



RESEARCH ARTICLE

Analysis of Product Innovation on Market Performance with Innovation Performance and Competitive Advantage as Mediating Variables

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| ARTICLE INFO | ABSTRACT |
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| Received: Sep 21, 2024 | The purpose of this study was to determine the application of product innovation that impacts innovation performance and competitive advantage in improving marketing performance, focusing on UMKM Coffeeshops in Bireuen Regency. The research process included: data observation, identifying the main problem, setting activity objectives, conducting a literature study, data collection, data processing, analyzing results, and evaluating research outcomes. The findings indicate that product innovation has a significant positive effect on marketing performance, innovation performance, and competitive advantage. Innovation performance significantly and positively influences marketing performance. However, competitive advantage does not significantly affect marketing performance. Furthermore, innovation performance significantly mediates the relationship between product innovation and marketing performance, while competitive advantage significantly mediates the effect of product innovation on marketing performance. |
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1. INTRODUCTION

Global competition in the trading industry compels micro-enterprises to enhance product and service quality to satisfy customers and maintain their market position. Many micro-enterprises aim for profit and customer satisfaction by developing customer value, which in turn drives customer loyalty (Agesti et al., 2021; Matriadi, 2023). Increased competition requires effective marketing strategies to avoid losses, focusing on enhancing sales, growth, and market share, which are crucial indicators of marketing performance (Nasir, 2019; Rachmatullina, 2017). In the era of globalization, technological advancements simplify how people meet their needs, prompting companies to compete in utilizing technology to attract customers (Edyansyah et al., 2022; Journal & Mea, 2022).

Marketing performance is an indicator of a company's success evaluated over a certain period, reflecting the effectiveness of planned and implemented activities to assess the suitability of designed and executed strategies. (Yasa, 2012). Marketing plays a crucial role in driving progress and sustaining business survival, whether in the service industry or product sales, especially when facing competition. (Putra, 2017).

Small and medium enterprises (MSMEs) play a vital role in the Indonesian economy, both in terms of the number of businesses and employment Dzikrulloh (2022). According to Law No. 20/2008, MSMEs in Indonesia are divided into three categories: Micro-Enterprises, Small Enterprises, and Medium Enterprises, each with specific definitions and criteria. MSMEs form the foundation of Indonesia's economy, based on economic democracy, which gives them distinctive characteristics compared to other countries. (Annisa Fitri Pramono, 2020; Matriadi, 2023; T. Sultan Mulia Nurrahman, 2017). In Aceh Province, the role of MSMEs is very significant, especially in absorbing labor.

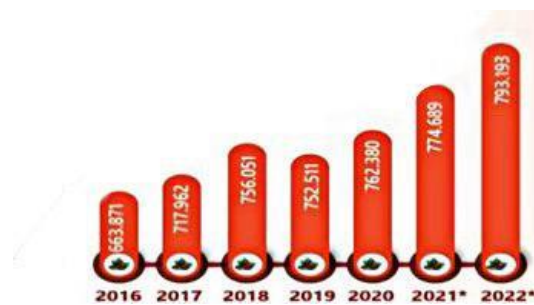


Figure 1: Coffee Production in Indonesia 2016-2022

Source: Directorate General of Plantations, Ministry of Agriculture, Republic of Indonesia

"Coffee plays an important role in the Indonesian economy, especially in supporting cooperatives and MSMEs, as it involves interactions between farmers, coffee shop owners, and consumers." (Triyatna, 2022). Globally, coffee is an important commodity that provides livelihoods for an estimated 25 million households in tropical countries, making it crucial at various levels (Putera et al., 2023). Indonesia's coffee production showed an upward trend, from 752,511 tons in 2019 to 793,193 tons in 2022, with Sumatra Island supplying more than 60% of national production. Five provinces in Sumatra, including Aceh, contribute significantly, and the growth of coffee shops also reflects a positive response to Bengkulu's increasing coffee production (Badan Pusat Statistik, 2022).

The coffee shop business is currently an attractive option for entrepreneurs in Indonesia due to the increasing public interest in coffee, also known as the 'Coffee Society.' Coffee is now easily found everywhere, from roadside stalls to star-rated hotels, with various types and prices. The presence of many coffee shops allows people to easily become part of the 'Coffee Society' and stimulates continuous growth in the community. The high demand for coffee and this trend of coffee consumption serve as the driving force for more entrepreneurs to venture into the coffee shop industry (Muninggar, 2023).

