

# Is Innovation Relevant To Drive Marketing Strategies In Improving The Performance Of Business Actors In Shopee E-Commerce?

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## Abstract.

*E-commerce is an extraordinary example of an online market product that is a breakthrough for people in buying and selling activities, with a wider reach. Digital enables transactions and processes within a company, involving information systems under the control of the company. The role of social media also contributes to encouraging consumers to shop in E-commerce. Various promos and advertisements as a form of marketing strategy offered have an impact on people's interest in online shopping. With these various promos and advertisements, there is a contest to attract buyers. However, the level of public satisfaction with marketing on Shopee is not optimal, where the level of consumer trust in business owners is still low. This research aims to explain the relationship and influence of innovation in driving marketing strategies to improve the performance of business actors on Shopee. This study uses a quantitative descriptive technique with an exploratory survey approach for this study. The data used was sourced from offline surveys. The sample of this study is all Shopee Pematang Siantar E-commerce users who are classified as millennials totaling 99 people. This non-probability purposive sampling technique was chosen because there are no statistics that determine the size of the population. The data analysis technique used is the Partial Least Square Structural Equation Model used. Hypothesis testing was carried out with the results of innovation affecting marketing strategies, the second hypothesis was marketing strategies affecting the performance of business actors, The original sample value was positive which showed that the direction of the relationship between marketing strategies and the performance of business actors was positive, so it could be concluded that the second hypothesis was accepted. The marketing strategies implemented by Shopee in improving the company's performance are still not optimal. It is recommended that the selection of suppliers in providing products on Shopee is more selective so that the quality of the product, product variety and content in the application are in accordance with what is displayed. For the provision of discounts in the product distribution process to consumers so that it is clearly informed to each consumer account so that there is no misperception. Innovation needs to be improved by Shopee in terms of other payment services such as payments for the use of transportation services. So that consumers who have the SPayLater application can make their payments more conveniently. Shopee's performance still needs to be improved through the addition of suppliers from outside Indonesia so that consumers in Indonesia who want products from abroad can make purchases on the Shopee application so that the number of consumer purchases will increase.*

**Keywords:** Innovation, Marketing Strategy, Performance and Shopee.

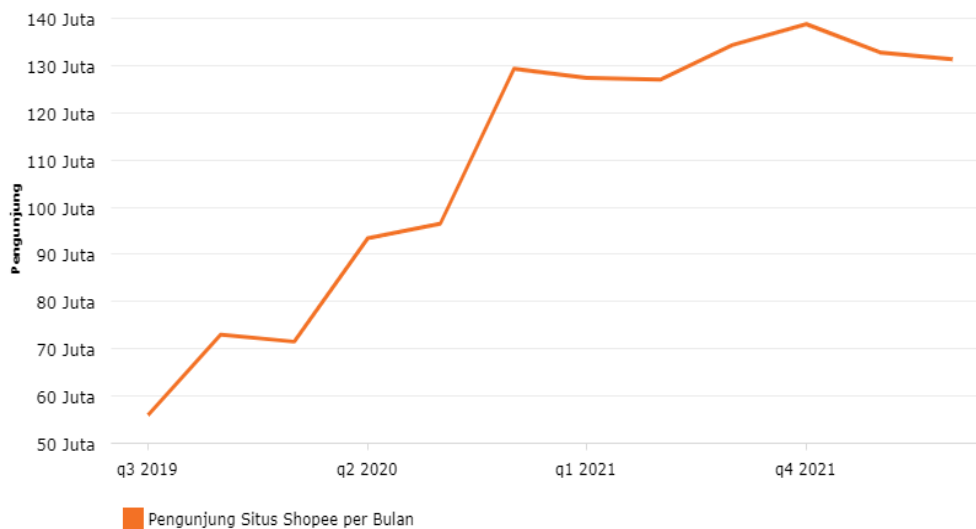
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## I. INTRODUCTION

The development of the 20th century is increasingly characterized by increasingly sophisticated innovations. The progress of this innovation is felt on all fronts, including the business world. For entrepreneurs, this has a significant impact on marketing strategies. E-commerce is an extraordinary example of an online marketplace product that is a breakthrough for people in carrying out buying and selling activities, with a wider reach. Digital enables transactions and processes within a company, involving information systems under the control of the company (Laudon & Traver, 2013). The role of social media also contributes to encouraging consumers to shop in E-commerce, this can be seen from the results of observations and interviews with several respondents of Instagram and Facebook users, the intensity of buying in E-commerce has increased because it often appears on their social media homepages, and persuasively as one of the most inventive and latest innovations (Alalwan et al., 2017). Similarly, issues related to social media marketing are also the focus of attention of academics and researchers to expand the current understanding of such phenomena in the marketing area.

