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# **Marketing Strategy and Business Development to Improve Product Quality and Innovation in Omah Kepiting Micro, Small and Medium Enterprises in Surabaya (Case Study on MSMEs Pakal Emas in Surabaya)**

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**Abstract---**Micro, Small and Medium Enterprises (MSMEs) have an important role in improving the regional economy and the economy of a country. The government pays great attention to the development of MSMEs to survive the global crisis. Various initiatives are always pursued by the government through the Ministry of Cooperatives and Small and Medium Enterprises so that more and more individuals want to pursue the entrepreneurial world. UMKM Omah Kepiting is one of the Pakal Emas MSMEs groups located in Surabaya. MSMEs Omah Kepiting provides a variety of foods with certain characteristics, both traditional and modern foods. Omah Kepiting strives for several innovations and creations in food to attract consumers. Omah Kepiting also always strives to improve the quality of food products so that consumers are satisfied with the taste of food and service. This research is quantitative. Data collection through questionnaires and other similar research reference data. Data analysis using multiple linear regression analysis. The results of this study showed that quality is influenced by marketing strategies and Business Development by 88.2%, while the remaining 11.8% is influenced by other variables that are not included in this study. While product innovation is influenced by marketing strategies and Business Development by 88.9% while the remaining 11.1% is also influenced by other variables that are not included in this study.

**Keywords---**business development, marketing strategy, MSMEs, product innovation, quality.

#### **Introduction**

Understanding marketing strategies has an important and diverse role for a company. Business people understand that, several reasons why it is important to understand the marketing strategy (Simanihuruk et al., 2023). Marketing strategies help companies in achieving their business goals. By understanding the right marketing strategy, companies can deploy their resources and efforts effectively to increase sales, expand market share, increase brand

awareness, or achieve other business goals. A good marketing strategy allows the company to differentiate itself from competitors and build a competitive advantage (Varadarajan, 2020; Lamberti & Noci, 2010). Understanding the market environment, consumer behavior, and customer needs, companies can develop unique value propositions, target the right market segments, and develop effective marketing strategies to overcome competition (Kadarusman & Bunyamin, 2021). Efforts to develop and promote MSME actors can be made by various elements in the community, both in their distribution and by working together. Product quality is one of the most important aspects of a business development strategy. Product quality refers to the level of excellence or adequacy of products in meeting or exceeding customer expectations and needs (Gorla et al., 2010; Sousa & Voss, 2002). It is important for companies to consistently invest in quality control, product testing, and production process improvement to ensure that the products produced meet high-quality standards and meet customer expectations (Phan, 2003; Wirtz et al., 2010).

Micro, Small and Medium Enterprises (MSMEs) have an important role in improving the regional economy and the economy of a country. According to Tambunan (2012), in Indonesia, MSMEs proved to have an important role in overcoming the consequences and impacts of the economic crisis that occurred in 1997 where many of the big companies went bankrupt, while MSMEs were able to survive the crisis conditions. In addition, this sector can increase the per capita income or Gross Domestic Product (GDP) of the community because it can absorb a considerable amount of Labor (Sipayung et al., 2021). A small business is a stand-alone productive economic business, carried out by an individual or business entity that is not a subsidiary or not a branch of a company owned, controlled, or part either directly or indirectly of a micro or large business that meets the criteria for small business as referred to in the law. Medium enterprises are stand-alone productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or part directly or indirectly of micro, small or large enterprises that meet the criteria for medium enterprises as referred to in law Number 20 of 2008 on MSMEs. In the law, the criteria used to define MSMEs as stated in Article 6 is the value of net worth or asset value, excluding land and buildings of business premises, or annual sales proceeds (Tambunan, 2012).

According to Kashmiri et al. (2017), a business can be said to be successful if business actors have personality characteristics that are honest, creative and innovative to build trust in consumers, the more motivation and good behavior owned by a business actor, the greater the possibility of an MSME can develop. To develop an MSME so that its business is successful, business actors must be able to think creatively and innovatively to further develop their business (Kashmiri et al., 2017).

