

Innovation, Capabilities and Networking: An Approach to SMEs Marketing Performance

Hifi Rini Puspita¹, Widji Astuti², Bambang Supriadi³

^{1,2,3} University of Merdeka Malang

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ABSTRACT

This research describes innovation capabilities, networking and marketing performance in small and medium enterprises (SMEs) in the Lamongan district. The research was conducted on food and beverage SMEs in Lamongan Regency because one of the development priorities in the 2005-2025 Regional long-term development plan (RPJPD) of Lamongan Regency is to develop and increase the competitiveness of SMEs as drivers of the local economic life of Lamongan Regency residents. This research is survey research using structured questions, and then all answers are obtained, recorded, processed and analyzed. The research population was 182 SMEs food and beverage actors in Lamongan Regency in 27 sub-districts. Meanwhile, the sample for this research was 182 SMEs. The research results show that the ability of SMEs to innovate is determined by product, process, and marketing innovation. The most significant contribution from SMEs is in product innovation, with the resulting products being attractive, with unique packaging and safety. Relationship expertise, relationship skills, network characteristics, and network orientation determine the networking of SME actors. The most significant contribution of SME players is in the formation of networking with network characteristics, such as SMEs supporting each other's success with partners and carrying out initial evaluations of potential partners to build profitable relationships. Furthermore, the marketing performance of SMEs is determined by sales growth, customer growth, and market share growth. It creates marketing performance by selling products that align with sales targets so that sales growth increases yearly. The contribution of this research can provide input for the Lamongan Regency Cooperatives and Micro Enterprises department as a consideration for making strategies to improve performance marketing and input for me about the importance of improving marketing performance through innovation and networking capabilities.

Corresponding Author:
Hifi Rini Puspita

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1. INTRODUCTION

The current competition in the business world requires business people, both large and small-scale businesses, to act quickly in facing competition (Song et al., 2010). Marketing performance is the spearhead of measuring success in business competition. The achievement of marketing performance measures the success of marketing activities. According to Alrubaiee (2013) and James (2016), marketing performance is a benchmark for work results obtained from marketing activities in a company. Kotler and Keller (2016) state that marketing activities are one of the main activities that companies, whether goods or services companies, need to carry out to maintain the viability of their business.

Marketing performance is at the heart of facing competition. This will be successful if the products, goods

and services have a competitive advantage. Products have a competitive advantage when they meet the needs and desires of consumers, as in the view of Porter (1998), which states that competitive advantage is the key to success in winning the competition. High competitive conditions require continuous innovation so that marketing performance is sustainable. Innovation capability can be defined as improvements in technology and methods or better ways of doing things (Weerawardena et al., 2006). Kuratko and Hodgetts (2007) stated that innovation capability is a change and increase in resources that create added value (new wealth) for SMEs. Innovation capability creates ideas and develops discoveries from products and processes to customer service (Thornhill, 2006).

The results of previous empirical studies regarding the influence of innovation capabilities on marketing

performance were carried out by Zulfikar et al. (2017), Afriyie et al. (2019), Utomo and Susanta (2020), Bil and Özdemir (2021) concluded that innovation capabilities have a positive influence on marketing performance. Different research conducted by Hiong et al. (2020) concluded that innovation capabilities do not influence marketing performance. It turns out that innovation capabilities also do not have consistent results on marketing performance. Current technological advances help business actors in marketing activities, as research results by Damarwulan et al. (2014), research by Rohmaniyah and Nurhayati (2017), Ratnawati et al. (2022), Sayekti and Soliha (2016), Wahyuningsih and Murwatiningsih (2017), Nuryakin (2020) concluded that networking influences marketing performance.

Networking in business is an important part that needs to be paid attention to. Businesses on a large and small scale both need a network. Walter et al. (2006) define networking as a company's ability to initiate, develop and utilize internal organizations and external organizational relationships. Parida et al. (2017) stated that building new relationships is essential for higher performance. Networking capabilities search for and manage external networks within the company and talk about networking relationships within the company itself.

Studies on marketing performance are very relevant to field phenomena, especially Small and Medium Enterprises (SMEs). Districts/Cities, as the leading producers of superior SME products as business units, must produce optimal marketing performance, so acceleration is needed towards utilizing local economic resources and using products that have obtained additional value optimally and sustainably (Halim, 2020). The number of SMEs in East Java (Jatim) reached 9.78 million, with the most significant number in micro businesses reaching 9.13 million. The number of SMEs can absorb 13.8 million workers and contribute to the Gross Regional Domestic Product (GRDP) from 2021 to 2022, reaching 57.25 percent (<https://www.jawapos.com>).

