance level is 1.96.

$$Y = a + b_1X_1 + b_2X_2 + e$$

Information :

Y = MSME Marketing Performance

a = Constant

X_1 = E-Commerce

X_2 = Product Innovation

b_{12} = Coefficient

e = Error.

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

RESEARCH RESULTS AND DISCUSSION

Investment Decisions

Convergent validity test is done by looking at the value of the loading factor on each construct. A loading factor value above 0.7 is stated as an ideal or valid measure as an indicator in measuring the construct, values from 0.5 to 0.6 are still acceptable, while values below 0.5 must be excluded from the model.
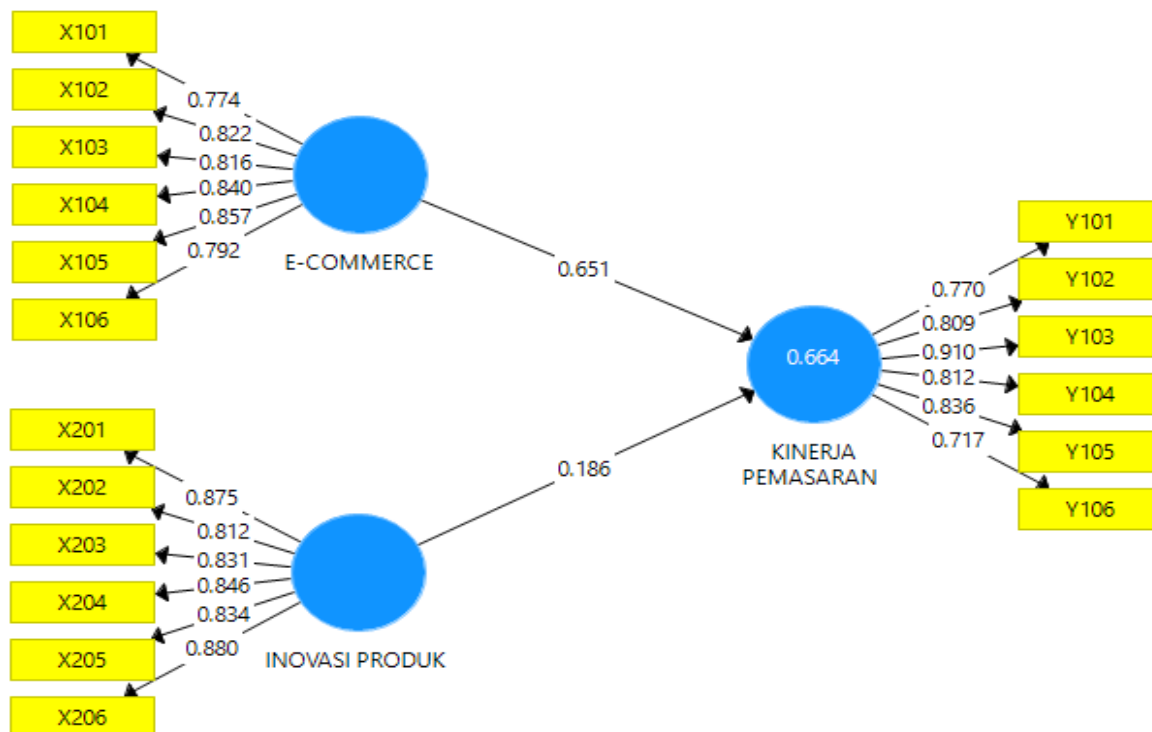

Figure 2. PLS Algorithm . Calculation Output Display

From the output of the analysis, the measurement model (outermodel) can be evaluated, namely by testing convergent validity, discriminant validity and reliability.All indicators are stated to represent E-Commerce Variables (X1), Product Innovation (X2) and MSME Marketing Performance (Y), the conclusion that all indicators have met the criteria for the validity of the indicators for each construct.