The government pays great attention to the development of MSMEs to survive the global crisis. Various initiatives are always pursued by the government through the Ministry of Cooperatives and Small and Medium Enterprises so that more and more individuals want to pursue the entrepreneurial world in the form of establishing MSMEs (Vásquez et al., 2021; Behl et al., 2022). The government's attention to very large MSMEs is the right strategic step needed by the Indonesian nation. The seriousness of the government's concern for MSMEs with programs to develop MSMEs in Indonesia. Although the support of the Indonesian government is very large to make MSMEs succeed and develop does not mean without constraints. To create an MSMEs like catering business in Omah Kepiting. MSMEs Omah Kepiting is one of the Pakal Emas MSMEs groups located in Surabaya. MSMEs Omah Kepiting provides a variety of foods with certain characteristics, both traditional and modern foods. Omah Kepiting strives for several innovations and creations in food to attract consumers. Omah Kepiting also always strive to improve the quality of food products so that consumers are satisfied with the taste of food and service (Simanihuruk et al., 2023).

The purpose of this study is to determine the effect of marketing strategies and business development to improve the quality and product innovation at MSMEs Omah Kepiting (Branzei & Vertinsky, 2006; Cheng et al., 2013).

## Methods

This research is quantitative, this research itself was conducted on MSMEs Omah Kepiting in Surabaya. While the object of this study is the consumer of Omah Kepiting itself. Sampling technique using purpose sampling Responden as a sample in this study amounted to 50 SMEs. Data collection using questionnaires with Likert scale and reference data related research that has been done by previous research. Data analysis in this study used several methods, among others: 1) classical assumption test, including normality test, multicollinearity test, heteroscedasticity, and autocorrelation test. 2) multiple linear regression test, 3) hypothesis test, including partial test, F test, and coefficient of determination.

## Results

This research was conducted in Benowo village, Pakal District, Surabaya. The respondents in this study are the consumers of Omah Kepiting with a sample of 50 people selected using a purposive sampling technique that is sampling by using certain considerations following the desired criteria. The additional data from respondents used by researchers to support this research can be seen in the table below as follows:

Description of respondents by gender, and age as follows:

Table 1  
Test results on respondents based on gender and age of respondents

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	9	18.0	18.0	18.0
	Female	41	82.0	82.0	100.0
		age			
Valid	11-20	1	2.0	2.0	2.0
	21-30	14	28.0	28.0	30.0
	31-40	27	54.0	54.0	84.0
	41-50	8	16.0	16.0	100.0
	Total	50	100.0	100.0	

Based on the results of gender testing of respondents in SPSS, in this study were 9 male respondents with a percentage of 18% and 41 female respondents with a percentage of 82 %. So it can be concluded that a total of 50 respondents with a percentage of 100% Most Dominant is the female sex as many as 41 people with a percentage of 82 %. Based on the results of age testing of respondents in SPSS, in this study were aged 11 - 20 years as many as 1 people with a percentage of 2 %, aged 21 - 30 years as many as 14 people with a percentage of 28 %, age 31 - 40 years as many as 27 people with a percentage of 54 %, age 41-50 years as many as 8 people with a percentage of 16%. So it can be concluded that a total of 50 respondents with a percentage of 100% Most Dominant is the age of 31 - 40 years as many as 27 people with a percentage of 54 %.

## Analysis Results

### Classical assumption test

#### 1. Normality Test

Normality test was conducted using one Sample Kolmogorov-Sminov Test. This test is said to be normal if the significance level  $> 0.05$ . Normality test results can be seen in the table below:

##### a) Test Of Quality (Y1)

Table 2  
Kolmogorov-Smirnov Normality Test (Y1)

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	3.52866964
Most Extreme Differences	Absolute	.105
	Positive	.084
	Negative	-.105
Test Statistic		.105
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

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c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

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Source: primary data processed in 2024

Table 2 normality test results using SPSS shows that Asym. Sig. (2-tailed) of 0.200. This shows that the significance value is greater than 0.05 so it can be concluded that the data in this study are normally distributed.

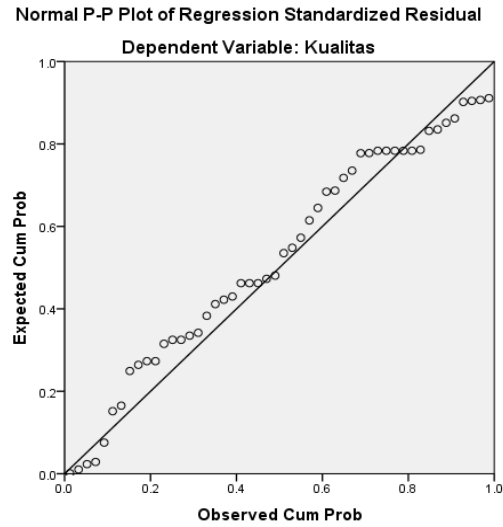


Figure 1. Normality Test Of P-Plot Quality (Y1)

The results of Figure 1 above show that the data spread around the diagonal line following the direction of the histogram lines, so it can be concluded that the regression model is feasible because it meets the assumption of normality.