The convenience of the public in shopping is supported by the emergence of e-commerce businesses in Indonesia. E-commerce is a type of electronic business that focuses on individual-based transactions using the internet to exchange goods and services. E-commerce in Indonesia has managed to grow rapidly because a large Indonesian population supports it, and most of them are connected to the internet (Chong & Ali,

2022). According to data compiled by iPrice, in the second quarter of 2022 Shopee has an average of 131.3 million visitors *website* per month. Nevertheless, the number of Shopee visitors still wins by a landslide compared to other competitors, such as Lazada, Bukalapak, Blibli, Ralali, Klik Indomaret, JD.ID, Bhinneka, and Matahari. Before the pandemic, Shopee only had 56 million visitors *website* per month in the third quarter of 2019. Then during the pandemic its visitors continued to grow, but the trend tended to decline in the first two quarters of this year as seen in the chart. Cumulatively, during the period from the third quarter of 2019 to the second quarter of 2022, the number of visitors *website* Shopee has grown by around 134% (Databoks, 2022).



**Fig 1.** Shopee Visitor Development (Databoks, 2022)

The Shopee application allows users to transact without having to meet buyers or sellers, and can be done even outside cities and provinces with a high level of trust (Suswanto & Setiawati, 2020). Consumers of various generations, especially generation Z, will benefit from this new innovation which is expected to make transactions *user* becomes easier and straightforward (Badri, 2020). The internet generation also relies on social media as a source of knowledge due to the advancement of innovation (Nana Triapnita Nainggolan, Munandar et al., 2020). Today, social media has evolved into a public reporting platform and a significant source of news. With a certain age range, the typical millennial generation can use the internet for more than seven hours every day. Second, the millennial generation has a low level of loyalty. Marketing strategy also refers to a series of company efforts such as the promotion of product results that *get* attracting potential buyers, competitive prices and quality that can meet the tastes of buyers, the next is the distribution on time plus satisfactory service.

Will be used by business units in achieving pre-set goals, which include the main decisions regarding the target market, product placement in the market, marketing mix and the level of marketing costs required (Gunardi et al., 2020). The dimensions of marketing strategy include product strategy, price, promotion and distribution. The e-commerce business model comes from a combination of digital innovation and entrepreneurship which then results in a phenomenon of new characteristics in terms of business (Giones & Brem, 2017). In this case, the role of digital innovation has a significant influence on the new business units created. The emerging innovation paradigm leverages the potential for collaboration and collective intelligence to design and launch stronger and more sustainable entrepreneurial initiatives. Even so, there are four dimensions related to digital entrepreneurship, namely digital actors (who), digital activities (what), digital motivation (why) and digital organizations (how) (Elia et al., 2020) and In order to stimulate digitalization for all business people, among others, refocusing on the progress of innovation in increasing the awareness of these business actors about digitalization (Hanum & Sinarasri, 2017).

## II. METHODS

This study applies quantitative techniques with an exploratory survey approach to this study. To collect useful data, the researchers represented each of the study variables with indicators. The results of the study are based on primary and secondary data. The original data comes from an offline survey. The data for this study were collected entirely through questionnaires, which could be shared with the samples studied. Meanwhile, secondary data is generated indirectly from previously collected findings. The participants in this study are all Shopee Pematang Siantar E-commerce users who are classified as Millennial. Unfortunately, there is no exact number of active Shopee Pematang siantar users. This is due to several factors, including the fact that one person may have an active E-commerce app or not provide information on the same number.

The number of samples needed to accurately represent the population of Shopee users in Pematang Siantar City is determined by the researcher. The sample for this study was selected using non-probability sampling and purposive selection. In this analysis, there were 99 samples in total. This non-probability purposive sampling technique was chosen because there are no statistics that determine the size of the population. The researcher set several requirements, including that the sample had a Shopee account and had used it for at least three months. estimating and evaluating hypotheses derived from the research model. Partial Least Square Structural Equation Mode is used (Hair et al., 2009). This approach was chosen because the analysis only requires a limited number of samples, and Smart PLS analysis is not always normally distributed. PLS is an effective analysis technique because it can be used with any data scale and does not require many assumptions. **Research Process and Stages** This is done on a strong basis for data collection, both in the initial observation process to look for phenomena and in the ongoing research process.

## III. RESULTS AND DISCUSSION

### 1. Research Results

#### Measurement Model Testing

##### a. Outer Loading Factor

A loading factor value of 0.50 or more is considered to have strong enough validation to explain latent constructs (Hair et al., 2009). Value *outer loading* the initial variables of innovation, marketing strategies, and the performance of business actors can be seen in Table 5.1. According to (Ghozali & Ratmono, 2017) indicators that have a value *loading factor* between 0.5 – 0.6 is acceptable.