Table 1. Constryct Reability and Validity

Variable	Composite Reliability
E-Commerce	0.923
Product Innovation	0.938
MSME Marketing Performance	0.920

Table 1 shows that the category is quite good, each construct has met the outer model reliability assessment criteria with a composite reliability value > 0.7.

Hypothesis test results

The results of the SmartPLS algorithm in assessing the Path Coefficient are directly given in Table 2.

Table 2. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
E-Commrce-> MSME Marketing Performance	0.651	0.636	0.145	4,508	0.000
Product Innovation -> MSME Marketing Performance	0.186	0.202	0.151	1.234	0.218

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

The following is a discussion of each hypothesis test based on the test results which are summarized in Table 2:

1. The Effect of E-commerce on MSME Marketing Performance

   Based on Table 2 explains that the effect of E-commerce on MSME Marketing Performance ($p = 0.000 < 0.05$) then H0 is rejected, meaning that there is a positive and significant influence between E-commerce on MSME Marketing Performance at a significant level of 5%.

2. The Effect of Product Innovation on MSME Marketing Performance

   Based on Table 2 explains that the effect of Product Innovation on MSME Marketing Performance ($p = 0.179 > 0.05$) then H0 is accepted, meaning that there is no significant effect between Product Innovation on MSME Marketing Performance at a significant level of 5%.

DISCUSSION

The Effect of E-commerce on MSME Marketing Performance

The test results in this study indicate that the use of e-commerce has a positive and significant effect on the performance of MSMEs. The positive effect can be seen in Table 2. The results of the study conclude that the hypothesis which reads "The Effect of E-Commerce on the marketing performance of MSMEs in Lubuk Pakam City amid the Covid-19 Pandemic" is accepted. Based on the results of descriptive analysis, it can be seen that most respondents agree that the use of e-commerce is one of the factors that affect the performance of MSMEs.

Analyzed from general marketing activity indicators, which consist of the first, second and third statement items, in general, respondents' perceptions are at a high level because they dominantly answer agree on each statement item. So it is known that the use of e-commerce plays a good role in improving the performance of MSMEs. From the general marketing activity indicators, it can be seenin the midst of the Covid-19 Pandemicthat e-commerce helps business actors to market their products widely, either using websites or market places, such as Shopee, Tokopedia, Bukalapak, etc. In addition, the use of e-commerce also facilitates communication between sellers and consumers. Especially after the emergence of online applications like Gojek and online payments with Gopay, activities from marketing, payments, shipping, to inputting sales data have become easier.

This is supported by the explanation of one respondent, who uses e-commerce in the marketing process. Respondents are home sewing business owners who sell robes, khimar, to daily clothes. At the beginning of starting their business, respondents did not use e-commerce and only did modest marketing and waited for buyers to come to the store. However, since the yearThe results of this study are in line with research conducted by Takhim and Meftahuddin (2018).

The Effect of Product Innovation on MSME Marketing Performance

Based on the results of the calculation of the hypothesis test, the significance value of the product innovation variable is greater than the predetermined significance level of 0.05. So it can be concluded that there is no significant and positive influence between product innovation variables and MSME marketing performance, so the hypothesis in this study is rejected.

Market globalization presents a challenge for every company to be able to innovate continuously in order to offer unique and superior products and services. The introduction of new products plays an important role in increasing company profitability, while product innovation is a process that plays a role as a strategy in reducing costs to achieve satisfactory performance (Tjiptono, 2008: 458).

Innovation in an organization is said to be successful if it can produce superior performance, resulting from a commitment to total customer satisfaction that can be caused by continuous innovation. The desire to create superior value for consumers to create a sustainable competitive advantage will encourage companies to build innovations that affect their performance. This is in line with research conducted by H.Awali (2020), where the results of his research explain that product innovation has no effect on marketing performance.

