



# The Role of Digital Marketing Agility and Marketing Innovation as an Efforts to Increase Business Performance Wood Processing Industry

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## ABSTRACT

Marketing innovation is often recognized as one of the most essential sources of long-term competitive advantage in an ever-changing environment, since it leads to better marketing tactics that help businesses survive and expand quicker. This research seeks proof of a link between three categories that are often examined separately: marketing innovation, digital marketing agility, which is seen as a highly competitive element for firms, and business success as the overall organization's emphasis. With a cross-sectional temporal view, a survey-based quantitative technique was used. This research use factor analysis and structural equation modelling approaches with maximum likelihood estimation to examine the quality of the size fit to the structural model using SPSS 21 and PLS software to produce similar findings. A survey of 150 wood processing industry managers in Central Java was used to obtain data. According to the findings', marketing innovation has a substantial and positive influence on corporate performance for 5,920 people, a significant and positive impact on digital marketing agility for 10,213 people, and a significant and good impact on relational digital marketing agility. 9,719 To far, there has been evidence that the link between marketing innovation and digital marketing agility has a positive and substantial influence on corporate success.

**Keywords:** *Digital Marketing Agility; Marketing Innovation; Wood Processing Industry*

## 1. INTRODUCTION

The wood processing industry is one sector that has the potential to be developed in Indonesia, because it is supported by the availability of large enough domestic natural resources. The wood processing industry sector is able to contribute 2.60% to the growth of the agro-industrial group [1]. In the wood processing industry sector, there are currently 1,114 companies spread across various parts of Indonesia, with a total production capacity of 2.9 million tons per year and a total workforce of 143,119 people [2]. Although the wood processing industry has been able to contribute to economic growth, there are still many problems faced, namely the business performance of the wood processing industry is still not optimal. Several factors affect the company's performance, such as marketing innovation and digital marketing agility. Therefore, the performance of wood processing industry companies, especially small and medium enterprises, can be improved through increased marketing innovation and increased digital marketing agility.

Innovation in marketing can be broken down into three categories: product innovation, which refers to modifications made to the product's physical appearance; service innovation, which refers to improvements made to the effectiveness and efficiency of the service process; and innovation in delivery of goods, which refers to modifications made to how products are delivered to customers [3]. Thus, marketing innovation is a marketing activity related to the creation of products according to customer needs, service creativity and various models of product distribution to buyers. When studying marketing, one must always keep an eye on both innovation and marketing. Marketing innovations should examine consumer value perceptions and provide chances for unmet customer wants, on the basis of which the organization may deliver new innovative goods. Innovations expose buyer demands beyond items [4, 5]. Marketing innovation results in higher product diversification [6], which helps companies expand their offerings, while acting as one of the important sources of competitive advantage [7].

Marketing ability and company innovation performance are closely related [8]. Because it is tied to the overall success of the business, innovation is an important aspect of the marketing role. It is for this reason that the vast majority of scholars are interested in the potential of marketing innovations to boost business performance [9]-[16]. In a similar vein, marketing innovation has a favourable impact on the performance of a company as well as the potential of a company to develop, reinforce, and keep its competitive edge [11], [17]-[19].

Numerous studies that have been carried out that show a favourable association between marketing innovation and market performance are backed by a great deal of literature, beginning with the concept that marketing innovation is an essential component of the success of a firm [11], [20]. In addition, SME marketing performance emphasises marketing innovation as the key to competitiveness [13]. Small and Medium Enterprises

adopt marketing in a competitive environment. Given their size, innovation is the most important component that Small and Medium-Sized Businesses may employ to rectify any inadequacies [21]. Small and medium-sized enterprises (SMEs) undergo market-based innovation as they continue to enhance their present goods and services to fulfil the demands of their consumers and as they prioritise market performance. Consequently, SMBs must use marketing innovation methods in order to improve their performance. Despite the fact that numerous studies indicate a favourable association between marketing innovation and firm success, other researchers obtain contradicting findings and do not even identify a positive relationship between marketing innovation and company performance [24], [25]. This study aims to address the gap in the literature about the link between marketing innovation and company success by analysing the relevant literature in the context of the Central Java wood processing sector. Figure 1 illustrates the products of the wood-processing sector.



