

# The Product Innovation of Market Orientation to Marketing Performance in Indonesia Tourist Destination

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## Abstract

*The present study aims to investigate the impact of product innovation on marketing performance of SME'S souvenirs in Indonesia. The study's findings suggest that there is a favorable and substantial relationship between product innovation and marketing performance. The relationship between market orientation and marketing performance is mediated by product innovation. This study used two analysis techniques: descriptive and inferential statistics. Although inferential statistics are used to assess the validity of hypotheses developed using route analysis techniques in conjunction with the Sobel Test, descriptive statistics seek to identify the traits and answers of respondents with reference to the statement items in the questionnaire which indicates that product innovation can mediate the influence of market orientation on marketing performance. The higher the impact of market orientation on enhancing marketing performance throughout SME's souvenir in Indonesia, the better the product innovation. Market orientation significantly and favorably influences both product innovation and marketing effectiveness.*

**Keywords:** *Product Innovation, Marketing Performance, Market Orientation, Sobel Test, SME.*

## Introduction

One of the industries that the government is now developing is tourism. This is due to the fact that, aside from the oil and gas industry, tourism is essential to Indonesia's development, particularly as a source of foreign income. One of the most well-known international travel destinations worldwide is Yogyakarta. Since the 1980s, Yogyakarta's economy and development have been mostly driven by the tourist industry. As such, Yogyakarta's tourist industry is closely linked to the city's growth and the lives of its citizens. Yogyakarta's tourism industry is expanding quickly, making the island one of the most popular travel destinations for both domestic and international travelers. The volume of tourists who visit Yogyakarta may be used to gauge the city's tourism activity. The number of tourists that visited Yogyakarta between 2021 and 2023 is shown below.

**Table 1. Development of Tourist Visits to Yogyakarta, Indonesia in 2021-2023**

No	Year	Types of Travelers		Amount
		Domestic	International	
1	2021	7 176 100	4 121 835	11 833 937
2	2022	8 849 653	4 745 863	14 977 878
3	2023	8 979 524	5 732 959	14 583 947

*Source:* Central Statistics Agency of Yogyakarta Province, 2023

Based on Table 1, there has been an increase in the number of tourists visiting Yogyakarta yearly. Starting from 2021, there were tourist visits of 11,833,937 people. In 2022, there was an increase of 21.73%, while in 2023, there was an increase of 6.35%. The increase in the number of tourists that occurs every year, namely in 2021-2023, is an opportunity that business actors can utilize to develop innovative business ideas. The growth of culinary tourism is influenced by the expansion of the tourist sector. One of the tours that brings a lot of visitors to a place is culinary tourism. Each location has a distinct cuisine that

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reflects its own characteristics. According to statistics from Yogyakarta Province's Central Statistics Agency (2023), Yogyakarta's creative economy structure is dominated by the culinary sub-sector, which accounts for 41.4% of the total of 16 sub-sectors within the creative economy. The culinary sub-sector has been dominating other sub-sectors for almost two years. Although the development of the creative industry is dynamic, there has been no significant change. Given the growth of tourism and the impact of culinary tourism on the culinary sub-sector that dominates Yogyakarta's creative economy structure, a number of enterprises have started culinary businesses in the Yogyakarta souvenir market as a means of generating revenue. The souvenir business in Yogyakarta is a culinary industry and a promising food market; this makes companies or souvenir producers develop various types of souvenir products such as milk pie, pia, nuts, chips and others. The following is a list of producers of typical Yogyakarta souvenirs in 2023.

**Table 2. Development of Yogyakarta Specialty Food Souvenir Producers 2021-2023**

No	Year	Number of Producers				Amount
		Pie	Pia	Peanut	Chips	
1	2021	27	10	40	42	119
2	2022	32	11	45	43	131
3	2023	35	12	44	47	138

Source: Department of Industry and Trade of Yogyakarta City, 2023

Based on Table 2, the development of typical Yogyakarta souvenir food producers can be seen yearly. Starting in 2021, the producers of typical Yogyakarta souvenir food were 119 producers. In 2022, the producers experienced an increase of 11.46% and in 2023, an increase of 5.4%. The number of typical Yogyakarta souvenir food producers increased in 2021-2023. This means that the public sees that there are business opportunities in the Yogyakarta souvenir food business sector that are promising and profitable, so that the number of these producers increases every year.