According to the records of the International Coffee Organization (ICO), Indonesia's coffee consumption in 2019 reached 3.6 million sacks. Meanwhile, in 2020 as many as 5 million sacks. In the last ten years, consumption grew by 3.7%. In the 2020/2021 period, coffee consumption in Indonesia reached 300 million kilograms, an increase of 4.04% compared to the previous period of 288 million kg (International Coffee Organization, 2021). This growing demand is driven by the younger generation switching from tea to coffee, and a new appreciation for locally produced coffee. Indonesia is listed as the country with the fifth largest coffee consumption in the world after Japan. Looking at the data above, it is safe to say that the coffee shop business will continue to grow in the coming years 2023 (Putera et al., 2023).

Bireuen district in Aceh, Indonesia, is experiencing a growing interest in coffee, making coffeeshops a popular place to gather, work and enjoy coffee. The presence of coffeeshops reflects the changing culture and lifestyle of the community, with a focus on specialist coffee and barista-based drinks. Coffeeshops also provide opportunities for local entrepreneurs to grow their businesses by offering quality coffee and a cozy atmosphere.

However, with many coffeeshops offering similar products and prices, owners need to develop a long-term strategy to differentiate themselves from the competition (Ramadayanti, 2022). Consumers consider coffee quality, menu variety, atmosphere, and facilities when choosing a place. Consumer behavior is influenced by external factors such as cultural and social factors (Asrianda, 2020). The success of a coffeeshop is also affected by competitive conditions, consumer preferences, and local economic factors, so it is important for business owners to understand the market and tailor products and services to the needs of the local community.

Marketing Performance is a key objective of every company, encompassing operational effectiveness, market share and sustainable profitability. It marks the success of the company's products and strategies, and reflects overall performance (Fataron et al., 2022). Marketing Performance is also

used to measure strategy effectiveness, involving innovation and market understanding (Nurjaya et al., 2021). Innovation plays an important role in improving marketing performance and creating added value (Danang & Santoso, 2020; Potolau & Safriansyah, 2022). The product innovation process involves a series of decisions from idea to implementation, which can improve productivity and business performance (Mandasari, 2020). Innovation Performance measures the effectiveness of innovation in terms of efficacy and efficiency, with a focus on value creation (Hameed, 2021). To achieve performance and competitiveness goals, companies need to implement innovation efficiently (Afifah & Cahyono, 2020). Competitive Advantage refers to an organization's advantage in utilizing resources and capabilities Tirtayasa (2022). MSMEs should build capabilities to support marketing strategies despite facing barriers such as limited market access (Rahadhini & Lamidi, 2020). Competitive advantage is achieved by providing added value to customers, which contributes to marketing performance and business success (Wicaksono, 2022).

This research has significant novelty because it focuses on analyzing the impact of product innovation on market performance by investigating the role of innovation performance and competitive advantage as mediating variables, with a case study conducted on coffee shop MSMEs in Bireuen Regency. This study not only explores the direct relationship between product innovation and market performance, but also enriches our understanding of how innovation performance and competitive advantage can act as mediators in this relationship. As such, this study provides deeper insights into the complexity of factors that influence the market performance of MSMEs in the coffee shop sector and offers a strong foundation for developing more effective and sustainable innovation strategies to improve the competitiveness and business growth of MSMEs in the coffee industry in Bireuen Regency.

Product Innovation

The similarity of product appearance with competitors is a driver of innovation, because competitors' products are often stagnant. Product innovation is needed to face competition and create new value, with the aim of improving service performance and customer satisfaction (Elfahmi & Jatmika, 2019). Innovation is the application of creative ideas that can use new technologies for better benefits, and involves two dimensions: efficacy and efficiency (Pramuki & Kusumawati, 2021). Product innovation includes the development of new ideas that are implemented to improve product quality, involving aspects of product and process innovation Nurjaya (2021). Some types of product innovation:

1. Modulation-Based Product Innovation: this involves changing the basic characteristics of a product or service by increasing or decreasing those characteristics, generally related to functional or physical features.
2. Size-Based Product Innovation: this involves launching a product into the market without any modifications except volume.
3. Packaging-Based Product Innovation: this changes the way a product is packaged, which may affect consumers' perception of the benefits, functions, or reasons for consuming the product or service.
4. Design-Based Product Innovation: this involves modifying the design or appearance of the product, container, or packaging, but selling it at the same price range.
5. Complementary-Based Innovation: this involves adding additional ingredients or ancillary services to the main product or service.