As in other areas, the SME sector has become the primary source of livelihood since the COVID-19 pandemic, so opportunities for SME development have become strategic. One of the development priorities in the RPJPD (Regional et al. Plan) for Lamongan Regency for 2005-2025 is to develop and increase the competitiveness of MSMEs, which play an essential role as drivers of the local economic life of Lamongan Regency residents. This is proven by the ability of SMEs to equalize people's economic levels and provide employment opportunities (Purwanti et al., 2021).

The number of SMEs dominates the economy of Lamongan Regency; based on data from the Department of Cooperatives and SMEs, the number of entrepreneurs in Lamongan Regency, which is divided into 27 sub-districts, is 228,676, there are 8,077 small business actors, 348 medium business actors and 254,205 micro business actors. Moreover,

Lamongan Regency is an export-supporting district in East Java. Lamongan Regency Government continues to make various efforts to leverage its economy, including supporting SMEs so that their products can compete internationally. One of the superior, innovative products is exported. It is a food and beverage SME product.

The phenomenon faced by SMEs is that they face various internal and external obstacles covering various aspects. Purwanti and Mu'ah's (2019) research findings state that several obstacles experienced by SMEs include difficulty marketing the products they produce, the ability to innovate and use technology is still low, for example, the lack of human resource capabilities in the technology sector for its operation and marketing. Difficulty in absorbing a competent workforce, lack of common standards or references in formulating and determining business development plans, and weak ability to compete in the market. Lack of readiness to accelerate and adapt to external environmental challenges is a significant obstacle to winning competition in the market.

This research describes innovation capabilities, networking and marketing performance based on the above phenomena. The contribution of this research is hoped to provide input for the Lamongan Regency Cooperatives and Micro Enterprises department as a consideration in making strategies to improve performance marketing, as well as providing input for perpetrators SMEs about the importance of improving marketing performance through innovation and networking capabilities.

2. LITERATURE REVIEW

According to James (2016), marketing performance measures the achievement of a company's overall marketing process activities. Meanwhile, according to Ferdinand (2000:23), marketing performance is a factor used to measure the impact of the strategy implemented by the company. Based on several definitions regarding marketing performance, every company needs to measure the results of implementing the marketing strategy, which can be seen from sales volume, sales growth rate and company profit. Ferdinand (2011) uses three marketing performance indicators: sales growth, customer growth and product success. Marketing performance is characterized by good sales growth compared to previous years, higher growth than competitors, and a broader market share compared to previous years (Tanoko, 2010).

Pervaiz and Charles (2010) state that innovation ability is generating new ideas and knowledge to benefit from market opportunities. Meanwhile, according to Spulber (2004), product innovation capability brings new knowledge or technology to develop new products. According to Kotler and Keller (2016), SME innovation is not only a critical determinant of the success of SME development. From this point of view, the ability to compete in innovation plays a vital role in the competitive advantage of SMEs. Murat Atalay (2013), in measuring innovation, uses indicators of

product innovation, process innovation and marketing innovation.

Networks are related to ongoing business activities that are interrelated and interdependent with other stakeholders, and as a consequence of this relationship, they are spread everywhere naturally (Jamsa et al., 2011). Networks include how individuals organize and determine these relationships, both consciously and unconsciously, in various ways to reflect their needs (Jack, 2010). This reflects that networking within SMEs is an effort made by SMEs to achieve business goals as a reflection of the need for business sustainability, which is carried out by establishing consistent relationships in related industries vertically and horizontally. According to Ratnawati (2020), network indicators are used: coordination, relationship skills, network characteristics, network orientation and network resources.

3. METHODOLOGY

3.1 Research Design

Judging from the method and level of explanation, this research is survey research, namely quantitative research using the same structured or systematic questions to respondents. All the answers obtained are recorded, processed and analyzed.

3.2 Research Location

Research conducted on food and beverage SMEs in Lamongan Regency. The reason for choosing Food and Beverage SMEs in Lamongan Regency is because one of the development priorities in the 2005-2025 RPJPD for Lamongan Regency is to develop and increase the competitiveness of SMEs, which plays a vital role as a driver of the local economic life of Lamongan Regency residents. The Lamongan Regency Government supports SMEs so that their products can compete on the international stage. One of the superior products exported is SME food and beverage products.