The tendency of tourists to purchase typical Yogyakarta souvenirs as a memento of their trip to Yogyakarta has resulted from an increase in tourism. This should be followed by an annual increase in the production of typical Yogyakarta souvenirs, as this will have an impact on the producers' sales, which serves as a gauge of their marketing effectiveness. The effectiveness of a company's strategy for promoting its items in the market is gauged by its marketing performance (Kolbe et al, 2022). Jie et.al (2023) state that marketing performance is a gauge of a business's success over a certain length of time. The worth of each action that was planned and carried out to determine if the strategy and its execution were appropriate or even Yogyakarta. In order to get good performance outcomes, marketing performance can only be carried out while paying attention to market orientation (Dhani et.al 2023). With the intensifying global rivalry and shifting demands of customers, businesses are realizing the need of maintaining a tight relationship with their market (Barnett et.al 2023).

## Literature Review

De Toni et.al (2022) define market orientation as the state in which a business takes decisions based on the real market circumstances and approaches the market by doing research and understanding the dominant values. A market-oriented firm is a company that makes customers the baseline for the company to conduct its business, meaning a company that always attempts to understand what its customers need and desire (Donkor, 2018)

Weerakoon and McMurray (2024). Innovation has the potential to enhance marketing success in addition to market orientation (In order for product innovation to give a firm a competitive edge, it must satisfy market demand (Salayou, 2012). Product innovation, according to Zhang (2019), is the process of generating a new product that begins at the market stage and is predicted on assessing client demands, coming up with concepts, designing procedures, or launching new goods. Marketing performance is thought to be enhanced by a business that innovates and is focused on the market (Zahoor, and Lew,

2023). Yalcinkaya (2017) state that due to the intense rivalry in business, organizations must continue to enhance their marketing capabilities because a product's success will have an impact on those capabilities.

The study draws on other prior research studies that examined the impact of product innovation and market orientation on marketing performance, yielding diverse findings. According to Balas et al (2012) research, the link between market orientation and marketing success is mediated by product innovation and competitive advantage. According to Julina and Kusuma's research findings from 2023, market orientation significantly and favorably influences marketing performance in Yogyakarta City's fashion retail. Contrary to research findings by Borahima (2021), Donkor et al. (2018), and Ejdys (2015), which indicated that market orientation does not have a positive effect on marketing performance in MSMEs in Trade in Kebumen Regency, this influence implies that the more optimal the existing market orientation, the more optimal the marketing performance, which means the better the market performance of a product if it has a good business management process.

According to Foreman et al. (2014), the findings of earlier study on the relationship between product innovation and marketing performance, product innovation significantly and favorably affects marketing performance. According to Zahra (2016) and Adi et.al (2023) research, marketing success in the Small and Medium Industry is favorably and significantly influenced by product innovation.

This study aims to achieve the following objectives: Firstly, to elucidate how market orientation affects product innovation at Yogyakarta Specialty Food Souvenir Producers in Yogya City. 2) To clarify how market orientation affects Yogyakarta Specialty Food Souvenir Producers' marketing results in Yogya City, 3) To describe how Yogyakarta Specialty Food Souvenir Producers in Yogya City see the impact of product innovation on marketing performance. 4) To elucidate how Yogyakarta Specialty Food Souvenir Producers in Yogya City use product innovation to mitigate the impact of market orientation on marketing success.

The following are the study's advantages: The study is anticipated to provide theoretical advantages to scholars and future researchers by expanding their understanding of market orientation, product innovation, and how these factors affect marketing success. 2) Practical benefits: Given the intense competition in the souvenir industry, which forces businesses to enhance their marketing performance, particularly those in the Yogyakarta specialty food product sector, this study should be helpful to companies in developing new products. Additionally, market orientation is a crucial asset for producers of typical Yogyakarta souvenir food.

Sales growth is determined by marketing success, which is dependent on how well the business is able to attract and keep current customers. As a result, businesses that can boost sales growth are performing well in the increasingly competitive business environment (Zhou et al, 2019). A company's marketing performance is the culmination of all of its initiatives, plans, and actions (Zhang, 2010).

In order to fulfill consumer and market demands, organizations must be market-oriented in order to understand the industry and create plans for their products and services. Businesses that focus on the market will see improvements more quickly, as seen by their products' performance, profitability, market share, and ability to maintain a competitive edge. Businesses that are not yet focused on the market have a great opportunity to grow and strengthen their position in order to become more unique (in comparison to competitors) over time (Wielgos et al., 2021).