Effort Reduction-Based Innovation: this does not change the product or service itself, but focuses on increasing market share by reducing the effort required by consumers.

Marketing Performance

Marketing performance is an important benchmark for the success of a company, reflecting the achievement of all marketing activities. It is measured within a certain period of time to determine whether the strategy implemented is successful (Pramuki, 2020). Improved marketing performance can be achieved through various strategies and management of existing resources to create a competitive advantage. Marketing performance indicators in this study include competitor sales growth, market share growth, and industry sales growth (Saisaria Mandasari, 2020). Other parameters include sales volume, market share, and sales growth rate (Rompis & Mananeke, 2022). Marketing performance can also be defined as the evaluation results of marketing efforts made by a company. This concept has a broad meaning and can be customized according to different perspectives and needs. The selection of measurement elements is tailored to their respective characteristics and aims to ensure the reliability and validity of the concept (Wicaksono, 2023).

Innovation Performance

Performance innovation is the adaptation and implementation of new ideas that include products, services, processes, and management practices, with the aim of benefiting the organization (Afifah & Cahyono, 2020). To better understand the performance aspects of innovation in depth, it is often necessary to separate innovation efficacy and innovation efficiency. Innovation efficacy refers to how much benefit the innovation brings to the firm, measuring the positive impact of the innovation itself. On the other hand, innovation efficiency describes the time and effort required to achieve the level of benefit from the innovation, emphasizing the efficient management of resources in the innovation process (Falahat et al., 2020). Innovation performance can be measured by evaluating whether the products produced through user innovation activities are new or have different functions from the products offered by the company or competitors. Innovation performance provides information about revenue allocation and reflects the company's ability to produce and launch new products that have not previously existed and have not been traded by others (Kiyabo & Isaga, 2020).

Competitive Advantage

Competitive advantage includes several important aspects to face competition. First, resilience or durability reflects the company's ability to maintain an advantage in the long term, as temporary advantages do not have a significant impact (Wicaksono, 2023). Second, transparency is important for building customer trust and is the basis for competitive advantage. This advantage also means the ability to generate higher profits than competitors (Falahat et al., 2020). In business competition, the main goal is to create a significant profit differential, which can be achieved through cost efficiency or product differentiation. Competitive advantage can be seen from differentiated products, market sensing, and collaboration with partners. The measurement of this advantage involves various dimensions, including cost advantage, products, services, as well as aspects such as price, quality, product innovation, and time to market (Kiyabo & Isaga, 2020).

MATERIALS AND METHODS

This research uses associative and quantitative research approaches. Associative research is research that aims to determine the relationship between two or more variables (Sugiyono, 2012). The population in this study is the number of MSMEs in Bireun Regency, totaling 546 units, based on data from the Ministry of Cooperatives and SMEs in 2024. The sampling technique in this study used the Slovin formula, because the number of samples must be representative so that the research results can be generalized, so that the number of samples obtained from the calculation of the Slovin formula was 85 samples. Data collection techniques with documentation, interviews and questionnaires. The data analysis technique uses the Partial Least Square (PLS) technique using the SmartPLS analysis tool. The data processing process consists of two stages, namely Outer Model analysis and Inner Model analysis.

