

# The Influence of Product Innovation and Marketing on Social Media on Business Performance

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## ABSTRACT

This study aims to analyze the influence of product quality, price, and promotion on consumers' purchasing decisions in coffee shops. The method used was an online survey with a sample of 80 participants, consisting of men and women with varying age ranges. The results of regression analysis showed that product quality had a significant and strong influence on purchasing decisions (coefficient 0.623, p-value 0.000). Price also has a significant positive influence even though it is smaller than product quality (coefficient 0.284, p-value 0.017). However, the promotion did not show a significant impact on the purchase decision (coefficient 0.127, p-value 0.224). These findings indicate that coffee shops should focus on improving product quality and setting the right prices to improve consumers' purchasing decisions, while promotional strategies need to be re-evaluated for their effectiveness.

**Keywords:** Product Quality, Price, Promotion, Coffee Shop

## 1 Introduction

Business performance is a multifaceted concept that includes the evaluation of an organization's effectiveness in achieving strategic goals and maintaining competitiveness. Key Performance Indicators (KPIs) are essential for measuring business performance, serving as a measurable metric that assesses a company's success against predefined targets and objectives in various domains such as sales, marketing, and operations [1][2]. KPIs can take various forms, including absolute numbers, relative data, ratios, and ratings, allowing organizations to track financial results and other important areas such as customer satisfaction and employee productivity[1]. In addition to KPIs, Key Result Indicators (KRIs) and Objectives and Key Results (OKRs) are used to measure actions that lead to results and progress towards goals, [2]. The integration of these metrics into cohesive frameworks, such as Key Incorporated Results (KIRs), provides a comprehensive view of an organization's performance [2]. In addition, performance indicators specific to business models help organizations measure goals, monitor performance, and benchmark against competitors, although the literature on these indicators remains[3]. Aligning KPIs with strategic goals is essential for optimizing business performance, as it ensures that metrics reflect the organization's unique characteristics and goals[4]. Effective KPI implementation not only helps in achieving strategic goals but also improves employee productivity and task effectiveness, thereby contributing to the overall development of the business [5].

In the digital era, business performance is essential for the sustainability and growth of the company, as it is closely related to digitalization and sustainability practices. The integration of digital technologies has become a key driver of business innovation, enabling companies to optimize operations, increase customer engagement, and develop new products and services, thereby improving overall performance[6]. Digital marketing and new business models have transformed communication between companies and customers, emphasizing the importance of sustainability in digital strategies to ensure long-term growth[7]. Digital transformation also supports corporate social responsibility, particularly in environmental protection, by adopting smart technologies that efficiently use resources and reduce pollution, in line with the goals of the European Green Deal[8]. In addition, effective management of big data is essential for making informed decisions and maintaining a competitive advantage, as digital technology investments are now becoming the norm rather than a competitive advantage[9]. The COVID-19 pandemic has highlighted the need for digitalization, sustainability, inclusion, and diversity as drivers of business performance, underscoring their role in driving resilient and adaptable business practices [10]. Collectively, these elements show that in the digital age, business performance is not only about financial success but also about integrating sustainable practices that benefit society and the environment, ensuring companies can thrive in the long run

The relationship between product innovation in business, marketing on social media, and related challenges and opportunities is diverse and dynamic. Social media plays a crucial role in facilitating product innovation by allowing companies to collaborate with consumers, thereby increasing the development of new product concepts and usage methods. These collaborations foster trust and allow companies to leverage consumer insights, which are critical for innovation[11]. From a marketing perspective, innovation is closely related to relationship marketing, where stakeholder engagement is crucial. This involvement not only helps in the creation of new products but also increases customer satisfaction and loyalty, which in turn drives further innovation[12]. Consumer engagement is crucial in the context of product novelty, as it encourages learning experiences and adoption of new products. Businesses are encouraged to actively engage consumers, ensuring that product innovation keeps pace with technological advancements and market demands[13]. Marketing innovation, often overlooked, is another important component that, when combined with product innovation, can lead to a sustainable competitive advantage. This synergy is critical to a company's success, as improving a competitive position is more effective than innovation alone[14]. However, utilizing social media for open innovation presents opportunities and challenges. While it can increase the quantity and quality of ideas received, it also requires new methods to filter relevant content and ensure the validity of information, in addition to navigating legislative hurdles [15]. Thus, the integration of social media in product innovation and marketing offers significant potential but requires careful management of the inherent challenges