Three factors are used to quantify market orientation: inter-functional coordination, competitor orientation, and customer orientation Xu et.al 2018. 1. Competitor orientation: According to Song and Liao (2024) competitor orientation refers to a company's readiness to keep an eye on the tactics used by its rivals. 2. Customer orientation refers to the business's ongoing efforts to better understand its clients in order to generate greater value for the enterprise. Organizations that prioritize their customers constantly strive to remain at the forefront by modifying the marketing mix in response to market conditions or consumer preferences (Kaya et al., 2011). Keskin et al. (2016) assert that improving customer happiness, productivity, and the caliber of organizational services may be achieved through

the market orientation component of customer orientation, which can improve overall performance. 3) Inter-functional coordination: To produce value for customers, inter-functional coordination entails synchronizing all organizational activities, customer operations, and market information (Taleghani et al., 2013).

According to Kiani et. al (2019), product innovation is the capacity of an organization to develop goods that are more inventive and creative than those of its competitors. These goods can be new product lines, additions to current ones, or modifications to already existing ones. Miocevic, D. (2024) use the following factors to gauge product innovation: 1) Producing a visually appealing layout. 2) Guidelines for quality. 3. Development of quality. According to Back, Brockman (2012) and Foreman (2014), innovation is a new method that businesses may build to update their manufacturing and distribution processes, generate new goods, or manufacture new products in order to compete for new market segments.

### *Aims and Hypotheses*

The objective of this research is to investigate the impact of product innovation on marketing performance of SME'S souvenirs in Indonesia. The Research to findings substantial relationship between product innovation and marketing performance. The relationship between market orientation and marketing performance is mediated by product innovation

Market orientation has a favorable impact on product innovation, according to Frambach (2013) and Grawe et al (2019) research. Innovation in private health institutions in Turkey is positively impacted by market orientation, according to Hansen, and Nybakk (2016). Innovation in SMEs is positively impacted by market orientation, according to research by He Zang et al. (2017). Utilizing data from 155 managers or owners of furniture businesses, study by Jaworski et al. (2019) showed that market orientation directly, significantly, and favorably influences innovation strategy. Given the findings of the aforementioned empirical investigation, the following theories may be made:

**H1:** Market orientation has a positive and significant effect on product innovation.

Market orientation has a positif effect and substantial influence on the marketing performance of MSMEs, according to studies by Liu (2020), Mahmoud (2020), Moorman (2019) and Solano et al (2018). The empirical study's findings allow for the formulation of the following theories:

**H2:** Market orientation has a positive and significant effect on marketing performance.

According to study by Dwiputri et.al (2023) and Pardi et al. (2014), product innovation has a positive and considerable influence on marketing performance. This is consistent with other research findings. According to Schulze (2022), Mandler et al (2021) and Smirnova et.al (2018), The following hypothesis can be made in light of the findings of the aforementioned empirical investigation:

**H3:** Product innovation has a positive and significant effect on marketing performance.

Market orientation can have a considerable mediating effect on marketing success, according to research by Buhalis (2021). The impact of market orientation on marketing success is significantly mediated by product innovation, according to a research by Butkouskaya et.al (2021). Market orientation in SMEs in Italia would greatly improve marketing success if mediated by innovation, according to additional study by Dangelico (2017) Bu Zhao et al (2022) has also presented research that is consistent with and of good value. Given the findings of the aforementioned empirical investigation, the following theories may be made:

**H4:** Product innovation is able to significantly mediate market orientation towards marketing performance.

## Materials and Methods

Associative research is the category under which this research design. In order for Yogyakarta Province to become the hub of several activities, including trade, industry, and tourism, research was carried out there. The city of Yogyakarta, Indonesia also has many tourist attractions because, as one of the tourist destinations, it is targeted by business people as a location or place to sell typical Yogyakarta souvenirs. The population in this study consists of 133 producers of typical Yogyakarta souvenir food. Given that the research population can be known with certainty (133 producers), the sample consists of all population members. In other words, a census is carried out, or a saturated sample is known. This study used two analysis techniques: descriptive and inferential statistics. Although inferential statistics are used to assess the validity of hypotheses developed using route analysis techniques in conjunction with the Sobel Test, descriptive statistics seek to identify the traits and answers of respondents with reference to the statement items in the questionnaire.