FINDINGS

Descriptive Statistical Analysis

Tabel 1. Descriptive Statistical

| Name | Mean | Median | Scale min | Scale max | Standard deviation |
|------|-------|--------|-----------|-----------|--------------------|
| X1 | 4.365 | 4.000 | 1.000 | 5.000 | 0.733 |
| X2 | 4.118 | 4.000 | 1.000 | 5.000 | 0.758 |
| X3 | 3.729 | 4.000 | 1.000 | 5.000 | 0.886 |
| X4 | 3.565 | 4.000 | 1.000 | 5.000 | 0.926 |
| X5 | 4.094 | 4.000 | 1.000 | 5.000 | 0.761 |
| X6 | 4.047 | 4.000 | 1.000 | 5.000 | 0.781 |
| Y1 | 4.400 | 5.000 | 3.000 | 5.000 | 0.672 |
| Y2 | 4.588 | 5.000 | 3.000 | 5.000 | 0.559 |
| Y3 | 4.635 | 5.000 | 3.000 | 5.000 | 0.505 |
| Y4 | 4.153 | 4.000 | 3.000 | 5.000 | 0.728 |
| Z11 | 3.918 | 4.000 | 2.000 | 5.000 | 0.785 |
| Z12 | 3.929 | 4.000 | 2.000 | 5.000 | 0.764 |
| Z13 | 3.965 | 4.000 | 1.000 | 5.000 | 0.963 |
| Z14 | 4.082 | 4.000 | 2.000 | 5.000 | 0.785 |
| Z15 | 4.047 | 4.000 | 2.000 | 5.000 | 0.734 |
| Z16 | 4.306 | 4.000 | 1.000 | 5.000 | 0.783 |
| Z21 | 3.812 | 4.000 | 2.000 | 5.000 | 0.874 |
| Z22 | 3.871 | 4.000 | 2.000 | 5.000 | 0.794 |
| Z23 | 4.106 | 4.000 | 2.000 | 5.000 | 0.703 |

Source: Data Processed (2024)

Outer Model

Convergent validity

Convergent validity test in PLS with reflective indicators is assessed based on the loading factor of the indicators that measure the construct. The loading factor value is said to be high if it correlates more than 0.70 with the measured construct and usually the research is confirmatory.

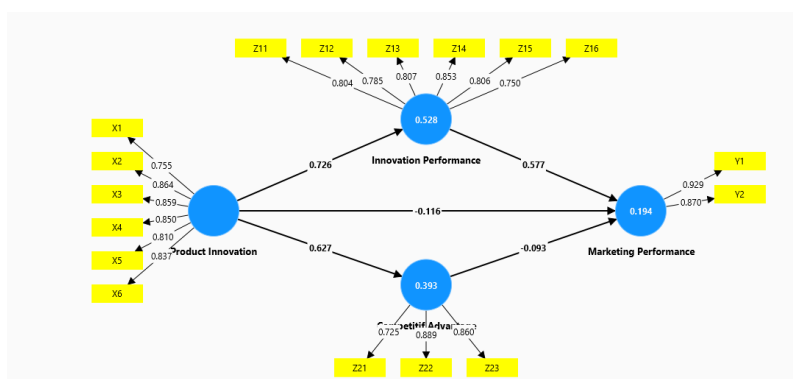


Figure2. Outer Model

Source: Data processed (2024)

Figure 4.4 shows that all indicators have met the requirements for convergent validity above 0.70. In addition, there are several indicators that are invalid and removed from the model, leaving only indicators with valid values. The following is an outer loading table as a result of recalculation for the

outer model:

Tabel 2. Loading Factor

| | Competitif Advantage | Innovation Performance | Marketing Performance | Product Innovation |
|------------|-----------------------------|-------------------------------|------------------------------|---------------------------|
| X1 | | | | 0.755 |
| X2 | | | | 0.864 |
| X3 | | | | 0.859 |
| X4 | | | | 0.850 |
| X5 | | | | 0.810 |
| X6 | | | | 0.837 |
| Y1 | | | 0.929 | |
| Y2 | | | 0.870 | |
| Z11 | | 0.804 | | |
| Z12 | | 0.785 | | |
| Z13 | | 0.807 | | |
| Z14 | | 0.853 | | |
| Z15 | | 0.806 | | |
| Z16 | | 0.750 | | |
| Z21 | 0.725 | | | |
| Z22 | 0.889 | | | |
| Z23 | 0.860 | | | |

Source: Data Processed (2024)

After doing the outer model in the table above, it shows that all loading factors for each indicator have a value above 0.70. Thus the construct for each variable has been fulfilled.