3.3 Population and Sample

The research population is the owner or perpetrator of beverage SMEs in Lamongan Regency. There are 182 business actors divided into 27 sub-districts. Meanwhile, the sample for this study was obtained using a saturated sampling technique. According to Sugiyono (2014:118), the saturated sampling technique is when all population members are used as samples, so the sample used in this research was 182 business actors.

3.4 Research Instruments

If the instrument can be used for analysis, it is necessary to test validity and reliability. The validity test was carried out using Pearson's product-moment correlation technique, which correlates the value obtained from each question item with the total value. Sugiyono (2006:131) states that an item is declared valid if the product-moment correlation index is valid Pearson ($r \geq 0.3$). Furthermore,

according to Arikunto (2006:158), "an instrument is said to be reliable if it has value *Cronbach's Alpha* greater or equal to 0.6".

3.5 Data Analysis Techniques

The analysis technique used in this research uses descriptive analysis of respondents, which is used to find descriptions of respondents measured from several indicators asked (questionnaire). The analysis technique used is descriptive statistics to produce an average (mean) value for each indicator.

4. RESULTS AND DISCUSSION

4.1 Results

Based on the results of data collection through distributing questionnaires to perpetrators Food and beverage SMEs It can be seen that the characteristics of the respondent in terms of gender indicate that the respondent is the perpetrator Food and beverage SME 79.12% are dominated by women, with the highest level of education being high school at 36.81%, and 58.24% have 6 to 10 years of experience as SMEs.

The results of validity and reliability tests on question items show that all question items are declared valid and reliable because they have fulfilled the validity testing criteria, namely the product-moment correlation coefficient. Pearson ($r \geq 0.3$) meets the reliability test, namely value *Cronbach alpha* larger or equal to 0.6". So, the instrument can be used to measure market orientation variables, innovation capabilities, networking and marketing performance.

Based on data collected from the questionnaire, the frequency distribution of the innovation ability variable indicators, with the distribution of respondents' answers regarding the unique product packaging produced, the highest number of strongly agree answers was 113 respondents (62.1%), followed by 57 respondents (31.3%) who agreed.), followed by neutral answers by 11 respondents (6%), followed by disagreeing answers by one respondent (0.5%).

Respondents' perceptions of product innovation indicators with the distribution of respondents' answers about the products produced appearing attractive obtained the highest number of strongly agree answers of 102 respondents (56%), followed by agree answers of 65 respondents (35.7%), followed by neutral answers of 13 respondents (7.1%), followed by two respondents (1.1%) disagreeing. Respondents' perceptions of product innovation indicators with the distribution of respondents' answers regarding the safe packaging of the products produced obtained the highest number of strongly agree answers of 86 respondents (47.3%), followed by agree answers of 74 respondents (40.7%), followed by neutral answers of 19 respondents (10.4%), followed by three respondents (1.6%) disagreeing. The average score of the product innovation indicator is 4.45, meaning that respondents agree that product innovation

contributes to innovation capabilities. The statement that the resulting product packaging is unique is most appreciated when describing market orientation, with a score of 4.55.

Respondents' perceptions of process innovation indicators with the distribution of respondents' answers, employees who are skilled at marketing products via social media obtained the most agree answers with 83 respondents (45.6%), followed by strongly agreed answers with 59 respondents (32.4%), followed by neutral answers with 35 respondents. (19.2%), followed by five respondents (2.7%) disagreeing. Respondents' perceptions of process innovation indicators with the distribution of respondents' answers about being a business actor being able to organize the best distribution obtained the most agreed answers of 108 respondents (59.3%), followed by strongly agreed answers from 43 respondents (23.6%), followed by 30 neutral answers. Respondents (16.5%), followed by one respondent (0.5%), disagreed.

Respondents' perceptions of process innovation indicators with the distribution of respondents' answers about being a business actor and being able to manage the production process obtained the most answers of strongly agree as many as 66 respondents (36.3%), followed by agree answers with 65 respondents (35.7%), followed by neutral answers with 47 respondents (25.8%), followed by four respondents (2.2%) who disagreed. Respondents' perceptions of process innovation indicators with the distribution of respondents' answers about being a business actor and being able to operate production processes with the latest technology obtained the most agree answers of 72 respondents (39.6%), followed by strongly agree answers of 59 respondents (32.4%), followed by answers neutral as many as 51 respondents (28%). The average score of the process innovation indicator is 4.06, meaning respondents agree that process innovation contributes to innovation capabilities. The statement that employees are skilled at using products via social media is most appreciated when describing process innovation, with a score of 4.08.