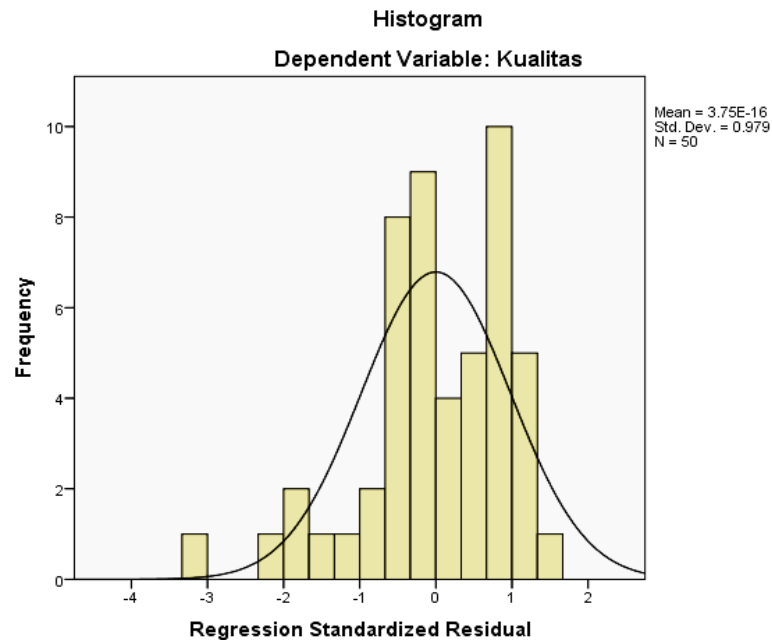


Figure 2. Histogram Of Quality Normality Test (Y2)  
Source: primary data processed in 2024

The results of the Figure 2 histogram normality test above can be said to be normal if it forms like a mountain or a concave arch like a bell.

b) Product Innovation Normality Test (Y2)

Table 3  
Kolmogorov - Smirnov Normality Test Product Innovation (Y2)

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		50
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.15023635
Most Extreme Differences	Absolute	.119
	Positive	.080
	Negative	-.119
Test Statistic		.119
Asymp. Sig. (2-tailed)		.076 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Table 3 normality test results using SPSS show that Asym. Sig. (2-tailed) amounted to 0.076. This shows that the significance value is greater than 0.05 so it can be concluded that the data in this study are normally distributed.

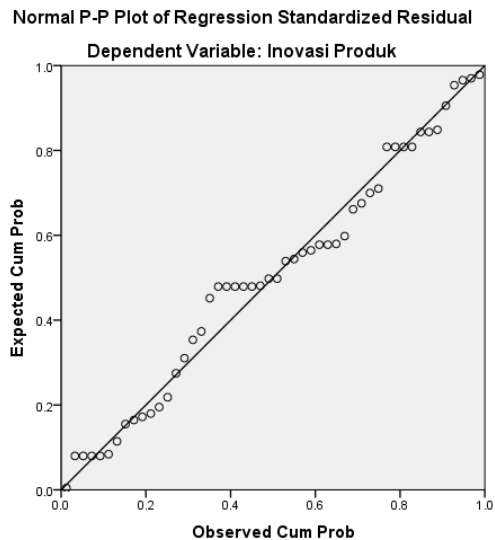


Figure 3. P-Plot Normality Test Of Product Innovation (Y2)

The results of Figure 3 above show that the data spread around the diagonal line following the direction of the histogram lines, so it can be concluded that the regression model is feasible because it meets the assumption of normality.