**Figure 1.** Wood processing industry products

The questions to be solved in the research are 1). Does digital marketing agility have a significant effect on business performance? 2) Does marketing innovation have a significant effect on digital marketing agility? 3) Does marketing innovation have a significant effect on business performance?

## 2. METHOD

### 2.1. Sampling and Data Collection

The wood processing sector, which is comprised of 283 different businesses, will serve as the population for this research. At an accuracy rate of 5 percent, the number of samples obtained from 150 different firms is sufficient. The sample was conducted using a random sampling approach, and the fact that the wood processing business has been in operation for at least five years was taken into account. Primary data were collected using

questionnaires and interviews. Questionnaires were given to the owners of the wood processing industry. This includes business profiling, marketing innovation, digital marketing agility and business performance.

### 2.2. Operational and Measurement Variables

The variable indication of marketing innovation is inventiveness in generating marketing concepts, enhancing product design, enhancing product positioning, and boosting product promotion [22] variable indicators of digital marketing agility consist of agility in obtaining consumer information, agility in knowing consumer needs, agility in making relationships with consumers, agility in communicating with consumers. Business performance indicators consist of profit growth, market share growth, sales growth, return on assets [23]. All the indicators mentioned above were

measured using a Likert scale of 1-5, where 1 strongly disagrees and 5 strongly agrees.

### 3. RESULT AND DISCUSSION

#### 3.1. Respondent's Description

Based on the data analysis, it was obtained that the general description of the respondents in the wood processing industry was as follows: judging from the age of the respondents in this study, 56 respondents (37.7%) were aged between 25-30 years, and 23 respondents were aged 36-40 years (15.3 years). % and when viewed from

gender, as many as 108 people (72%) were men and 42 people (28%) were women. When viewed from the length of running a business, the length of time is 5-10 years as many as 112 people (74.7%), 16-20 years as many as 5 people (3.3%). While assets owned by 102 people (68%) with assets of 50-100 million, 8 people (5.3%) with assets of 151-200 million.

#### 3.2. Validity and Reliability

Testing the validity and reliability of the variables can be seen in table 1 as follows.

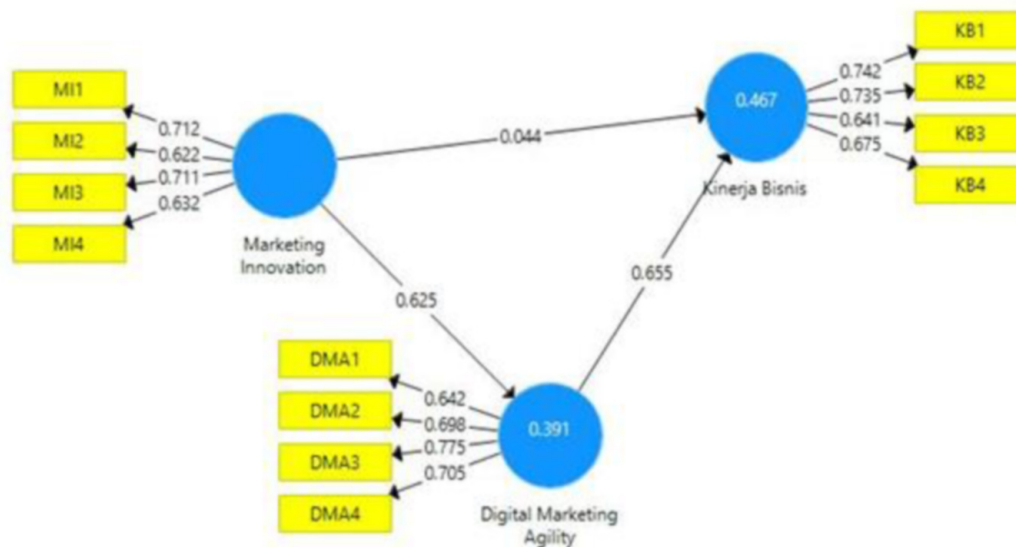
**Table 1.** Laten variable correlation

	Marketing innovation	Digital marketing agility	Marketing performance
Marketing innovation	<b>0.765</b>		
Digital marketing agility	0.642	<b>0.799</b>	
Marketing Performance	0.590	0.490	<b>0.792</b>

Based on Table 1, the results of the validity and reliability test show that the level of reliability is 0.765 for the marketing innovation variable, 0.799 for the digital marketing agility variable and 0.792 for the marketing performance variable. Thus, all variables are above the value of 0.70, so it can be stated that the variables in this study have a good level of reliability.