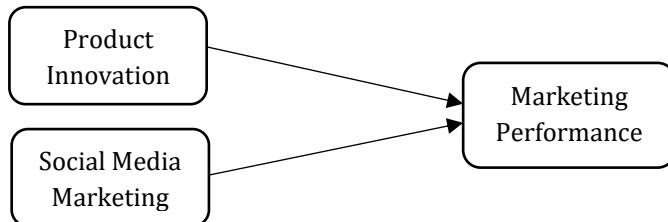
## 2 Research Methodology

In this study, there are several steps which include the definition of the research problem, literature review, research design, formulating a hypothesis, data collection, data analysis and conclusion analysis.

The initial stage of this research aims to define and identify problems that arise related to the decision to buy at coffee shops, based on existing phenomena and literature studies. After understanding the problem, the next step is to conduct a literature review to determine the research variables, namely product quality, price, and promotion. The research design was prepared to understand how these three variables affect consumers' purchasing decisions, including the data collection process and the research instruments to be used. The research hypothesis is formulated based on the variables studied. Relevant empirical data will be collected using the online survey method. Furthermore, the data obtained will be analyzed statistically to evaluate the relationship between the variables that have been determined. The final stage of the study will present a description of the results of the analysis that describes the influence of product quality, price, and promotion on the decision to buy at the coffee shop.

#### Research Hypothesis

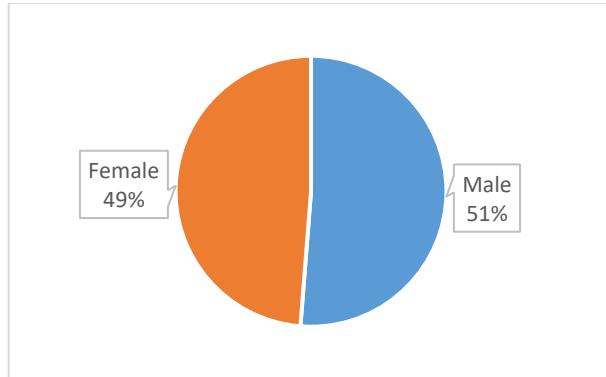
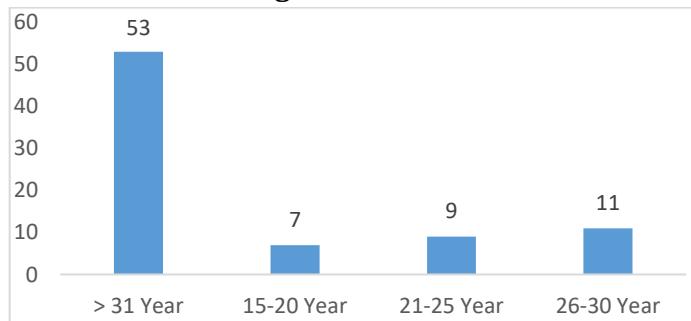
H1. Product Innovation has a positive impact on marketing performance  
 H2. Social Media Marketing has a positive impact on Marketing Performance



**Figure 1:** Conceptual design

### 3 Results and Discussion

In this study, an analysis was carried out on the composition of participants based on gender and age distribution. Based on the data collected, the total number of participants was 80 people, consisting of 41 men (51.3%) and 39 women (48.7%), which reflects an almost equal gender balance. Further analysis of the age distribution of participants revealed that the majority, namely 53 people (66.3%), were in the age category over 31 years old. Meanwhile, the younger age group showed significantly lower participation, with 7 people (8.8%) aged 15-20 years, 9 people (11.3%) aged 21-25 years, and 11 people (13.8%) aged 26-30 years. These findings suggest that there is a tendency for participation dominance from individuals aged 31 years and older, while the involvement of younger age groups is still limited. This study provides important insights into the demographics of the participants, which can be a reference for further studies in relevant contexts.