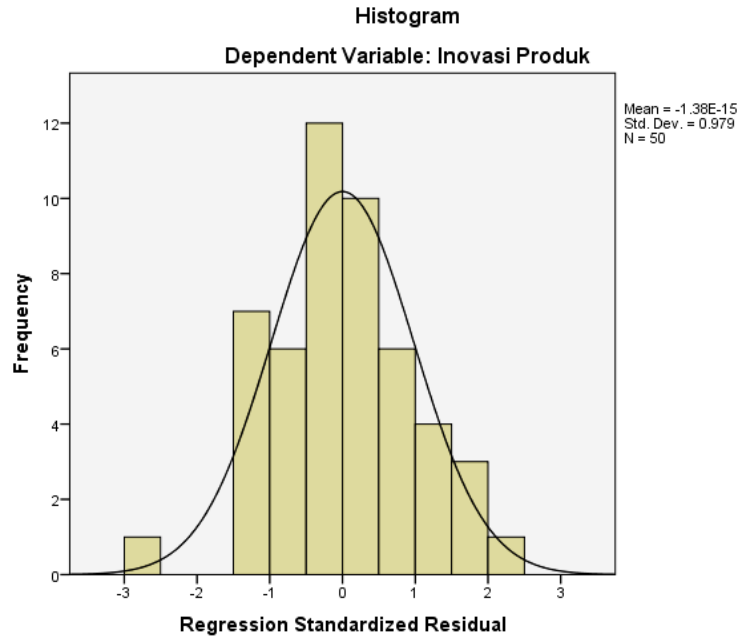


Figure 4. Histogram Of Quality Normality Test (Y2)

The results of the Figure 4 histogram normality test above can be said to be normal if it forms like a mountain or a concave arch like a bell.

## 2. Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression Model should not correlate with variables (Ghozali, 2018). To be able to determine whether there is multicollinearity in the regression model in this study is to see the value of VIF (Variance Inflation Factor) and tolerance and analyze the correlation matrix of independent variables. The value of VIF can be seen in the following table:

Table 4  
Multicollinearity Test

Model		Unstandardized Coefficients		Coefficients <sup>a</sup>	t	Sig.	Collinearity Statistics	
		B	Std. Error	Standardized Coefficients Beta			Tolerance	VIF
1	(Constant)	13.006	4.601		2.827	.007		
	Strategi Pemasaran	-.098	.226	-.077	-.432	.668	.606	1.649
	Pengembangan Bisnis	.464	.253	.329	1.834	.073	.606	1.649

a. Dependent Variable: Kualitas

Source: primary data processed in 2024

Based on Table 4, the VIF value of each independent variable does not exceed 10, meaning it cannot be a symptom of multicollinearity. Thus it can be concluded in this study there are no symptoms of multicollinearity in each independent variable also shows that the value of VIF and Tolerance of each variable is as follows :

- a) The VIF value of the marketing strategy variable is  $1.649 < 10.00$  and the Tolerance value is  $0.606 > 0.10$ , which means that the marketing strategy variable does not occur multicollinearity.
- b) The VIF value of the Business Development variable is  $1.649 < 10.00$  and the Tolerance value is  $0.606 > 0.10$ , which means that the business development variable does not occur multicollinearity.

### 3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether regression variance and residual inequality occur from one observation to another. In this study the method used in detecting the presence or absence of heteroscedasticity is by looking at the graph plot between the predictive value of the dependent variable is  $z_{pred}$  design residual SRESID. The heteroscedasticity test can be seen in Figures 5 and 6 heteroscedasticity test results below:

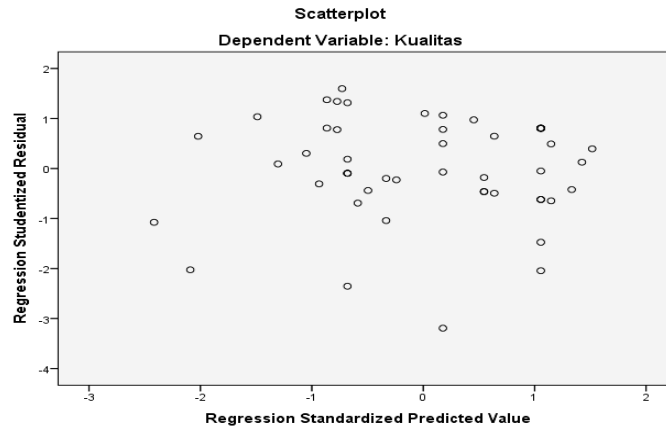


Figure 5. Results Of Quality Heteroscedasticity Test (Y1)  
Source: primary data processed in 2024

