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The Effect of Market Orientation and the Quality of the Product on Marketing Performance with Innovation as Mediating Variable

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ABSTRACT: This study aims to explore how product quality influences marketing performance, with product innovation acting as a mediating factor. The guitar makers in Serenan Sukoharjo made up the population and sample for this study, and there were 90 responders in all. A questionnaire is used in the data collection process. The data analysis approach uses PLS, a structural alignment type (SEM) method based on variation aspects. From the lesson, innovation is contributed from market orientation. Innovation is optimally contributed from quality goods. The distribution element component contributes dominantly to sales performance. Sales performance is contributed from market orientation. The quality of goods contributes dominantly to sales success. Marketing performance is greatly impacted by the innovation variable's outcomes. Market orientation and marketing success can be positively and strongly mediated by innovation, according to the mediation results. The findings of the mediation demonstrate that innovation has the ability to significantly and favorably mediate the relationship between marketing performance and product quality.

KEYWORDS: Market Orientation, Product Quality, Innovative Product and Marketing Performance

I. INTRODUCTION

Today's business is growing in tandem with technology advancements, which are becoming more and more evident in the form of tighter marketing in both domestic and foreign markets. This competition is unavoidable for all businesses, whether they are state-owned or private, small or huge. At the moment, business owners are concentrating on understanding the competitive product circumstances in the worldwide market. This means that the products made have a competitive advantage in the form of relatively cheaper prices with relatively good quality.

Sukoharjo Regency has also seen an upsurge in the number of MSMEs. MSMEs have increased significantly in this area, which is well-known for the city of Sukoharjo Makmur, despite the fact that these businesses are still confined to hamlets and villages and have not yet made it to the district or even the national level.

The fundamental idea behind distribution channels is to link producers and consumers. They are made up of a number of interdependent and linked organizations that operate together as a network system to manufacture and deliver goods to consumers (Susilowati, 2005). To ensure that the distribution channel's trajectory aligns with the company's expectations, the corporation uses bureaucracy to control issues pertaining to its connection with the distribution channel.

One tactic that businesses might employ to outperform their competitors in the market is market orientation. This has to do with meeting demand in line with the desires or anticipations of these products' customers. Stated differently, both parties—businesses and consumers need to be united (Depary, 2010) assert that market orientation can be used to develop a business behavior plan that is both effective and efficient and that offers consumers higher value.

II. RESEARCH METHODS

Population, Sample Collecting Method

Since a population is viewed as a study universe, it is made up of all the elements, events, objects, or people that have comparable traits and become the focus of a researcher's attention (Ferdinand, 2011). The people who are the focus of this study are all the batik artisans in Laweyan Batik Village in Surakarta.

The sample is a component of the population's size and makeup. All of the guitar makers in Serenan Sukoharjo will be included in this sample. About 90 responders make up the total number of Guitar Craftsmen in Serenan Sukoharjo.

Purposeful sampling, a non-probability technique, was employed in this investigation, which is a sampling strategy with certain concerns (Sugiyono, 2012). Some members of the population are selected as anonymous sample subjects using non-probability sampling procedures. The process of sampling involves selecting samples from the population according to predetermined standards.

Operating Definition Variable

Variabele	Definition	Indicator	Scale
Marketing Performance	Performance are the results that have been achieved from what is already been done by the owner or manager in running their business (Murwatiningsih, 2012)	1. Sales volume 2. Customer Growth 3. Winnings	1-5
Market Orientation	A viewpoint known as "market orientation" centers business operations around customers, Craven and Piecry (2013).	1. A focus on the customer 2. A focus on the customer 3. Coordination across functional boundaries	1-5
Distribution Performance	According to Kotler, 2007 Distribution channels are interconnected businesses that are part of the process of making goods and services accessible for use or consumption.	1. Efficiency 2. Coordination 3. Teamwork	1-5
Innovation	According to Hurley and Hult (1998) One way for businesses to adjust to a changing environment is through innovation	1. Culture Innovation 2. Technical Innovation 3. Product Innovation	1-5