Discriminant Validity

To test discriminant validity, namely by looking at the cross loading value of the measurement with its construct, namely the cross loading value > 0.7 in one variable. The results of testing discriminant validity in this study are as follows:

Table 3. Value Discriminant Validity (Cross Loading)

| | Competitive Advantage | Innovation Performance | Marketing Performance | Product Innovation |
|------------|------------------------------|-------------------------------|------------------------------|---------------------------|
| X1 | 0.441 | 0.517 | 0.210 | 0.755 |
| X2 | 0.577 | 0.634 | 0.118 | 0.864 |
| X3 | 0.595 | 0.637 | 0.220 | 0.859 |
| X4 | 0.622 | 0.744 | 0.300 | 0.850 |
| X5 | 0.391 | 0.516 | 0.176 | 0.810 |
| X6 | 0.424 | 0.499 | 0.169 | 0.837 |
| Y1 | 0.211 | 0.442 | 0.929 | 0.335 |
| Y2 | 0.248 | 0.308 | 0.870 | 0.069 |
| Z11 | 0.585 | 0.804 | 0.254 | 0.606 |
| Z12 | 0.617 | 0.785 | 0.416 | 0.639 |
| Z13 | 0.586 | 0.807 | 0.333 | 0.510 |
| Z14 | 0.568 | 0.853 | 0.302 | 0.590 |
| Z15 | 0.593 | 0.806 | 0.368 | 0.572 |
| Z16 | 0.512 | 0.750 | 0.357 | 0.558 |
| Z21 | 0.725 | 0.505 | 0.163 | 0.419 |
| Z22 | 0.889 | 0.645 | 0.225 | 0.532 |

| | | | | |
|------------|-------|-------|-------|-------|
| Z23 | 0.860 | 0.631 | 0.227 | 0.588 |
|------------|-------|-------|-------|-------|

Based on the data shown, it can be stated that the indicators in this study have good discriminant validity in compiling each variable. This is also evidenced by the cross loading value of each indicator on the variable formed is greater when compared to the cross loading value on other variables.

Reliability

Reliability testing in PLS can be done through two methods, namely composite reliability and Cronbach's alpha (Abdillah & Jogiyanto, 2015:196). The following is the value of composite reliability and Cronbach's alpha for each variable:

Table 4. Cronbach alpha & Composite reliability

| | Cronbach's alpha | Composite reliability (rho_a) |
|-------------------------------|-------------------------|--------------------------------------|
| Competitive Advantage | 0.769 | 0.794 |
| Innovation Performance | 0.888 | 0.890 |
| Marketing Performance | 0.770 | 0.815 |
| Product Innovation | 0.910 | 0.923 |

Based on the data, it can be concluded that all constructs have met the reliability criteria, this is evidenced by the composite reliability and Cronbach's alpha values which show numbers greater than 0.70.

Evaluation of Structural Model

R-Square

The R-Square test measures the extent to which the research model accounts for variance in the dependent variable. If the R-Square value is 0.67, it will be considered strong, 0.33 will be considered medium, and 0.19 will be considered weak, while if it is smaller than 0.19, it will be considered to have no effect (Hair, 2019).

Table 5 . R-Square Value

| | R-square | R-square adjusted |
|------------------------------------|-----------------|--------------------------|
| Marketing Performance (Y) | 0.194 | 0.164 |
| Innovation Performance (Z1) | 0.528 | 0.522 |
| Competitive Advantage (Z2) | 0.393 | 0.386 |

Based on the table above, the R square value of the Marketing Performance variable is 0.194, the Innovation Performance variable is 0.528 and the Competitive Advantage variable is 0.393, this shows that the effect of Product Innovation on Marketing Performance is weak, on Innovation Performance is strong and on Marketing Performance is moderate.

Effect Size f-square (f2)

The F square test is to detect significant relationships between variables. If the F square value of 0.002 will be considered weak, 0.15 is considered moderate and 0.35 is considered strong (Ghozali & Latan, 2015).

Table 6. Effect Size

| | F-Square |
|---|-----------------|
| Competitive Advantage -> Marketing Performance | 0.005 |
| Innovation Performance -> Marketing Performance | 0.147 |
| Product Innovation -> Competitive Advantage | 0.649 |
| Product Innovation -> Innovation Performance | 1.117 |
| Product Innovation -> Marketing Performance | 0.008 |

From the above results, it can be seen that the effect of Product Innovation on competitive advantage and innovation performance is strong (f square = 0.649 and 1.117), the effect of product innovation on marketing performance is weak (f square = 0.00), the effect of competitive advantage on marketing performance is weak (f square = 0.005), while innovation performance on marketing performance is moderate (f square = 0.147).