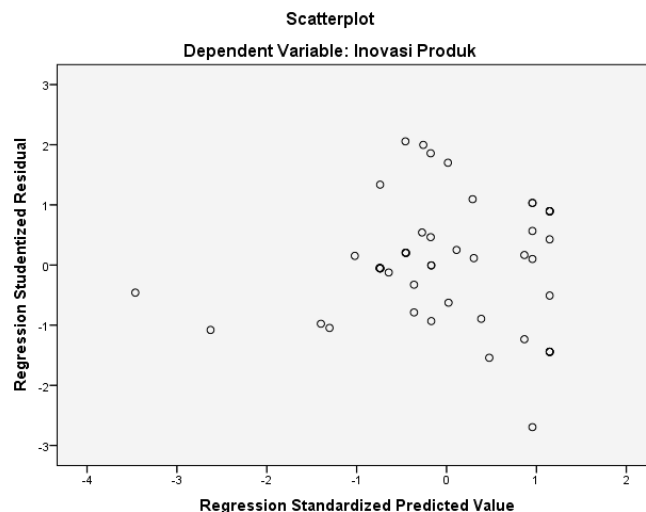


Figure 6. Results Of Product Innovation Heteroscedasticity Test (Y2)

Based on the results of Figure 5 and Figure 6 heteroscedasticity test results scatterplot graph display shows that the points spread above and below the number 0 on the Y axis. Where in this case it means that there is no heteroscedasticity in the regression model so that the regression model is feasible to use for prediction.

### *Multiple Linear Regression Analysis*

Multiple linear regression analysis is useful to determine whether there is a significant influence between the independent variables, namely the marketplace and social media on the expansion of market segments. The results of multiple linear regression analysis can be seen in the table below:

## 1. Quality (Y1)

Table 5  
Multiple Linear Regression Analysis Test Results Quality (Y1)

Model		Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients				
		B	Std. Error			
1	(Constant)	13.006	4.601		2.827	.007
	Strategi Pemasaran	.098	.226	.077	2.432	.008
	Pengembangan Bisnis	.464	.253	.329	2.834	.003

a. Dependent Variable: Kualitas

Source: primary data processed in 2024

Based on the table above can be made regression equation as follows:

$$Y1 = 13.006 + 0.098 X1 + 0.464 X2 + e$$

The interpretation of the multiple linear regression equation above is as follows:

- Constant or the magnitude of the quality level of 13.006 if there is no variable influence (in this case is a marketing strategy and business development)
- B1 of 0.098 with a positive relationship indicates that if the marketing strategy has increased it will be followed by an increase in quality of 9.8% assuming other independent variables are considered constant.
- B2 of 0.464 with a positive relationship indicates that if business development increases, it will be followed by an increase in quality of 46.4% with the assumption that other independent variables are considered constant.

## 2. Product Innovation (Y2)

Table 6  
Results of Multiple Linear Regression Analysis of Product Innovation (Y2)

Model		Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients				
		B	Std. Error			
1	(Constant)	8.23	2.804		2.93	.005
	Strategi Pemasaran	.443	.138	.487	3.22	.002
	Pengembangan Bisnis	.151	.154	.148	2.98	.000

a. Dependent Variable: Inovasi Produk

Source: primary data processed in 2024

Based on the table above can be made regression equation as follows:

$$Y2 = 8.231 + 0.443 X1 + 0.151 X2 + e$$

The interpretation of the multiple linear regression equation above is as follows:

- Constant or magnitude of Product Innovation rate of 8.231 if there is no variable influence (in this case is the marketing strategy and business development)
- B1 of 0.443 with a positive relationship indicates that if the marketing strategy has increased, it will be followed by an increase in product innovation by 44.3% assuming other independent variables are considered constant.
- B2 of 0.151 with a positive relationship indicates that if business development increases, it will be followed by an increase in product innovation by 15.1% with the assumption that other independent variables are considered constant.

### Hypothesis Test

#### 1. Partial Test (t-test)

T-test is useful to test the significance of the relationship between the independent variables of marketing strategy and business development against the dependent variables of product quality and innovation. In this study, the researchers used SPSS version 25. For the test criteria use the level of significance (  $\alpha$  ) = 5% or 0.05. Partial test results (t-test) can be seen in the table below:

##### a) Quality (Y1)

Table 7  
Partial Test (t-test) quality (Y1)

Model		Coefficients <sup>a</sup>			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	13.006	4.601		2.827	.007
	Strategi Pemasaran	.098	.226	.077	2.432	.008
	Pengembangan Bisnis	.464	.253	.329	2.834	.003

a. Dependent Variable: Kualitas

Source: primary data processed in 2024

##### 1) The Effect Of Marketing Strategy On Quality

Following Table 7, the Partial Test (t-test) shows that the value of the significance of the marketing strategy (X1) to the quality (Y1) is  $0.008 < 0.05$  and the value of t-hitung  $2.432 > t$ -table 2.012 then Ho1 rejected and HA1 accepted. This means that there is a significant influence of marketing strategy on quality.