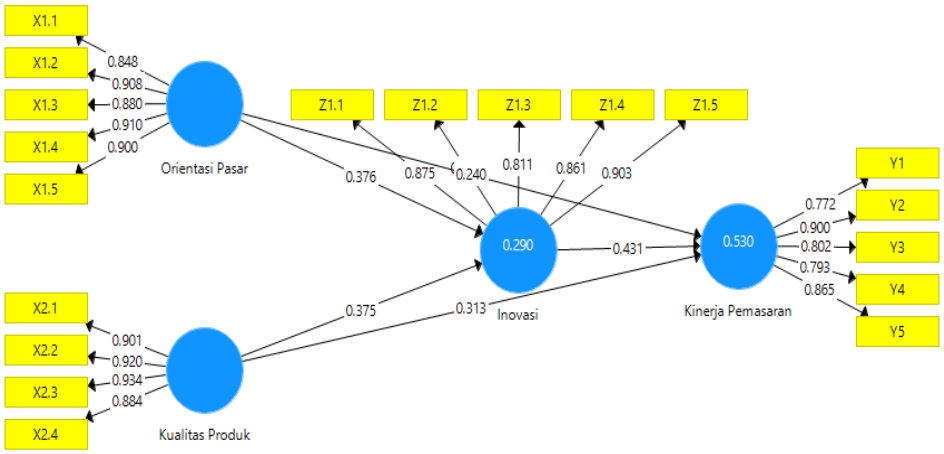
III. RESEARCH RESULTS

Data Analysis

In this study, data from the Structural Equation Model (SEM) is evaluated using the Partial Least Square (PLS) and SmartPLS software tools. Three stages comprised the data analysis for this study: testing hypotheses, model arrangement (inner model), and measurement type (outer model).

Measurement Model

The study's hypothesis testing approach was implemented using the SmartPLS 3.0 tool and partial least square (PLS) data analysis methodologies. This is how the PLS program model that was examined appears:



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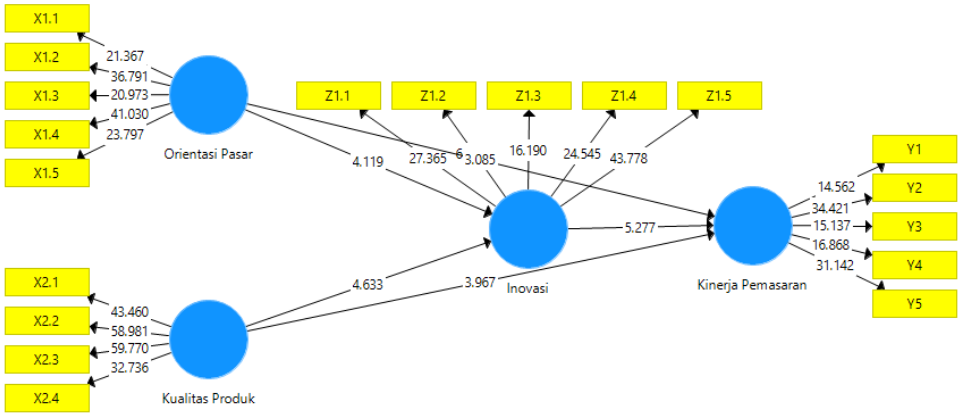
Structural Model (Inner Model)



The inner model displays the latent variables' or constructs' strength of estimation. This study will describe the findings from the route coefficient, goodness of fit, and hypothesis tests. PLS can be used to evaluate the structural model in a number of ways:

1. Model Fit Analysis (Goodness of fit)

By examining the outcomes of the study conducted, this test aims to ascertain whether the model created is appropriate for research or not:

Model	R Square	R Square Adjusted
Innovation	0,290	0,274
Marketing Performance	0,530	0,514

Market orientation and factors affecting product quality's effects on innovation, as well as the degree to which they influence marketing performance, may be seen in the R-Square table above. According to the information in the above table, market orientation and product quality factors have a 0.274 (27.4%) impact on innovation and a 0.514 (51.4%) impact on marketing performance on marketing performance

Next, the calculation employs Q-square for the goodness of fit evaluation:

$$Q\ square = 1 - [(1-R^2_1) \times (1-R^2_2)]$$
$$= 1-[(1-0,274) \times (1-0,514)]$$
$$= 1 - (0,726 \times 0,486)$$
$$= 1 - 0,352836$$
$$= 0,647$$

The degree of model variability for the independent variables is 64.7%, or 0.647, according to Q square is 0.647, the result shows that other factors still had an impact on the remaining 35.3% in explaining the dependent variable. As a result, these findings imply that the study model has a high degree of fit.