Respondents' perceptions of marketing innovation indicators with the distribution of respondents' answers about being a business actor being able to update product displays on social media obtained the most agree answer of 83 respondents (45.6%), followed by strongly agree answer of 62 respondents (34.1%), followed by the answer 35 respondents (19.2%) were neutral, followed by two respondents (1.1%) who disagreed. Respondents' perceptions of marketing innovation indicators with the distribution of respondents' answers about being a business actor being able to provide choices of product types to consumers through online media obtained the most agree answers of 100 respondents (54.9%), followed by strongly agree answers of 52 respondents (28.6%), followed by neutral answers from 30 respondents (16.5%).

Respondents' perceptions of marketing innovation indicators with the distribution of respondents' answers about

being a business actor being able to expand marketing reach through online media obtained the most agree answer of 84 respondents (46.2%), followed by strongly agree answer of 55 respondents (30.2%), followed by the answer 35 respondents (19.2%) were neutral, followed by eight respondents (4.4%) who disagreed. Respondents' perceptions of marketing innovation indicators with the distribution of respondents' answers about consumers being able to choose product delivery services obtained the most agreed answers of 72 respondents (39.6%), followed by strongly agreed answers of 54 respondents (29.7%), followed by neutral answers of 49 respondents. (26.9%), followed by seven respondents (3.8%) disagreeing.

The average score of the marketing innovation indicator is 4.05, meaning respondents agree that marketing innovation contributes to innovation capabilities. The statement that a business actor can update product displays on social media is most appreciated when describing marketing innovation as much as 4.13. Overall, the average score for the innovation capability variable is 4.19, meaning respondents agree that innovation capability is formed from product, process, and innovation. Product innovation is The most significant contribution to forming innovation capabilities, reflected in the unique packaging produced.

Based on data collected from questionnaires, the frequency distribution of networking variable indicators, based on respondents' perceptions of relationship skill indicators with the distribution of respondents' answers about being a business actor being able to build personal relationships with business partners, the most answers strongly agreed with 100 respondents (54.9%), followed by an affirmative answer of 63 respondents (34.6%), followed by a neutral answer of 19 respondents (10.4%).

Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor can learn about partners' capacities. The highest number of answers were strongly agreed with 90 respondents (49.5%), followed by agreed answers by 75 respondents (41.2%), followed by neutral answers. as many as 17 respondents (9.3%). Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor can learn about partners' goals. The highest number of agreed answers was 94 respondents (51.6%), followed by strongly agreed answers from 45 respondents (24.7%), followed by neutral answers. As many as 40 respondents (22%), followed by three respondents (1.6%), disagreed.

Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor can learn about goals and strategies from partners. The highest number of answers was firmly agreed by 66 respondents (36.3%), followed by strongly agreed answers by 56 respondents (30.8%), followed by neutral answers by 43 respondents (23.6%), followed by disagreeing answers by 17 respondents (9.3%). The average

score of the relationship skills indicator is 4.19, meaning that respondents agree that relationship skills contribute to networking. The statement that a business actor can build personal relationships with business partners is most appreciated when describing relationship skills at 4.45.

Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor being able to establish good relationships with suppliers, the highest answer agreed with 85 respondents (46.7%), followed by strongly agree with 82 respondents (45.1%), followed by neutral answers with 82 respondents (45.1%). Fifteen respondents (8.2%). Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor being able to negotiate flexibly with partners, the highest answer agreed with 84 respondents (46.2%), followed by strongly agreeing with 80 respondents (44%), followed by neutral answers with 18 respondents (9.9%).

Respondents' perceptions of indicators of relationship skills with the distribution of respondents' answers about being a business actor have variables with other SMEs. The highest answer was strongly agreed with 81 respondents (44.5%), followed by agreed answers by 74 respondents (40.7%), followed by neutral answers by 26 respondents (14.3%), followed by one respondent (0.5%) disagreeing. The average score of the relationship skills indicator is 4.33, meaning that respondents agree that relationship skills contribute to networking. The statement that a business actor can establish good relationships with suppliers is most appreciated when describing relationship skills as much as 4.37.

Respondents' perceptions of network characteristic indicators with the distribution of respondents' answers about being a business actor carrying out initial evaluations for (potential) partners to build relationships obtained the highest number of agree answers of 90 respondents (49.5%), followed by strongly agree answers of 51 respondents (28%), followed by neutral answers by 38 respondents (20.9%), followed by disagreeing answers by three respondents (1.6%). Respondents' perceptions of network characteristic indicators with the distribution of respondents' answers regarding how business actors can support each other's success with partners, the most agreed answer was 79 respondents (43.4%), followed by 49 respondents (26.9%) with neutral answers, followed by solid answers. Forty-four respondents agreed (24.2%), followed by ten respondents (5.5%) who disagreed.