##### 2) The Effect Of Business Development On Quality

Table V.11 is a Partial Test (t-test) that shows that the value of the significance of business development (X2) to the quality (Y1) is  $0.003 < 0.05$  and the value of t-hitung  $2.834 > t$ -table 2.012 then Ho2 rejected and HA2 accepted. This means that there is a significant influence of business development on quality.

##### b) Product Innovation (Y2)

Table 8  
Partial Test (t-test) of Product Innovation (Y2)

Model		Coefficients <sup>a</sup>			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	8.231	2.804		2.936	.005
	Strategi Pemasaran	.443	.138	.487	3.220	.002
	Pengembangan Bisnis	.151	.154	.148	2.980	.000

a. Dependent Variable: Inovasi Produk

##### 1) The Effect Of Marketing Strategy On Product Innovation

Table V.12 is a Partial Test (t-test) that shows that the value of the significance of marketing strategy (X1) to product innovation (Y2) is  $0.002 < 0.05$  and the value of t-hitung  $3.220 > t$ -table 2.012 then Ho1 rejected and HA1 accepted. This means that there is a significant influence of marketing strategies on product innovation.

##### 2) The Effect Of Business Development On Product Innovation

Table V.12 is a Partial Test (t-test) that shows that the value of the significance of business development (X2) to quality (Y1) is  $0.000 < 0.05$  and the value of the count  $2.980 > t$ -table 2.012 then Ho2 rejected and HA2 accepted. This means that there is a significant influence of business development on product innovation.

## 2. F-Test

F (Fisher) test is used to show whether a group of independent variables together affect the bound variable. This study can be seen in the following table:

## a. Quality (Y1)

Table 9  
Simultaneous Test (Test F) Quality (Y1)

Model		Sum of Squares	ANOVA <sup>a</sup>		F	Sig.
			df	Mean Square		
1	Regression	54.696	2	27.348	3.197	.003 <sup>b</sup>
	Residual	610.124	47	12.981		
	Total	664.820	49			

a. Dependent Variable: Quality

b. Predictors: (Constant), Business Development, Marketing Strategy

Source: primary data processed in 2024

Based on the testing of significant variables can be seen by considering the value of significance and  $df = (n - k) - 1$ , as well as the value of Fhitung. So if the value of Fhitung and the value of GIS  $< 0.05$  can be concluded independent variables or marketing strategies and Business Development affect the quality. From Table 9, it can be seen that the significance value for the effect of marketing strategy (X1) and business development (X2) on quality (Y1) is  $0.003 < 0.05$  and F count  $3.197 > F$ -Table value 3.195. This proves that  $H_0$  is rejected and  $H_a$  is accepted. This means that there is a significant influence of marketing strategy (X1) and business development (X2) on quality (Y1).

## b. Product Innovation (Y2)

Table 10  
Simultaneous Test (Test-F) Product Innovation (Y2)

Model		Sum of Squares	ANOVA <sup>a</sup>		F	Sig.
			df	Mean Square		
1	Regression	121.528	2	60.764	12.606	.000 <sup>b</sup>
	Residual	226.552	47	4.820		
	Total	348.080	49			

a. Dependent Variable: Product Innovation

b. Predictors: (Constant), Business Development, Marketing Strategy

Based on the testing of significant variables can be seen by considering the value of significance and  $df = (n - k) - 1$ , as well as the value of Fhitung. So if the value of Fhitung and the value of GIS  $< 0.05$  can be concluded independent variables or marketing strategies and Business Development affect product innovation. From Table 10, it can be seen that the significance value for the effect of marketing strategy (X1) and business development (X2) on product innovation (Y2) is  $0.000 < 0.05$  and F count  $12.606 > F$  Table value 3.195. This proves that  $H_0$  is rejected and  $H_a$  is accepted. This means that there is a significant influence of marketing strategy (X1) and business development (X2) on product innovation (Y2)