Due to the Covid-19 Pandemic, market conditions continue to change so that it has an impact on marketing dynamics where consumer tastes continue to change, thus requiring business people to continue to innovate on their products in order to be able to maintain the viability of the company. Product innovation continues to be carried out by MSMEs because they realize it is a basic need that is able to create advantages for their products in competition. MSME actors in Makassar City are aware of the importance of innovation for their products, this is evidenced by the many new products offered by MSME actors to consumers ranging from snacks to heavy meals. Innovation is very important not only for business growth.

Effect of E-Commerce and Product Innovation on Marketing Performance of Msmes in Lubuk Pakam City in the Middle of the Covid-19 Pandemic

CONCLUSION

Based on the analysis and discussion of the Influence of E-Commerce and Product Innovation on the Marketing Performance of MSMEs in Lubuk Pakam City Amid the Covid-19 Pandemic, several conclusions and suggestions can be drawn as follows:

1. E-Commerce Has a Positive and Significant Effect on the Marketing Performance of MSMEs in Lubuk Pakam City Amid the Covid-19 Pandemic
2. Product Innovation Has No Significant Effect on MSME Marketing Performance in Lubuk Pakam City Amid the Covid-19 Pandemic.

SUGGESTION

Based on the conclusions above, there are several suggestions that can be put forward by researchers for MSMEs and also for further researchers. These suggestions include:

1. The use of e-commerce affects the performance of SMEsM. SMEs are expected to implement e-commerce in their buying and selling transactions, both in terms of marketing and product delivery. Because it can increase customer satisfaction and encourage the performance of SMEs.Looking for other variables besides product innovation.
2. Using other data collection techniques besides questionnaires, which can provide data with a better level of accuracy, and if the results obtained are not significant, then the researcher needs to re-interview with several previously randomly selected respondents.

REFERENCES

1) Afsar, A., Nasiri, Z., & Zadeh, M. O. E-loyalty Model in e-Commerce. Mediterranea Journal of Social Sciences, 4(9), 547-553. 2013.
2) Aristantya, S. (2019). Pengaruh Bauran Pemasaran Jasa Dalam Meningkatkan Loyalitas Pelanggan Pengguna Jasa Pada Cv. Biru Utama Medan. Ready Star, 2(1), 330-336.
3) Daniel, E. C. and S. E. Kalu. E-Marketing and Small Business Success, EPRA International Joournal of Multidisciplinary Research, 3 hal. 99-106. 2017.
4) Dehkordi, G. J., S. Rezvani, M. S. Rahman, F. Fouladivanda, N. Nahid, and S. F. Jouya. 'A Conceptual Study on E-Marketing and Its Operation on Firm's Promotion and Understanding Customer's Response', International Journal of Business and Management, 7 (19), hal. 114-123. 2012
5) El-Gohary, H. E-Marketing – A Literature Review from a Small Businesses Perspective, International Journal of Business and Social Science, 1 (1), hal. 214-244. 2010.
6) Fishbein, M, & Ajzen, I. Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research, Reading, MA: Addison-Wesley. 1975.
7) G. Kotler, Philip ; Armstrong. Principles of Marketing, 10th Edition. Upper Saddle River. 2004.
8) Ghozali, Imam, Hengky Latan. Konsep, Teknik, Aplikasi Menggunakan Smart PLS 3.0 Untuk Penelitian Empiris. BP Undip. Semarang . 2015
9) Hakim, L., Irene Svinarky, S. H., Kn, M., Hartini, S. E., Murwantono, D., Fitriyanti, S. P., ... & Surahmat, Z. (2022). Bum Desa Sebagai Kekuatan Ekonomi Baru (Sebuah Gagasan Untuk Desa Di Indonesia). Penerbit Lakeisha.
10) Irawan, Immanuel Candra. Analisis E-Marketing terhadap keputusan pembelian konsumen secara online. Journal of Business and Banking ISSN 2088-7841. DOI:10.14414/jbb.v9i2.1907. 2020.
11) Juniardi dan I. G. So. E-Marketing Berbasis Web Untuk Memenangkan Persaingan Bisnis, BINUS Business Review, 3(1), hal.413-424. 2012.
12) K. L. Kotler, Philip ; Keller. Marketing Management (Global Edition) 15th Edition, 15th ed.New Jersey: Pearson Pretice Hall, Inc. 2016.
13) Lubis, I. T. (2021). Analysis Of The Effect Of Competence And Objectiveness On The Quality Of Internal Audit Results In The Inspectorate Of Medan City. Jurnal Mantik, 5(3), 1694-1699.
14) Lubis, I. T., & Shara, Y. (2021). Analisis Pengaruh Kompetensi Sumber Daya Manusia, Transparansi Dan Pemanfaatan Teknologi Informasi Terhadap Penyusunan Anggaran Pendapatan Dan Belanja Daerah Di Kota Medan. Jurnal Ilmiah Simantek, 5(3), 144-153.
15) Ningsi, E. H. (2019). Pengaruh Risiko Kredit, Financing To Deposit Ratio (Fdr) Dan Suku Bunga Bi Rate Terhadap Kecukupan Modal Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia. Ready Star, 2(1), 305-311.