The average score of the network characteristics indicator is 3.95, meaning that respondents agree that network characteristics contribute to networking. The statement as a business actor conducting initial evaluations for (potential) partners to build relationships was most appreciated in describing network characteristics as much as 4.04. Respondents' perceptions of network orientation indicators with the distribution of respondents' answers about

being a business actor solving problems with partners obtained the most agree answers of 71 respondents (39%), followed by strongly agree answers of 64 respondents (35.2%), followed by neutral answers of 41 respondents (22.5%), followed by six respondents (3.3%) disagreeing.

Respondents' perceptions of network orientation indicators with the distribution of respondents' answers regarding how, as a business actor, they can place themselves if they are in a partner's position, the highest number of agree answers were 73 respondents (40.1%), followed by strongly agree answers of 64 respondents (35.2%), followed by Neutral answers were 31 respondents (17%), followed by disagreeing answers by 14 respondents (7.7%). The average score of the network orientation indicator is 4.05, meaning that respondents agree that network orientation contributes to networking. The statement as a business actor solving problems with partners is most appreciated in describing network orientation with a score of 4.06.

Overall, the average score for the networking variable is 4.05, meaning respondents agree that networking is formed from relationship skills, relationship skills, network characteristics and network orientation. The most significant contribution to the formation of networking is relationship skills, which are reflected in establishing good relationships with suppliers as business actors.

Based on data collected from questionnaires, the frequency distribution of marketing performance variable indicators, respondents' perceptions of sales growth indicators with the distribution of respondents' answers regarding sales growth increasing every year, the highest number of strongly agreed answers was 111 respondents (61%), followed by 55 agreed answers. Respondents (30.2%), followed by neutral answers from 13 respondents (7.1%), followed by disagreeing answers from 3 respondents (1.6%).

Respondents' perceptions of sales growth indicators with the distribution of respondents' answers regarding product sales according to sales targets obtained the most answers were strongly agreed with 89 respondents (48.9%), followed by agreed answers with 77 respondents (42.3%), followed by neutral answers with 16 respondents (8.8%). Respondents' perceptions of sales growth indicators with the distribution of respondents' answers about the product being more and more buyers, the highest number of strongly agree answers was 82 respondents (45.1%), followed by agree answers of 79 respondents (43.4%), followed by neutral answers of 20 respondents (11%), followed by one respondent disagreeing (0.5%). The average score of the sales growth indicator is 4.41, meaning that respondents agree that sales growth contributes to networking. The statement that sales growth has increased yearly is most appreciated when describing sales growth of 4.51.

Respondents' perceptions of customer growth indicators with the distribution of respondents' answers about increasing customers obtained the most agree answers from 84 respondents (46.2%), followed by neutral answers from 50

respondents (27.5%), followed by strongly agree answers from 44 respondents (24, 2%), followed by four respondents (2.2%) disagreeing. Respondents' perceptions of customer growth indicators with the distribution of respondents' answers about customers often actively visiting product social media obtained the most agreed answers of 72 respondents (39.6%), followed by neutral answers of 60 respondents (33%), followed by strongly agreed answers of 44 respondents. (24.2%), followed by six respondents (3.3%) disagreeing. The average score of the customer growth indicator is 3.89, meaning that respondents agree that customer growth contributes to networking. The Customer Increase statement was most appreciated in describing customer growth of 3.92.

Respondents' perceptions of market share growth indicators with the distribution of respondents' answers regarding increasing market share but being able to use minimum resources obtained the most answers strongly agree as many as 82 respondents (45.1%), followed by agree answers as many as 62 respondents (34.1%), followed by 37 respondents (20.3%) had neutral answers, followed by one respondent (0.5%) who disagreed. Respondents' perceptions of market share growth indicators with the distribution of respondents' answers regarding marketing reach outside the production area in the last three years obtained the highest number of strongly agree answers of 82 respondents (45.1%), followed by agree answers of 62 respondents (34.1%), followed by a neutral answer of 37 respondents (20.3%), followed by a disagreeing answer of 1 respondent (0.5%).