## 3. Coefficient Of Determination (R2)

## a) Quality (Y1)

Table 11  
Koesfisen Test For Quality Determination (Y1)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.287 <sup>a</sup>	.882	.043	3.603

a. Predictors: (Constant), Business Development, Marketing Strategy

Source: primary data processed in 2024

The coefficient of determination test is used to measure the ability of the model to explain the variation of the dependent variable. The test results of the coefficient of determination (R<sup>2</sup>) can be seen in full in the table below:

Based on Table 11 influenced by the value of the Adjusted coefficient R Square (R<sup>2</sup>) of 0.882 or 88.2%. So it can be concluded that the quality variable (Y1) is influenced by the Variable Marketing Strategy (X1) and Business Development (X2) by 88.2% and the remaining 11.8% is caused by other variables that are not included in this study.

b) Product Innovation

Table 12  
Koesfisen Test Determination Of Product Quality (Y2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591 <sup>a</sup>	.899	.321	2.196
a. Predictors: (Constant), Business Development, Marketing Strategy				

Based on Table 12 influenced by the value of the Adjusted coefficient R Square (R<sup>2</sup>) of 0.889 or 88.9%.. So it can be concluded that the variable product innovation (Y2) is influenced by the Variable Marketing Strategy (X1) and Business Development (X2) by 88.9% and the remaining 11.1% is caused by other variables that are not included in this study.

## Discussion

### *Effect of Marketing Strategy (X1) on quality (Y1)*

Based on the results of multiple linear regression analysis showed that marketing strategies have a significant effect on quality. This can be seen from the Partial Test (t-test) which shows that there is a significant influence between the variables of Marketing Strategy (X1) to quality (Y1).

### *Effect of Business Development (X2) on quality (Y1)*

Based on the results of multiple linear regression analysis shows that business development has a significant effect on quality. This can be seen from the Partial Test (t-test) which shows that there is a significant influence between the development variables Bsinis (X2) to quality (Y1).

### *Effect of Marketing Strategy (X1) on Product Innovation (Y2)*

Based on the results of multiple linear regression analysis showed that marketing strategies have a significant effect on Product Innovation. This can be seen from the Partial Test (t-test) which shows that there is a significant influence between marketing strategy variables (X1) to product innovation (Y2).

### *Effect of Business Development (X2) on Product Innovation (Y2)*

Based on the results of multiple linear regression analysis shows that business development has a significant effect on Product Innovation. This can be seen from the Partial Test (t-test) which shows that there is a significant influence between the development variables Bsinis (X2) to Product Innovation (Y2).

### *Effect of Marketing Strategy (X1) and Business Development (X2) on quality (Y1) and Product Innovation (Y2)*

a) Based on the results of multiple linear regression analysis the results of marketing strategies and business development have a significant effect on quality. This can be seen from the simultaneous test (F-test) which shows that there is a significant influence between marketing strategy (X1) and Business Development (X2) on quality (Y1).

The analysis of the above data shows that marketing strategies and business development have a significant effect together on quality. Based on the coefficient of determination (R<sup>2</sup>) test, the value of Adjusted R Square showed a result of 0.882. It can be interpreted that the quality variable (Y1) is influenced by the marketing strategy variable (X1) and Business Development (X2) by 88.2% while the remaining 11.8% of the quality is influenced by other variables that are not included in this study.

- b) Based on the results of multiple linear regression analysis the results of marketing strategies and business development have a significant effect on product innovation. This can be seen from the simultaneous test (F-test) which shows that there is a significant influence between marketing strategy (X1) and Business Development (X2) on Product Innovation (Y2).

The analysis of the above data shows that marketing strategies and business development have a significant effect together on quality. Based on the coefficient of determination (R<sup>2</sup>) test, the value of Adjusted R Square showed a result of 0.889. It can be interpreted that the quality variable (Y1) is influenced by the marketing strategy variable (X1) and Business Development (X2) by 88.9% while the remaining 11.1% of the quality is influenced by other variables that are not included in this study.

## Conclusion

Based on the results of research and discussion that have been described, the conclusions that can be drawn as follows: 1) The Adjusted R Square results show that quality is influenced by marketing strategies and Business Development, also influenced by other variables that are not included in this study. 2) The Adjusted R Square result shows that product innovation is influenced by marketing strategy and Business Development is also influenced by other variables that are not included in this study.

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