## Results

The total number of questionnaires distributed was 233 copies, but those that were sent to Yogyakarta and ready to be processed were 200 copies from 200 respondents. Thirty-three questionnaires could not be processed for several reasons, including lost and incomplete, respondents' answers were blank, and one respondent could not read. Table 3 presents the attributes of the participants.

**Table 3. Respondent Characteristics**

Variables	Classification	Number of people)	Percentage (%)
1	Gender	Man	98
		Woman	102
	<b>Amount</b>		<b>200</b>
2	Age	≥20	26
		21-30	33
		31-40	59
		>40	22
	<b>Amount</b>		<b>200</b>
3	Last education	High School/Equivalent	138
		Bachelor	62
	<b>Amount</b>		<b>200</b>

Source: Data processed, 2024

Producers of traditional Yogyakarta souvenir foods make up the majority of respondents, who are divided between 98 males (49%) and 102 females (51%). According to the age variable, 59 respondents (49%) who are between the ages of 31 and 40 make up the majority of respondents.. Respondents aged 21-30 years, as many as 33 people (23%), are the second largest respondents. In comparison, respondents with an age classification of ≤20 years, as many as 26 people (16%), are in the third position as the most significant respondents, and the age classification >40 years, as many as 22 people (12%) are respondents with the smallest number. This indicates that those between the ages of 31 and 40 make up the majority of those who produce the traditional souvenir foods from Yogyakarta. The education level variable shows that up to 138 respondents (69%) and up to 31 respondents (31%) who have a bachelor's degree are in the second place among respondents with their most recent high school education or an equivalent qualification. This demonstrates that inhabitants with a high school education or its equivalent make the majority of the usual Yogyakarta souvenir food.

Table 4. Validity Test Results

No	Variables	Dimensions	Indicator	Correlation Coefficient	Information	
1	Market Orientation (X)	Orientation	X1.1	0,868	Vaalid	
		Competitors (X1)	X1.2	0.832	Valid	
			X1.3	0.889	Valid	
			X1.4	0.889	Valid	
		Orientation (X2)	X2.1	0.868	Valid	
			Customer	X2.2	0.787	Valid
			X2.3	0.832	Valid	
			X2.4	0.751	Valid	
			Coordination	X3.1	0.924	Valid
			Between	X3.2	0.872	Valid
Functional (X3)	X3.3	0.921	Valid			
2	Product Innovation (Y1)		Y1.1	0.721	Valid	
			Y1.2	0.852	Valid	
			Y1.3	0.823	Valid	
			Y1.4	0.721	Valid	
3	Marketing Performance (Y2)		Y2.1	0.842	Valid	
			Y2.2	0.752	Valid	
			Y2.3	0.812	Valid	
			Y2.4	0.637	Valid	

Source: Data processed, 2024

Table 4 demonstrates that all of the research instruments employed are valid because each indicator correlation coefficient value is more than 0.3 (or  $\geq 0.30$ ).

Table 5. Reliability Test Results

No	Amount Question Items	Variables	Cronbach's Alpha	Information
1	10	Market Orientation	0.941	Reliable
2	4	Product Innovation	0.751	Reliable
3	4	Marketing Performance	0.748	Reliable

Source: Data processed, 2024

Table 5 demonstrates that very variable in this study satisfies the dependability criteria. The Cronbach's alpha value for each variable greater than 0.60 indicates this.

Table 6. Respondents' Assessment of Market Orientation Variables

Symbol	Statement	Answer Score					Total Score	Average	Caption
		1	2	3	4	5			
<b>Competitor Orientation Dimension (X1)</b>									
X1.1	Manufacturers regularly look closely and carefully at the strategies of their competitors.	0	8	2	4	22	377	3.77	Good
X1.2	Manufacturers regularly	0	1	2	4	13	364	3.64	Good