Respondents' perceptions of market share growth indicators with the distribution of respondents' answers regarding sales outlets increasing over the last three years obtained the most agreed answers of 76 respondents (41.8%), followed by strongly agreed answers of 62 respondents (34.1%), followed by neutral answers. as many as 42 respondents (23.1%), followed by two respondents (1.1%) disagreeing. Respondents' perceptions of market share growth indicators with the distribution of respondents' answers regarding one transaction in the last three years, consumer purchases tended to increase, with the highest number of agree answers being 81 respondents (44.5%), followed by neutral answers being 55 respondents (30.2%), followed by 46 respondents (25.3%) strongly agreed.

The average market share growth indicator score is 4.09, meaning respondents agree that market share growth contributes to marketing performance. The statement of marketing reach outside the production area in the last three years is most appreciated when describing market share growth of 4.24. Overall, the average score for the marketing performance variable is 4.13, meaning that respondents agree that marketing performance is formed from sales growth, customer growth and market share growth. The most significant contribution to marketing performance is that sales growth increases yearly.

4.2 Discussion

Innovation capability is determined by product innovation, process innovation and marketing innovation, respectively; this is in line with research by Murat Atalay (2013) that innovation capability is measured by product innovation, process innovation and marketing innovation. The most significant contribution to the formation of innovation capabilities is product innovation, which is reflected in the statement that the product packaging produced is unique. This happens based on the experience of SMEs established for over ten years. In terms of product variance, they are similar to competitors, so innovation capabilities are developed by taking an approach through product packaging innovation and ensuring that the resulting product packaging is unique; unique packaging can be a differentiator for consumers. Compared to similar products, thereby helping SMEs to be recognized easily by consumers amidst competition. With unique product packaging, SMEs can create a strong attraction amidst increasingly fierce competition.

Networking is determined by relationship skills, relationship expertise, network orientation, and characteristics. This aligns with research by Walter et al. (2006), who revealed that relationship skills measure networking. Ratnawati (2020) revealed that relationship skills, network characteristics and orientation measure networking. The most significant contribution to the formation of networking is relationship skills, which are reflected in the statement that as a business actor, you can build good relationships with suppliers. This happens based on the experience of SMEs who have been around for more than ten years by approaching suppliers directly, building trust, and maintaining effective communication. When food and beverage SMEs routinely establish good relationships with raw material suppliers such as distributors of meat, vegetables and other ingredients, SMEs periodically visit suppliers directly, communicate openly about needs and requirements, and maintain relationships to guarantee that When we need materials, they can always be provided, in terms of quality, suppliers can always maintain the quality of the materials, can get competitive prices, and get support in terms of product promotion.

Marketing performance is determined respectively by sales growth, market share growth and customer growth; this is in line with research by Miller (2003), which reveals that marketing performance is measured from market share growth and Ferdinand (2011), which reveals that marketing performance is measured from sales growth, customer growth and product success. The most significant contribution to the formation of marketing performance among SMEs is that sales growth increases every year. This can be proven by the majority of SMEs who have been in the food and beverage business for more than ten years, illustrating the sustainability of the business because the business has experienced an increase. This continuous increase in sales shows that SMEs'

marketing strategies effectively reach the market and influence consumers. Thus, sales growth, which increases yearly, is the most significant contribution to establishing successful marketing performance for SMEs.

5. CONCLUSIONS

Based on data analysis and related discussions, the innovation capability of SMEs is determined by product, process, and marketing innovation. The most significant contribution from SMEs is in product innovation, with the resulting products being displayed as attractive, with unique and safe packaging. The innovation capabilities of SMEs in terms of process innovation with employees can be more skilled at marketing products through social media and networking in terms of network orientation that can solve problems with partners to increase market share growth, which has an impact on increasing marketing reach outside the production area. Relationship expertise, relationship skills, network characteristics, and network orientation determine the networking of SME actors. The most significant contribution of SME actors is in establishing networking with network characteristics such as business actors supporting each other's success with partners and SME actors being able to conduct initial evaluations of potential partners to build relationships that can help in their business. Furthermore, the marketing performance of SMEs is determined by sales growth, customer growth and market share growth. Creating marketing performance, with product sales that are in line with sales targets, more and more buyers of products, so that sales growth increases every year

Based on the conclusions above, the contribution of this research can be used as input for perpetrators. SMEs need to improve their marketing performance further by increasing sales outlets inside and outside the production area—networking as a business supporter by increasing networking in collaboration with other SMEs to improve their business. The Lamongan Regency Cooperatives and UMKM Service provide incentives and financial support for developing SME businesses, including capital assistance and training. The goal is to improve marketing performance and expand the market. They also build information and promotion centers for SMEs to facilitate product marketing through digital platforms and social media.

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