Hypothesis Test

Direct Effects

To see the significant level of hypothesis support, a comparison of the T-table and T-statistic values can be used, where if the T-statistic value is higher than the T-table value, it means that the hypothesis is supported. With a confidence level of 95 percent (alpha 5 percent or 0.05), the T-table value for the hypothesis is ≥ 1.98 (Abdillah & Jogiyanto, 2015:211).

Table 7. Tabel Path Coefficient

| | T statistics | P values |
|---|---------------------|-----------------|
| Competitive Advantage -> Marketing Performance | 0.576 | 0.565 |
| Innovation Performance -> Marketing Performance | 3.810 | 0.000 |
| Product Innovation -> Competitive Advantage | 9.977 | 0.000 |
| Product Innovation -> Innovation Performance | 17.801 | 0.000 |
| Product Innovation -> Marketing Performance | 2.194 | 0.028 |

Source: Data Processing with SmartPLS, 2024

Hypothesis Test 1 Product Innovation relationship to Marketing Performance the results of hypothesis testing that has been done, obtained P-values that form the influence between product innovation variables on marketing performance is 0.028 and the T-statistic value obtained a positive value of 2.194. This result is in accordance with the rule of thumb where the P-values value is $0.028 < 0.05$ and the T-statistic value is $2.194 > 1.98$. So it can be concluded that product innovation has a significant positive effect on marketing performance or can be said to be influential. Then it can be stated that the hypothesis is accepted because the T-statistic value is greater than 1.98 (T-table) and the P-Values value is less than 0.05.

Hypothesis Test 2 Product Innovation relationships to Innovation Performance the results of hypothesis testing that has been done, obtained P-values that form the influence between the product innovation variable on innovation performance is 0.000 and the T-statistic value obtained a positive value of 17.801. This result is in accordance with the rule of thumb where the P-Values value of $0.000 < 0.05$ and the T-statistic value of $17.801 > 1.98$. So it can be concluded that product innovation has a significant positive effect on innovation performance or= it can be said to be influential. Then it can be stated that the hypothesis is accepted because the T-statistic value is greater than 1.98 (T-table) and the P-Values value is less than 0.05.

Hypothesis Test 3 Product Innovation relationships to Competitive Advantage The results of hypothesis testing that have been carried out, obtained P-values that form the influence between the

product innovation variable on competitive advantage is 0.000 and the T-statistic value obtained a positive value of 9.977. This result is in accordance with the rule of thumb where the P-Values value is $0.00 < 0.05$ and the T-statistic value is $9.977 > 1.98$. So it can be concluded that product innovation has a significant positive effect on competitive advantage or can be said to have an effect. Then it can be stated that the hypothesis is accepted because the T-statistic value is greater than 1.98 (T-table) and the P-Values value is less than 0.05.

Hypothesis Test 4 relationship between Innovation Performance and Marketing Performance The results of hypothesis testing that have been carried out, obtained the P-Values value that forms the influence between the innovation performance variable on marketing performance is 0.000 and the T-statistic value obtained a positive value of 3.810. This result is in accordance with the rule of thumb where the P-Values value of $0.000 < 0.05$ and the T-statistic value of $3.810 > 1.98$. So it can be concluded that innovation performance has a significant positive effect on marketing performance or it can be said to be influential. Then it can be stated that the hypothesis is accepted because the T-statistic value is greater than 1.98 (T-table) and the P-Values value is less than 0.05.

Hypothesis Test 5 Competitive Advantage relationships to Marketing Performance the results of hypothesis testing that has been done, obtained P-values that form the influence between competitive advantage variables on marketing performance is 0.565 and the T-statistic value obtained a positive value of 0.576. This result is in accordance with the rule of thumb where the P-Values value of $0.565 < 0.05$ and the T-statistic value of $0.576 > 1.98$. So it can be concluded that competitive advantage has no significant effect on marketing performance or can be said to have no effect. Then it can be stated that the hypothesis is accepted because the T-statistic value is smaller than 1.98 (T-table) and the P-Values value is greater than 0.05.