	discuss competitors' activities		2	5	9				
X1.3	Companies are quick to respond to threatening competitive actions.	0	1 1	2 2	4 3	25	383	3.83	Good
<b>Overall average competitor orientation</b>								<b>3.75</b>	<b>Good</b>
<b>Customer Orientation Dimension (X2)</b>									
X2.1	Manufacturers always pay attention to the level of commitment to customers	1	8	3 2	4 2	18	371	3.71	Good
X2.2	Manufacturers are able to understand what kind of products customers need	0	6	2 4	3 4	36	403	40.3	Good
X2.3	Customer satisfaction is the main priority to drive the achievement of business goals.	4	9	3 1	3 6	20	363	3.63	Good
X2.4	Manufacturers always measure customer satisfaction with the food they produce.	1	1 3	2 3	4 5	18	366	3.66	Good
<b>Overall average customer orientation</b>								<b>3.77</b>	<b>Good</b>
<b>Inter-functional coordination dimension (X3)</b>									
X3.1	Every employee can contribute to creating value in developing products according to customer expectations.	0	1 9	2 1	2 8	32	374	3.74	Good
X3.2	All integrated business functions serve the target market	0	1 2	3 5	4 4	11	352	3.52	Good
X3.3	Manufacturers respond to customer feedback to ensure they can continue to satisfy customers.	0	1 6	2 2	3 0	31	377	3.78	Good
<b>Overall average of inter-functional coordination</b>								<b>3.68</b>	<b>Good</b>
<b>Total average overall market orientation</b>								<b>3.73</b>	<b>Good</b>

Source: Data processed, 2024

The market orientation variable received an overall average score of 3.73 from respondents, falling into the good group according to Table 6. As indicated by the average score of 4.02, which is considered good, the assertion that manufacturers can understand the kinds of items consumers require receives the highest score. Meanwhile, the statement that all integrated business functions serve the target market obtained the lowest average score of 3.52. So, seen from the respondents' perceptions, producers can understand what kind of products customers need to be the most impactful statement for the market orientation variable and the statement that has the most negligible impact is all integrated business functions serve the target market.

**Table 7. Respondents' Assessment of Product Innovation Variables**

Symbol	Statement	Answer Score					Total Score	Average	Caption
		1	2	3	4	5			
Y1.1	Always try to create and display products in a different form from competitors	0	4	2 3	3 3	4 2	412	4.12	Good
Y1.2	Must develop products with attractive designs to maintain product superiority over competitors.	0	5	1 4	3 0	5 3	428	4.28	Very good
Y1.3	Addition of new products by setting quality standards	0	3	2 2	4 2	3 3	405	4,05	Good
Y1.4	Always develop good product quality	0	1 1	2 6	3 1	3 2	385	3.85	Good
<b>Overall average product innovation</b>								<b>4.07</b>	<b>Good</b>

Source: Data processed, 2024

The average score of respondents' answers to the product innovation variable is 4.07, falling into the good category according to Table 7. With an average score of 4.28, considered strong, the statement that one must keep creating products with appealing designs in order to sustain product supremacy over rivals receives the highest score. The statement had the lowest average score of 3.85 even though it consistently produced high-quality products. As seen from the respondents' perceptions, continuing to develop products with attractive designs to maintain product superiority over competitors is the statement that has the most impact on the product innovation variable, and the statement constantly developing good product quality has less impact on the product innovation variable.

**Table 8. Respondents' Assessment of Marketing Performance Variables**

Symbol	Statement	Answer Score					Total Score	Average	Caption
		1	2	3	4	5			
Y2.1	Sales always experience growth every year	1	12	27	41	19	365	3.65	Good
Y2.2	Always inform about products and provide satisfaction so that there is customer growth	0	9	22	42	27	387	3.87	Good
Y2.3	Always add and expand marketing areas for the products produced	0	7	32	38	23	377	3.77	Good
Y2.4	The company earns profits according to the specified target	0	6	22	43	29	395	3.95	Good
<b>Overall average marketing performance</b>								<b>3.81</b>	<b>Good</b>

Source: Data processed, 2024

The marketing performance variable received a total average score of 3.81 from respondents, falling into the good group according to Table 8. The statement that received the highest score—a mean score of 3.95—demonstrates that the firm makes money in accordance with the set aim. The statement that sales always experience growth yearly gets the lowest average score of 3.65. As seen from the respondents'

perceptions, the statement 'The company gets profit according to the predetermined target has the most impact on the marketing performance variable, and the respondent's statement that sales always experience growth every year is less.

**Table 9. Results of Structural Normality Test 1**

	<i>Unstandardized Residual</i>
N	200
<i>Kolmogorov-Smirnov Z</i>	1,132
<i>Asymp.Sig.(2-tailed)</i>	0.235

Source: Data processed, 2024

The values of Asymp.Sig. (2-tailed) and Kolmogorov Smirnov (KS) are 0.235 and 1.132, respectively, according to Table 9. The Asymp.Sig. (2-tailed) value is larger than the alpha value of 0.05, indicating that the regression equation model is normally distributed based on this data.