	Saturated Model	Estimated Model
SRMR	0,083	0.083
d_ULS	1,297	1,297
d_G	1,954	1.954
Chi-Square	685,145	685,145
NFI	0,660	0,660

The findings of the aforementioned analysis's fit model indicator show that if the NFI value is higher than 0.1, the model is noticeably superior.

2. Path Coefficient Test

The inner model scheme shown in Figure 4.2 above, with a value of 5.277, illustrates why innovation variables have the largest impact on marketing performance. The impact of product quality characteristics on innovation is ranked second with a value of 4.633. Market orientation characteristics have the third-largest impact on innovation, with a 4.119 coefficient. The fourth largest effect of product quality on performance is 3.967. At 3.085, market orientation has the fifth-largest impact on marketing performance. The Path Coefficient value for this variable is positive across the whole model, according to the description's findings. This is recognized because a greater Path Coefficient value correlates or influences the independent and dependent variables more.

3. Hypothesis Test

The outcomes of the analysis of the data can be utilized to address the study's hypothesis. The findings of this investigation's hypothesis test can be viewed using the t Statistic and P Values. If the P values are less than 0.05, this hypothesis may be considered accepted. Each variable is impacted both directly and indirectly by this research since it includes independent, dependent, and mediating factors. The outcomes of the direct impact hypothesis analysis are shown in the SmartPLS bootstrapping route coefficient table. As shown below, the bootstrapping test table displays the test results:

a. Testing Direct Effect (Path Coefficient)

The degree to which The contribution of independent variables to the dependent variables is presented from the path coefficient test. From highest to lowest, the contribution is illustrated using the internal scheme drawn and the path coefficient table.

Model	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Description
Innovation -> Marketing Performance	0,431	5,277	0.000	Sig. Positive
Product Quality -> Innovation	0,375	4,633	0.000	Sig. Positive
Product Quality -> Marketing Performance	0,313	3,967	0.000	Sig. Positive
Market Orientation -> Innovation	0,376	4,119	0,000	Sig. Positive
Market Orientation -> Marketing Performance	0,240	3,085	0,002	Sig. Positive

To determine the significance of the p Value in Table 3, which presents the analytical results obtained.

1. Model 1 (Effect Of Independent Variables On Innovation)
   - Innovation is strongly influenced by the market orientation variable, as seen by the statistical rejection of Ho or acceptance of HA (4.119 is more than 1.984 in the t statistic or 0.000 is less than 0.05). A percentage of the value generated by the market orientation variable associated to innovation is this.
   - T statistic is 4.633 and p is 0.000 provide a partial explanation of the significance of the product quality variable for innovation. When t table 1.984 or p value 0.000 < 0.05, statistics indicate that the product quality variable significantly influences creativity.
2. Model 2 (Effect of independent variables on marketing performance)
   - The understanding of the relationship between market orientation and sales success is shown from p of 0.002 and T 3.085. Market orientation contributes dominantly to sales performance when T table 1.984 or p 0.002 < 0.05, which shows HA is statistically accepted or Ho is rejected.
   - A 0.000 p-value and a 3.967 T-statistic suggest that there may be some explanation for the association between marketing effectiveness and product quality features. The resulting p value is 0.000 and the T statistic is 5.277, the impact of the innovation variable on marketing success may be partly explained.
   - 5.277 for the T statistic and a 0.000 p-value, partially explains how the innovation variable affects marketing performance. Marketing performance is statistically significantly impacted by the innovation variable, as indicated by t table is 1.984, and p is 0.000 < 0.05.

b. Indirect Effect Testing

This analysis mostly employs mediation or indirect explanations to explain the outcomes of considerable influence. The analysis's findings, which are:

Variable	Original Sample (O)	TStatistics (|O/STDEV|)	P Values	Description
Product Quality -> Innovation -> Marketing Performance	0,162	3,079	0,002	Sig. Positive
Market Orientation -> Innovation -> Marketing Performance	0,162	3,027	0,003	Sig. Positive

The findings of the research demonstrate that innovation may considerably and positively mediate The relationship between sales success and market orientation produced a t statistic of 3.027, p of 0.003, and a coefficient of 0.057. The result was T 3.027 > t table 1.984, or P 0.003 < 0.05, and the coefficient showed a positive value is 0.057.