**Table 2.** Outer Loading Factor

Variables	Code	Outer Loading
Innovation	X1.1	0.856
	X1.2	0.909
	X1.3	0.928
	X1.4	0.889
Marketing Strategy	Z1.1	0.802
	Z1.2	0.792
	Z1.3	0.763
Business Actor Performance	Y1.1	0.934
	Y1.2	0.797
	Y1.3	0.940
	Y1.4	0.706

Source: Research results, processed with Smart PLS 3.0 (2023)

##### b. Reliability and Validity Tests

The reliability instrument in this study was measured by two criteria, namely the composite reliability value and Cronbach's alpha. The use of cronbach's alpha tends to estimate lower reliability variable compared to composite reliability so it is recommended to use composite reliability (Hair et al., 2009). A construct can be said to be reliable if the value of Cronbach's alpha is greater than 0.70, while according to (Ghozali & Ratmono, 2017) A variable is said to be reliable if the composite reliability value is above 0.70. Value *construct reliability and validity* on the variables of innovation, marketing strategies, and performance of business actors can be seen in Table 5.2.

**Table 3.** Construct Reliability and Validity

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Innovation	0.918	0.932	0.942	0.803
Marketing Strategy	0.706	0.726	0.829	0.618
Business Actor Performance	0.877	0.941	0.911	0.722

Source: Research results, processed with Smart PLS 3.0 (2023)

Based on Table 5.2, it shows that all research variables have composite reliability values and Cronbach's alpha above 0.70. Therefore, the indicators used in this research variable are said to be reliable. Meanwhile, to test the validity, the average variance extracted (AVE) value was used with a limit value above 0.50. In table 3, it can be seen that all variables have AVE values above 0.50. This can be interpreted that all indicators and variables are declared valid.

### c. Discrimination Correlation Test

The discrimination correlation test is carried out to see the correlation between constructs and other constructs. If the AVE square root of average value of each construct is greater than the correlation value between the construct and other constructs in the model, then it can be concluded that the construct has a good level of validity.

**Table 4.** Discriminant Validity Value

Variables	Innovation	Business Actor Performance	Marketing Strategy
Innovation	0.896		
Business Actor Performance	0.379	0.850	
Marketing Strategy	0.327	0.399	0.786

Source: Research results, processed with Smart PLS 3.0 (2023)

In table 5.3. The comparison of the root values of AVE shows that each of these values is greater than the correlation between other variables, so it can be concluded that all latent variables in the study have good construct validity and discriminant validity.

### d. Structural Model Testing

Testing the structural model was carried out to see the relationship between the structure, significance value and R square of the research model. The value of the R-square can be used to assess the influence of certain independent variables on dependent variables.

**Table 5.** R-square value

Variables	R Square	R Square Adjusted
Business Actor Performance	0,310	0.150
Marketing Strategy	0.159	0.098

Source: Research results, processed with Smart PLS 3.0 (2023)

Based on Table 5, it is known that the R-square value for the performance variable of business actors is 0.310 which can be interpreted that the magnitude of the interpretation of the marketing strategy variable on the performance variable of business actors is 31% while the remaining 69% is explained by other variables outside this study. The R-square value for the marketing strategy variable is 0.159 which means that 15.9% of the innovation variables are able to explain the marketing strategy variables while the remaining 84.2% are explained by other variables outside this study.

### Hypothesis Testing

To find out the results of hypothesis testing, it is carried out by looking at the value of probability or by looking at the significance of the relationship between each research variable. The criterion is that if  $P < 0.05$  then the relationship between variables is significant and can be further analyzed, and vice versa. Therefore, by looking at the probability number (p) in the output of the entire path, it shows a significant value at the level of 5% or *the standardized value* must be greater than 1.96 ( $> 1.96$ ). (If you use the value of comparing the value of the calculated t with the t table, it means that the calculated t value is above 1.96 or  $> 1.96$  or the calculated t is greater than the t of the table). The results of the hypothesis test are presented in table 5.5. below

**Table 6.** Hypothesis Test Results

<b>Hypoheses</b>	<b>Coefficients</b>	<b>t-Statistics</b>	<b>P-Value</b>	<b>Conclusion</b>
Innovation → Marketing Strategy ( <b>H1</b> )	0.327	3.321	0.001	<b>Accepted</b>
Marketing Strategy → Business Actor Performance ( <b>H2</b> )	0.399	3.965	0.000	<b>Accepted</b>