**Table 10. Normality Test of Structure 2**

	<i>Unstandardized Residual</i>
N	200
<i>Kolmogorov-Smirnov Z</i>	0.568
<i>Asymp.Sig.(2-tailed)</i>	0.857

Source: Data processed, 2024

The values of Asymp.Sig. (2-tailed) and Kolmogorov Smirnov (KS) are 0.857 and 0.568, respectively, according to Table 10. The Asymp.Sig. (2-tailed) value is larger than the alpha value of 0.05, indicating that the regression equation model is normally distributed based on this data.

**Table 11. Multicollinearity Test Results**

<b>Structural equations</b>	<b>Variables</b>	<b>Tolerance</b>
$Y_1 = \beta_2 X + e_1$	Market Orientation (X)	1,000
$Y_2 = \beta_1 X + \beta_3 Y_1 + e_2$	Market Orientation (X)	0.717
	Product Innovation (Y1)	0.717

Source: Data processed, 2024

Table 11 illustrates how the tolerance and VIF values of the market orientation and product innovation variables indicate that each variable has a tolerance value greater than 10% and a VIF value less than 10, indicating that multicollinearity does not exist in the regression equation model.

**Table 12. Results of Heteroscedasticity Test of Structure 1**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Stranded Coefficients</b>	<b>T</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1 (Constant)	.569	.134		4.334	.000

Orientation	-.079	.033	-.194	-1,947	.054
Market					

Source: Data processed, 2024

The market orientation variable has a significant value of 0.054, as seen in Table 12. As a result of the independent variables' lack of impact on the absolute residual, this value is bigger than 0.05. Consequently, there are no signs of heteroscedasticity in the developed model.

**Table 13. Results of Heteroscedasticity Test of Structure 2**

Model	Unstandardized Coefficients		Stranded Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.572	.237		2.411	.018
Market Orientation	.058	.048	.142	1.203	.232
Product Innovation	-.107	.068	-.188	-1,586	.116

Source: Data processed, 2024

The 7004 variables market orientation and product innovation had significant values of 0.232 and 0.116, respectively, as shown in Table 13. Due to the fact that these values are more than 0.05, the absolute residual is not affected by the independent variables. Therefore, there are no signs of heteroscedasticity in the model that was developed.

**Table 14. Results of Path Analysis of Regression Equation 1**

Model	Unstandardized Coefficients		Stranded Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2,663	.238		11,578	.000
Market Orientation	.378	.061	.532	6.218	.000
R1 Square					0.283
F Statistics					38,688
Significance					0.000

Source: Data processed, 2024

The structural equation is  $Y_1 = 0.378 X + e_1$ , which is based on Table 14's substructure path analysis 1 results. With a significance value of t-test less than 0.05, the market orientation variable's regression coefficient value is positive (Laksana et.al 2023) This suggests that the product innovation variable is significantly positively impacted by the market orientation variable. The total determination value (R Square) of 0.283 indicates the magnitude of the independent variable's influence on the dependent variable. This indicates that variations in market orientation account for 28.3% of product innovation variations, with other factors not included in the accounting mode for the remaining 71.7%.

Table 15's substructure path 2 analysis findings indicate that the structural equation is  $Y_2 = 0.238 X + 0.621 Y_1 + e_2$ .

The models of the substructures 1 and 2 may be used to create the final route diagram model. Prior to building the final path diagram model, the following formula is used to get the standard error value:

$$Pe_i = J_1 - R_i^2 \dots\dots\dots(1)$$

$$Pe_1 = J_1 - R^2 = J_1 - 0.283 = 0.846 \quad Pe_2 = J_1 R^2 = J_1 - 0.446 = 0.744$$

Table 15. Results of Path Analysis of Regression Equation 2

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.417	.393		1,061	.291
Market Orientation	.224	.080	.251	2,808	.006
Product Innovation	.629	.112	.500	5,606	.000
R1 Square					0.446
F Statistics					39,093
Significance					0.000