**Figure 2:** Gender**Figure 3:** Age Range

Furthermore, validity and reliability tests are essential in ensuring that an instrument, whether it is a questionnaire, device, or diagnostic tool, accurately measures what is intended and produces consistent results over time. Validity refers to the extent to which the instrument measures the concept it is intended to measure. For example, a study of questionnaires for teachers' academic knowledge demonstrated the validity of constructs through expert assessment and factor analysis, ensuring the tool accurately reflected the knowledge factors it was intended to assess. The following are the results of the validity and reliability test in tables 1 and 2

**Table 1:** Validity test

No Item	r-count	r-table	Status
Item1	0,318		
Item2	0,640		
Item3	0,369		
Item4	0,557		
Item5	0,477		
Item6	0,588	0,2172	Valid
Item7	0,555		
Item8	0,614		
Item9	0,422		
Item10	0,447		

**Table 2:** Reliability test

No Item	Cronbach's Alpha	r-table	Status
Item1	0,674		
Item2	0,624		

Item3	0.664		
Item4	0.651		
Item5	0.651		
Item6	0.636	0.2172	Reliable
Item7	0.638		
Item8	0.625		
Item9	0.679		
Item10	0.655		

The results of this regression test show that the Product Quality variable has a significant and strong influence on the dependent variable, with a coefficient of 0.623 and a very small p-value (0.000), which means that the improvement of product quality will directly increase the dependent variable. Furthermore, Price also had a significant effect, with a coefficient of 0.284 and a p-value of 0.017, although the effect was smaller than that of product quality. This indicates that price has a positive impact on the dependent variable, but not as much as product quality. On the other hand, Promotion showed a positive coefficient of 0.127, but a low t-statistic (1.226) and a p-value greater than 0.05 (0.224) showed that the effect of promotion on the dependent variable was not significant. Thus, it can be concluded that in this model, product quality and price have a significant influence, while promotion does not show a significant impact on the dependent variables. These findings provide insight that companies should focus more on improving product quality and proper pricing, while promotional strategies need to be re-evaluated for effectiveness.

**Table 3:** Regression test

Variable Name	Coefficient	T-stat	Sig
Kualitas Produk	0.623	5.561	0.000
Harga	0.284	2.448	0.017
Promosi	0.127	1.226	0.224

#### 4 Conclusions

Based on the results of the research conducted, it can be concluded that product quality has a significant influence on consumers' purchasing decisions in coffee shops. This can be seen from the high positive coefficient (0.623) and very small p-value (0.000), which indicates that improving product quality directly increases consumers' decision to buy. In addition, price has also been shown to have a positive influence on purchasing decisions, although it has a smaller effect than product quality. A coefficient of 0.284 and a p-value of 0.017 indicate that reasonable and competitive pricing can influence consumer decisions, so setting the right price is crucial in attracting customers. However, although promotions are expected to influence buying decisions, the regression test results show that promotions have no significant impact, with a coefficient of 0.127 and a p-value of 0.224. This shows that the promotional strategies implemented have not been effective enough in influencing consumers' decision to buy. Therefore, companies need to evaluate and refine the

promotional approach used. Overall, these findings suggest that coffee shops should focus more on improving product quality and pricing appropriately, while promotional strategies need to be tailored to consumer preferences. Thus, this research provides valuable insights for coffee shop managers in designing more effective and competitive marketing strategies.

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