Source: Research results, processed with Smart PLS 3.0 (2021)

The first hypothesis is that innovation affects marketing strategies. Based on Table 6. It can be seen that innovation has a significant effect in a positive direction, this can be seen from the t-statistics value of  $3,321 > 1.96$  or it can be seen from the p value of  $0.001 < 0.05$ . The original sample value of 0.327 which shows that the direction of the relationship between innovation and marketing strategy is positive, so it can be concluded that the first hypothesis is accepted. The second hypothesis is that marketing strategy affects the performance of business actors. The t-statistics value obtained is  $3.965 > 1.96$  or can be seen from the p-value which is  $0.000 < 0.05$ . The original sample value was positive at 0.399 which showed that the direction of the relationship between marketing strategies and business performance was positive, so it can be concluded that the second hypothesis was accepted.

## **2. Discussion**

### **a. The Influence of Marketing Strategy on the Performance of Business Actors on Shopee**

The wave of marketing models that no longer consumers go directly to traditional and modern markets but directly with using application features has brought significant changes, the existence of *disruption* As a result, business actors have to think creatively in carrying out marketing strategies. Innovation plays a huge role in the change in the centralization strategy carried out by business actors on Shopee. This can be seen from the results of the study obtained a coefficient value of 0.327 and a P-value of 0.001 which means that innovation has a positive and significant effect on marketing strategies. In line with previous research (Gunardi et al., 2020), it was concluded that the innovations carried out had a positive impact on improving the marketing strategy of shopee business actors in Pematang Siantar and indeed became an innovative marketing alternative. The limited reach of consumers to buy goods from Pematang Siantar City has become easier to overcome with business actors innovating to hold their goods in *sale-sale* which is on Shopee. In addition, the current implementation of direct marketing strategies is to choose the right media for promotion and utilize social media as the main marketing channel (Arifqi, 2021). Respondents stated that the ease of access to ordering goods on Shopee is still quite high, and needs to be improved.

### **b. The Influence of Marketing Strategy on the Performance of Business Actors Mediated by Innovation**

The results of the study can be seen that the influence of marketing on the performance of business actors on Shopee mediated by innovation shows results of 0.000 ( $<0.05$ ), meaning that the relationship between these variables is positive and significant. Thus, innovation is able to mediate the influence of marketing on the performance of shopee business actors in the city of Pematang Siantar. Based on the results above, the performance of businesses that run their business on Shopee E-commerce is improved by a marketing strategy that is able to develop innovations in the old features of Shopee both in an easy ordering process, placing products on the correct storefront, even at the time of easy payment. This makes the store that potential consumers see more attractive and has product advantages in terms of storefronts and ease of payment which is in line with the results of the research (Hasnatika & Nurnida, 2019). Although many entrepreneurs do not agree if the Shopee model is used, where in the application there is also a lot of content that is not useful, but it is precisely what is interesting that will attract consumers. This is also in line with previous research which noted that the greater the use of social media, the greater the success of the business (Gumilar & Zulfan, 2014).

#### IV. CONCLUSIONS AND SUGGESTIONS

##### Conclusion

Innovation plays a huge role in the change in the centralization strategy carried out by business actors on Shopee. This can be seen from the results of the study obtained that innovation has a positive and significant effect on marketing strategies. In line with previous research, it was concluded that the innovations carried out had a positive impact on improving the marketing strategies of shopee business actors in Pematang Siantar and indeed became an innovative marketing alternative. The results of the study can be seen that the influence of marketing on the performance of business actors in Shopee mediated by innovation, means that the relationship between these variables is positive and significant. Thus, innovation is able to mediate the influence of marketing on the performance of shopee business actors in the city of Pematang Siantar. Although many entrepreneurs do not agree if the Shopee model is used, where in the application there is also a lot of content that is not useful, but it is precisely what is interesting that will attract consumers. This is also in line with previous research which noted that the greater the use of social media, the greater the success of the business.

##### Suggestion

It is recommended that in digital marketing activities, sellers should display products that are in accordance with what is offered, both in terms of product benefits, size, composition, and variations offered. So that consumers who see and buy the product will believe and be satisfied and the testimonials that will later be given are also proactive and become an indicator of consideration for other consumers to make purchases online. For the provision of discounts in the product distribution process to consumers so that it is clearly informed to each consumer account so that there is no misperception. Innovation needs to be improved by Shopee in terms of other payment services such as payments for the use of transportation services. So that consumers who have the SPayLater application can make their payments more conveniently. Shopee's performance still needs to be improved through the addition of suppliers from outside Indonesia so that consumers in Indonesia who want products from abroad can make purchases on the Shopee application so that the number of consumer purchases will increase.

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