Source: Data processed, 2024

The findings of the error influence (Pe1) and error influence (Pe2) were 0.846 and 0.744, respectively, according to the computation of the error influence (Pei). The following are the total determination coefficient's findings.:

$$R^2_m = 1 - (Pe_1)^2 - (Pe_2)^2 \dots\dots\dots(2)$$

$$= 1 - (0.846)^2 - (0.744)^2$$

$$= 1 - (0.720) - (0.550)$$

$$= 1 - 0.396 = 0.604$$

The results of the path coefficients in the research hypothesis can be seen in Figure 1:

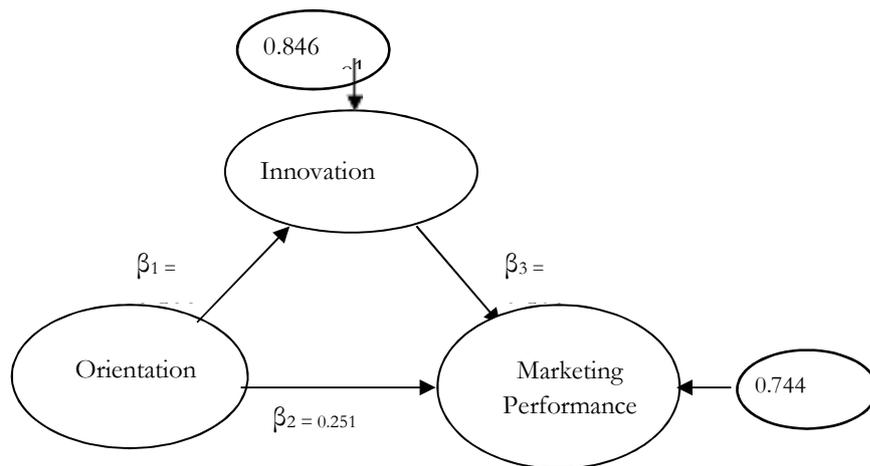


Figure 1. Final Path Diagram Model Validation

**Table 16. Direct and Indirect Influence and Total Influence of Market Orientation (X), Product Innovation (Y1), and Marketing Performance (Y2)**

Influence of Variables	Direct Influence	Indirect Influence through Product Innovation (Y1) (JJ1 x JJ3)	Total Influence
X → Y1	0.530	0.268	0.530
X → Y2	0.252		0.519
Y1 → Y2	0.512		0.512

Source: Data processed, 2024

The findings in Table 16 demonstrate that while product innovation acts as a mediating factor, the direct impact of market orientation characteristics on marketing performance has a beta coefficient value of 0.251 while the indirect influence has a value of 0.266. With a total effect of 0.517, this demonstrates how product innovation mediates market orientation on marketing performance.

**Table 17. Sobel Test Results**

Sobel	Mark	Information
Z	3,9521	Mediating
Sig.	0.0001	Significance
<i>Source:</i> Processed Data, 2024		

With a calculated Z of 3.9534 > 1.96 and a significance level of 0.0001 < 0.05, the results of the mediation variable test in Table 17 indicate that the product innovation variable is thought to significantly mediate the market orientation variable on the marketing performance of Yogyakarta specialty food souvenir producers in the city of Yogyakarta. This means that H0 is rejected and H1 is accepted.

## Discussion

The study's first hypothesis, which examined the impact of market orientation on product innovation, yielded a beta coefficient value of 0.532 at a significance level of 0.000 < 0.05. This resulted in the rejection of H0 and the acceptance of H1, indicating that market orientation significantly and favorably influenced product innovation among Yogyakarta-based producers of typical souvenirs. This can be taken to mean that Yogyakarta's product innovation will rise along with it, as long as the city's manufacturers of traditional souvenirs perform the orientation indicated by focusing on customers, competitors, and coordinating between functionalities.

According to earlier research by Suliyanto & Rahab (2012), Altuntaş et al. (2013), Pardi et al. (2014), and Haryanto et al. (2023), market orientation significantly and favorably influences product innovation. The findings of this study are consistent with those findings.

Based on the calculation results of the second hypothesis of the influence of market orientation on marketing performance in this study, a beta coefficient value of 0.251 was obtained with a significance level of 0.000 < 0.05, so that H0 was rejected, and H2 was accepted, which indicated that market orientation had a positive and significant effect on marketing performance in producers of typical Yogyakarta souvenirs in the city of Yogyakarta. This can be interpreted that the better the producers of typical Yogyakarta souvenirs in the city of Yogyakarta carry out orientations indicated by orientation to competitors, orientation to customers and coordination between functionalities, the marketing performance will increase, as well as throughout Yogyakarta. According to earlier research by Julina & Kusuma (2023), Guspul (2022), Titahena et al. (2012), Pertiwi & Siswoyo (2022), and Setyawati (2013), market orientation significantly and favorably affects marketing performance. These findings are

consistent with the findings of this study.