Indirect Effects

Testing through mediation to dig deeper into whether the mediating variable has successfully mediated the effect of the independent variable on the dependent or not, can be described in the Indirect Effect output, if the P value is less than 0.05, the independent variable affects the dependent variable through the mediating variable. The results of the path analysis at the Indirect Effect output, if the P value is less than 0.05, the mediation effect occurs.

- 1) Product Innovation variable (X) on Marketing Performance variable (Y) through Innovation Performance variable (Z1) has a positive and significant effect with a P-value of 0.000 smaller than 0.05.
- 2) Product Innovation variable on Marketing Performance through Competitive Advantage has no significant effect with a P-value of 0.567 greater than 0.05.

DISCUSSION

The Effect of Product Innovation on Marketing Performance

Based on the results of hypothesis testing, the results obtained state that the relationship between Product Innovation (X) on Marketing Performance (Y) shows a positive relationship direction but is not significant. the P-value shows a result of $0.028 < 0.05$ so it can be concluded that the hypothesis is accepted. The results of this study are in line with several previous studies Meisya Salsabilla, Dyta Aulia dan Soesanty Maulany (2024), Akmal Abdullah, Andi Baso Adil Natsir, Ilham dan Sulkifli (2023) dan Fadel Muhamad, Zahwa Shofiyaturrahmah dan Soesanty Maulany (2024) which shows that increased product innovation has a positive impact on marketing performance. The development of more attractive product variants and packaging succeeded in increasing the number of customers, reducing complaints, and increasing sales. Product innovation is an important strategy for the development and sustainability of MSMEs, including in the coffee shop sector. To improve marketing performance, coffee shop MSMEs in Bireuen Regency must continue to innovate according to customer desires and market conditions. Increasingly fierce competition demands the courage to

take risks and be proactive in responding to changes. With the right innovation, MSMEs can be more advanced than their competitors.

Effect of Product Innovation on Innovation Performance

Based on the results of hypothesis testing, the results obtained state that the relationship between Product Innovation (X) on Innovation Performance (Z1) shows a positive relationship direction but is not significant. the P-value shows a result of $0.000 < 0.05$ so it can be concluded that the hypothesis is accepted. The results of this study support the findings Rofina Martin Mrosso, Elizabeth Lulu Genda dan Nicholous Bhikolimana Tutuba (2024), Muhammad Sulton (2022) dan Pattarapon Chummee (2022) which shows that product innovation has a significant effect on the company's innovation performance. Product innovation, which involves developing or improving goods and services, helps companies meet evolving consumer needs and create added value. This increases competitiveness through efficiency, adaptability and innovative output. In coffee shop MSMEs in Bireuen, product innovations such as presenting unique menus and utilizing local ingredients have succeeded in increasing consumer appeal and strengthening brand image. Improved innovation performance can be seen from sales growth, customer satisfaction, and competitive position. Coffee shops that continue to innovate tend to have higher customer loyalty and are more resilient to competition. Product innovation is also a catalyst for long-term growth, opening up wider market opportunities and creating sustainable value. This research confirms the importance of product innovation as a key strategy for coffee shop MSMEs in Bireuen.

Effect of Product Innovation on Competitive Advantage

Based on the results of hypothesis testing, the results obtained state that the relationship between Product Innovation (X) on Innovation Performance (Z1) shows a positive relationship direction but is not significant. the P-value shows a result of $0.000 < 0.05$ so it can be concluded that the hypothesis is accepted. The results of this study support the findings Ratih Indriyani dan James Albert Shan (2024), Thusy Tiara Saraswati dan Sudarmiatin Saraswati (2024) dan Nur Alif Wijaya dan Defrizal (2024), which states that product innovation has a significant influence on the company's competitive advantage. Product innovation, which involves developing new ideas to create better goods or services, allows companies to differentiate themselves from competitors and create added value. This not only attracts new consumers but also maintains customer loyalty thanks to improved product quality and experience. For coffee shops in Bireuen, product innovation allows them to differentiate themselves from competitors by meeting evolving consumer preferences. It increases customer appeal and loyalty, and helps coffee shops strengthen their reputation, both locally and online. Investing in product innovation contributes to business growth and sustainability amidst the increasingly competitive coffee industry.