16) Ningsi, E. H. (2021). The Effect Of Working Capital Efficiency And The Level Of Liquidity On Profitability In The Mining Industry Registered In Indonesia Stock Echange. Enrichment: Journal Of Management, 11(2), 602-608.

17) Ningsi, E. H., & Manurung, L. (2021). The Influence Of Financial Attitude And Financial Knowledge On Saving Interest (Case Study On Students Of Brigjend Katamso I Vocational High School Medan). Jurnal Mantik, 5(3), 1873-1882.

18) R. A. Bahtiar and J. P. Saragih. Dampak Covid-19 Terhadap Perlambatan, Kaji. Singk. Terhadap Isu Aktual Dan Strateg., vol. 12, p. 20. 2020.

19) Rizki, I. H., Chaniago, S., Yogi Putra Se, M. M., Aristantya, S., Sutejo, B., Kom, S., ... & Par, M. M. (2022). Ukm Mandiri Di Era Revolusi Industri 4.0. Cattleya Darmaya Fortuna.

20) Setyorini, D., Nurhayaty, E., & Rosmita, R. Pengaruh Transaksi Online (e- Commerce) Terhadap Peningkatan Laba UMKM (Studi Kasus UMKM Pengolahan Besi Ciampea Bogor Jawa Barat). Jurnal Mitra Manajemen, 3(5), 501–509. https://doi.org/10.52160/ejmm.v3i5.228. 2019.

21) Sujarweni, V. Wiratna. MetodePenelitian. CetakanPertama, Yogyakarta :Pustakabarupress. 2014.

22) Susanti, N.Perancangan E-Marketing UMKM Kerajinan Tas, Jurnal SIMETRIS, 9 (1), hal. 717-722. 2018.

23) Syahputra, O. (2022). The Effect Of Internal Control And Quality Of Accounting Information Systems On Quality Information On Pt. Pandu Siwi Sentosa (Pandu Logistics). Enrichment: Journal Of Management, 12(2), 1712-1717.

24) Syahputra, O., & Siregar, F. A. H. (2022). Pengaruh Penerapan Sistem Informasi Akuntansi Penjualan Dan Kualitas Informasi Akuntansi Terhadap Keefektifan Pengendalian Internal Pada Pt. Pandu Siwi Sentosa (Pandu Logistik). Jurnal Ilmiah Maksitek, 7(1), 1-8.

25) Takhim, Muhammda dan Meftahudin. Analisis Pengaruh Modal Usaha, Kreatifitas dan Daya Saing Terhadap Pengembangan UMKM(Studi Kasus pada Bengkel Las di Kabupaten Wonosobo). Journal of Economic, Management, Accounting and Technology. p-ISSN : 2622-8394 | e-ISSN : 2622-8122.
DOI: https://doi.org/10.32500/jematech.v1i1.213. 2018.