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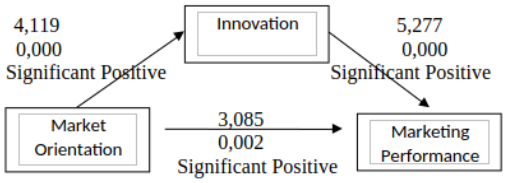

Illustration 1: Conceptual Image

It may be deduced from Illustration 1 that a mediation examination of the link between marketing performance and market orientation requires innovation, when, without the mediator's assistance, the independent variable can significantly directly affect the dependent variable being studied (full mediation).

The findings show that the relationship between marketing performance and product quality can be substantially and favorably mediated by innovation. Innovation can mediate this relationship, as demonstrated by the coefficient exhibiting a positive direction amounting to 0.162, t amounting to 3.079 > t table 1.984, or p amounting to 0.002 < 0.05.

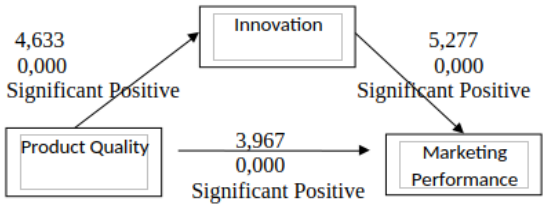

Illustration 2: Conceptual Image

Figure 4 indicates that innovation is necessary for a mediation study of the relationship between marketing performance and product quality, wherein, either directly or through the mediator (full mediation), the independent variable can significantly affect the dependent variable being studied.

DISCUSSION

The study shows that innovation mediates the relationship between market orientation and marketing performance. The following are the findings of the analysis of this study, which was predicated on hypothesis testing:

The Effect of Market Orientation on Innovation

The results show if market orientation contributes to innovation. The resulting P < 0.05 is 0.000 exceeding the T table (1.984) equals 4.119 with a 0.376 effect, which is compatible with this, in line with the hypothesis test. It can be assumed that market orientation contributes to significant innovation.

The effect of Product Quality on Innovation

According to the findings, Innovation is contributed from product quality. Resulting in P below 0.05 by 0.000 and more than T table (1.984), which is equivalent to 4.633 with 0.375 as an impact, are consistent. Therefore, one may claim when product quality contributes dominantly to innovation.

The effect of Market Orientation on Market Performance

It is produced when market orientation contributes to marketing success. It produces P < 0.05 of 0.002 which exceeds the T table (1.984) equal 3.085 with 0.240 as an impact, according to the hypothesis test findings. It is assumed that marketing success is significantly contributed by market orientation.

The effect of Product Quality on Marketing Performance

This study results when marketing performance is contributed by the quality of goods. The resulting P < 0.05 of 0.000 above the T table (1.984) or 3.967 has an effect of 0.313 on the acquisition of a constant hypothesis. It can be assumed that marketing performance is contributed by the quality of goods significantly.

The effect of Innovation on Marketing Performance

This study results if innovation contributes to marketing performance. In line with the hypothesis results that found P < 0.05 of 0.000 above the T table (1.984) of 5.277 with a contribution of 0.431. It can be assumed that innovation contributes to marketing performance significantly.

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The effect of Market Orientation on Marketing Performance through Innovation as Mediation Variable

According to the hypothesis test results, market orientation improves marketing performance through innovation as a mediating variable. With innovation as a mediator, market orientation contributes significantly to marketing performance, as shown by the t statistic of 3.027 or > 1.984 and p 0.003 or < 0.05.

The effect of Product Quality on Marketing Performance through Innovation as Mediation Variable

Using innovation as a mediation variable, The results of the hypothesis show that if the quality of goods contributes to marketing performance, the P value is 0.002 which is below 0.05 and the t statistic is 3.079 which is above 1.984.

V. RESEARCH SUMMARY

Research on the effects of product quality and market orientation on marketing effectiveness allows for the following deductions, Using innovation as a moderating element (research on guitar maker MSMEs in Serenan Sukoharjo):

1. Market-oriented considerations have a major influence on innovation.
2. Product quality-related aspects have a favorable and considerable influence on innovation.
3. Marketing performance is greatly impacted by market orientation considerations.
4. Marketing performance is significantly and favourably impacted by elements related to product quality.
5. The impact of innovation on marketing performance is significant.
6. The mediation's results show that innovation may significantly and favorably mediate the connection between market orientation and marketing success.
7. According to the mediation findings, innovation may significantly and favorably mediate the link between marketing success and product quality.

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