Effect of Innovation Performance on Marketing Performance

Based on the results of hypothesis testing, the results obtained state that the relationship between Innovation Performance (Z1) on Marketing Performance (Y) shows a positive but significant relationship direction. the P-value shows a result of $0.000 < 0.05$ so it can be concluded that the hypothesis is accepted. The results of this study are in line with the findings of Eka Melany Aprillia (2024), David Andriyan, Muhammad Sholahuddin dan Imronudin (2023) dan Didit Darmawan, Putri Nur Laila Sari, Jahroni, Siti Nur Halizah dan Rahayu Mardikaningsih (2023), which shows that innovation performance has a significant influence on marketing performance. Innovation performance, which includes a company's ability to create and implement new ideas in products, services or processes, helps improve the effectiveness of marketing strategies. Companies with good innovation performance are able to produce products that are more attractive and relevant to market needs. This allows companies to more easily enter new markets, expand consumer reach, and create strong product differentiation. High innovation performance also increases brand awareness, customer loyalty and sales, and strengthens the company's position in the market through solutions that are superior to competitors. Innovation also helps companies respond to dynamic market trends and changing consumer preferences, maintaining long-term relevance. Overall, strong innovation

performance acts as a competitive advantage that supports marketing performance by increasing product appeal, brand differentiation, and achieving marketing targets effectively and efficiently.

The Effect of Competitive Advantage on Marketing Performance

Based on the results of hypothesis testing, the results obtained state that the relationship between competitive advantage (Z2) on Marketing Performance (Y) shows a positive but significant relationship direction. the P-value shows a result of $0.565 > 0.05$ so it can be concluded that the hypothesis is rejected. The results of this study are in line with the findings Triyoga Wicaksono (2023) dan (Sari et al., 2022), which shows that competitive advantages (such as product differentiation, cost efficiency, or superior technology) have no significant influence on marketing performance. Although competitive advantages are usually considered important for strengthening a firm's position in the market, these results indicate that they do not always contribute directly to improved marketing performance. External factors, such as intense competition or rapidly changing consumer preferences, may make it difficult for competitive advantages to translate into better marketing results. In addition, marketing performance also depends heavily on the effectiveness of the marketing strategies implemented, such as promotion, distribution and brand communication. Even if a company has an advantage in products or services, if the marketing strategy is not appropriate, the advantage will not increase sales or market share. This research confirms that companies need to strengthen marketing strategies and market adaptation, in addition to relying solely on competitive advantages, to ensure success in marketing performance.

The Effect of Product Innovation on Marketing Performance through Innovation Performance

Based on the results of the indirect effect test, the Product Innovation variable has a significant effect on the Marketing Performance variable which is mediated by the Innovation Performance variable. Indicated by the test results of the P value of $0.000 < 0.05$, this indicates that the Innovation Performance variable can mediate well between the Product Innovation variable and Marketing Performance hypothesis can be accepted. This finding indicates that the relationship between product innovation and marketing performance does not occur directly, but through the important role of innovation performance. Product innovation, which includes developing new products or improving the quality of existing products, provides the foundation for companies to improve innovation performance, which is the ability to generate new ideas, improve processes, and implement creative solutions in business. Therefore, the results of this study confirm the importance of innovation performance as a mediating variable that strengthens the relationship between product innovation and marketing performance, and encourages companies to continuously improve their innovation capabilities in order to maximize their marketing results.

The effect of Product Innovation on Marketing Performance through Competitive Advantage

Based on the results of the indirect effect test, the Product Innovation variable does not significantly affect the Marketing Performance (Y) variable which is mediated by the Competitive Advantage (Z2) variable. Indicated by the test results of the P value of $0.576 > 0.05$, this indicates that the Competitive Advantage variable cannot mediate well between the Product Innovation variable and Marketing Performance. It can be concluded that the hypothesis is rejected. This means that even though companies carry out product innovation, it does not necessarily have a direct or significant impact on marketing results, such as increased sales, market share, or brand awareness, even when companies have a competitive advantage. This finding indicates that product innovation alone is not enough to ensure marketing success. While innovative products may provide competitive advantages, such as differentiation from competitors or better product quality, these advantages may not necessarily translate automatically into improved marketing performance. One of the reasons could be due to ineffective marketing strategies, lack of proper promotion, or inability to properly convey the value of product innovation to consumers.

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