A beta coefficient value of 0.500 was obtained with a significance level of  $0.000 < 0.05$  based on the calculation results of the third hypothesis of the influence of product innovation on marketing performance in this study. This resulted in the rejection of  $H_0$  and the acceptance of  $H_1$ , indicating that product innovation had a positive and significant effect on marketing performance in Yogyakarta city souvenir producers. This can be understood to mean that marketing performance will increase in Yogyakarta the better producers of typical Yogyakarta souvenirs in the city of Yogyakarta carry out product innovation, as indicated by developing new ideas and designs, adding new products, and improving product quality. Conversely, marketing performance will decrease in Yogyakarta when producers of typical Yogyakarta souvenirs in the city of Yogyakarta cannot properly carry out product innovation. The study's findings are consistent with other research by Suendro (2011), Pardi et al. (2014), Lopian et al. (2022), Utaminingsih (2022), Pramesti & Giantari (2022), and others that found a favorable and substantial relationship between product innovation and marketing performance.

The present study aims to investigate the impact of product innovation on marketing performance of manufacturers of traditional Yogyakarta souvenirs in the city of Yogyakarta. The investigation is based on the calculation findings of the fourth hypothesis. The market orientation test's results on its impact on marketing performance are 0.251. When product innovation is present, its indirect effect increases to 0.266, and the overall influence of all the factors is 0.517. These findings suggest that the relationship between market orientation and marketing performance is mediated by product innovation. The results are further supported by the calculated Sobel test, which yielded a z coefficient value of  $3.9534 > 1.96$  with a significance of  $0.001 < 0.05$ . This means that  $H_0$  is rejected and  $H_1$  is accepted, indicating that product innovation is thought to be able to mediate the influence of market orientation on marketing performance in Yogyakarta souvenir producers. The higher the impact of market orientation on enhancing marketing performance throughout Yogyakarta, the better the product innovation.

This study's findings are consistent with earlier research by Asashi & Sukaatmadja (2023), Julina & Kusuma (2023), Pardi et al. (2014), and Putri (2021), which found that product innovation can mitigate the impact of market orientation on marketing performance. The study's findings demonstrate that market orientation significantly and favorably influences both product innovation and marketing effectiveness. Marketing performance is positively and significantly impacted by product innovation as well. Additionally, this study demonstrates how product innovation may play a substantial mediating role in the market orientation and marketing success of Yogyakarta-based companies that create traditional souvenirs.

## Conclusion

According to the analysis of the study findings, market orientation significantly and favorably influences product innovation. This indicates that the manufacturers of traditional Yogyakarta souvenir foods in the city of Yogyakarta conduct orientation by continuously observing the tactics used by rivals, having a thorough awareness of their clientele, and synchronizing all organizational operations. Additionally, product innovation will rise. Marketing performance is positively and significantly impacted by market orientation. This indicates that the more effectively Yogyakarta souvenir food producers in the city of Yogyakarta carry out orientation by continuously observing the tactics used by rivals, thoroughly comprehending customers, and coordinating all organizational functions, the better their marketing performance will be.

Marketing performance is positively and significantly impacted by product innovation. This implies that Yogya City's manufacturers of traditional souvenir foods improve their goods by coming up with fresh concepts, striking designs, introducing new items, and improving product quality. As a result, marketing effectiveness will rise. In order to completely mitigate the impact of market orientation on marketing effectiveness, product innovation is important. This indicates that the more effectively Yogyakarta souvenir food manufacturers in Yogya City reinvent their goods through the generation of fresh

concepts, eye-catching designs, new product additions, and improved product quality, the more market orientation affects marketing success.

It is suggested that Yogyakarta souvenir food producers enhance their product innovation indication by adding more product varieties. This will help to further increase the impact of market orientation on marketing performance. The relevant agencies are advised to issue regulations on product patent rights so that there is no plagiarism practice among producers to avoid unhealthy competition for each product marketed. The Indonesia government needs to create a centre for Yogyakarta speciality souvenirs for sellers speciality food souvenirs by accommodating SME products because individuals predominantly own the ones that exist so far.

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