#### 3.3. Results

The results of data processing using the Smart PLS software obtain a loading factor construct model structure which will explain the correlation between the constructs of marketing innovation, digital marketing agility and business performance as shown in Figure 2.



**Figure 2.** Results of data processing

To evaluate whether the hypothesis is accepted or not, t count is compared to t table, with the hypothesis being

accepted if t count is greater than t table. For further information, check Table 2.

**Table 2.** Path Coefficient

	Original sample	Standard Deviation	T. Statistic	p-value
Digital marketing Agility → Firm Performance	0.655	0.067	9.719	0.000
Marketing innovation → Digital marketing agility	0.625	0.061	10.213	0.000
Marketing innovation → Firm Performance	0.245	0.074	5.920	0.002

Based on the findings of the PLS analysis, it can be concluded that H1 is supported and that digital marketing agility has a substantial and positive influence on company performance, as demonstrated by the original sample estimate value of 0.65, t-statistic value  $9.719 > t$  table (1.677). The more the agility of digital marketing, the greater the company performance. Furthermore, Hypothesis 2 is also accepted; marketing innovation has a considerable and favourable effect on digital marketing agility. This is evidenced by the original sample's estimated value of 0.625 and the t-statistical value of 10.213 being greater than t table (1.677). The greater the amount of marketing innovation, the greater the digital marketing agility. The findings of testing hypothesis 3 (H3) are accepted; marketing innovation has a considerable and positive impact on company performance, as demonstrated by the original sample estimate value of 0.24 and the t-statistic value of 5.920 > t table (1.677). The more innovative the marketing, the greater the company performance.

### 3.4. Discussion

According to the findings of a review of the data, marketing innovation has a major impact on both the agility of digital marketing and the performance of businesses. The greater the marketing innovation that is owned by each member of the organisation, not only in terms of creativity in finding marketing ideas but also in terms of improving product design, improving product placement, and increasing product promotion, will tend to encourage the growth of innovation capabilities. members of the organisation, both in new product innovation, process, management, and marketing. A more effective marketing innovation will also support an improvement in the overall business performance of the firm, including both its financial and marketing performance. The results of this study provide credence to the idea that there is a substantial connection between marketing innovation and the success of businesses [8], [17], [18]. In addition, digital marketing agility has a significant influence on business performance. The faster and more agile to do digital marketing, the higher the business performance. This finding is in accordance with the findings. Digital marketing agility is currently a trend during the current pandemic, where all business activities use digital. Thus, further research can be carried out related to how big the role of digital marketing is in supporting business activities.

### 4. CONCLUSION

The results of the study show the importance of marketing innovation in increasing digital marketing agility and business performance of the wood processing industry. Good marketing innovation capabilities within the organization will encourage digital marketing agility and will subsequently have an impact on increasing

business performance. The results of the study contribute to previous research related to increasing innovation ability. The ability of marketing innovation can be improved through increasing creativity in finding new ideas, improving product design, improving product placement, and increasing product promotion. When a company generates a greater amount of marketing innovation, the firm's overall business performance improves. In the end, the capacity of the organisation to achieve financial and marketing success will provide a competitive edge. In order to encourage the creation of marketing innovation capabilities that lead to increased business performance, the owners of SME businesses need to pay attention to the importance of building higher marketing innovations, optimising market analysis capabilities, networking with various stakeholders, and providing opportunities for employees to use decision-making authorization.

Based on the research results, the ability of marketing innovation is very necessary in improving the business performance of the creative industry, especially the wood processing industry. The government needs to encourage and facilitate the development of marketing innovations for the creative wood processing industry through continuous process, product, management, and marketing training. The primary weakness of this study is that it has only been conducted in a single Canadian province and does not investigate the impact of digital marketing agility as a moderating variable on the relationship between marketing innovation ability and company success.

### ACKNOWLEDGMENT

This research was funded by UNISNU through the 2020 Head Lecturer Acceleration research program which is managed by the Institute for Research and Community Service, Nahdlatul Ulama Jepara Islamic University.

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