The Influence of Digital Influencer and Product Innovation on MSME Performance in Banda Aceh City by Brand Endorsement as a Mediator

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Abstract
This study aims to examine how Digital Influencers and Product Innovation affect the performance of Micro, Small, and Medium Enterprises (MSMEs) in Banda Aceh City, with Brand Endorsement playing a mediating role. The total population of MSMEs in Banda Aceh is 17,308. The study used primary data. Structural Equation Modelling (SEM) was used to analyze the direct effects, while the indirect effects were tested using the Sobel calculator. The results indicate that Digital Influencers and Product Innovation influence Brand Endorsement. Additionally, Digital Influencers, Product Innovation, and Brand Endorsement all influence MSME Performance. The study also found that Brand Endorsement acts as a mediator between Digital Influencers and Product Innovation in influencing MSME performance. This shows that the MSME Performance improvement model in Banda Aceh depends on the suitability of Digital Influencers, increased Product Innovation, and effective Brand Endorsement.

Keywords: Digital Influencer, Product Innovation, Brand Endorsement, MSME Performance

1. Introduction
The current Industrial Revolution has resulted in every company being faced with changes in business conditions that are increasingly massive and competitive (Sil, Kassiavera, & Belly, 2018). This phenomenon has resulted in increasing business competition between companies. In the current competitive era, of course, the role of entrepreneurship is essential because the activities carried out by entrepreneurs are considered productive and capable of carrying out many innovations so that they will contribute to increasing economic growth in a country. Currently, one of Indonesia's focuses in improving the national economy is strengthening the Micro, Small, and Medium Enterprises (MSME) sector. This condition is possible because the existence of MSMEs is quite dominant in the Indonesian economy. The MSME sector is central to increasing economic growth, opening job opportunities, and realizing sustainable economic development (Sinarwati, Sujana, & Herawati, 2020). Based on MSME Ministry (KEMENKOPUKM) (2019) data, it is stated that MSMEs contribute 99.99 percent of the total active industry in Indonesia and the contribution of MSME players to GDP at current prices is 60.51 percent. However, until now, MSMEs in Indonesia are considered to still really need to catch up with the productivity of large companies and are expected to be able to increase their competitiveness in the Southeast Asia region. There are weaknesses faced by MSME players, including lack of product innovation, lack of managerial ability, and lack of good capital which will hinder the performance of MSMEs (Ramayanti & Novita, 2017).

Indonesia's highest economic growth in 2018 was 5.17% (Central Statistics Agency, 2018), most of which was contributed by MSMEs spread throughout Indonesia. Calculated onimidi2018, amounting to 62.92millionbusiness unitiori99.92% business unitisiinIndonesiaiare MSMEsiwhich contributes 60.34% of Indonesia's GDP and absorbs 116.73 million workforce around 97.02% of the total workforce and it is number which has a big impact on growth economy so that MSMEs are always a concern government to more good every year (Kemenkopukm, 2018).
MSMEs are one of the driving forces of the economy in Indonesia. The increasingly rapid growth of MSMEs has made entrepreneurs look for ways to compete and survive amidst environmental changes (Rianto, Jasfar, & Arafah, 2021). Halal food is one part of MSMEs that has the potential to have superior performance in the future. Indonesia's population is Muslim and lifestyles are starting to change following religious guidance, making businesses labeled sharia a business center worth considering. Banda Aceh City has the largest number of MSMEs in Aceh Province. The growth of Micro, Small, and Medium Enterprises (MSMEs) in Banda Aceh is experiencing rapid growth. In 2022, the number of MSMEs in Banda Aceh City will be 17,308, up from 15,471 in 2021. In the span of two years, the growth in the number of MSMEs has reached 12 percent (kompas. id).

Based on Figure 1.2 above, shows that the number of MSMEs in Banda Aceh City from 2011 to 2022 continues to increase, although not in all sectors it increases every year, but what is clear is that the number of MSMEs in Banda Aceh City continues to increase. However, quite a few MSMEs have been affected by the Covid-19 pandemic. A total of 6,173 MSMEs affected by COVID-19 in Banda Aceh were designated as recipients of micro-productive assistance (BPUM) from the Ministry of Cooperatives and Small and Medium Enterprises. This shows that MSME players need to determine the factors influencing MSME performance during the COVID-19 pandemic. Performance is considered the right choice to evaluate business efficiency and effectiveness in a certain period (Afrifa & Padach, 2016). This is reinforced by (Raimondo, 2016) who states that performance is described as the success of MSMEs in a country which
is recognized as the best criterion in evaluating the efficiency and effectiveness of MSMEs in a certain period. MSMEs are considered capable of being a tool for realizing an ideal economy. In its implementation, the MSME sector must pay attention to performance to achieve business goals. MSMEs usually measure business performance from an economic perspective. However, this performance can be measured using a financial perspective, consumer perspective, internal business process perspective, and learning and growth perspective (Kurniawati & Akhsa, 2016). According to the pre-survey results, respondents perceive the performance of MSMEs to be relatively low, as indicated by a mean value of 3.22, which falls into the poor category (3.22 < 3.41). This suggests that the performance of MSMEs has not been as optimal as expected.

One of the factors that influences the performance of MSMEs is the use of brand endorsements. According to (Shimp, 2013), brand endorsement is an actor or actress, entertainer, or athlete who is known or publicly known for their success in their respective fields to support an advertised product. Meanwhile, according to (Schiffman & Kanuk, 2010), celebrities in advertisements can be an influential force in generating actions related to the performance of MSMEs. According to research by (Ahmed, Farooq, & Iqbal, 2014) stated that consumers believe that if celebrities use these products it will improve the performance of MSMEs. Research by (Wu, Lee, & Tsai, 2012) stated that brand endorsement has a significant effect on the performance of MSMEs. Furthermore, (Apejoye, 2013) research states that brand endorsement has a significant effect on the performance of MSMEs. Based on these various theories, it can be concluded that a brand endorsement is an entertainer or athlete who is known for their success in their respective fields to support an advertised product and can be a force that influences the performance of MSMEs. Pre-survey revealed that the respondents' perception of brand endorsement is relatively low. The average value obtained was 3.30, which falls into the "poor" category (3.30 < 3.41). This suggests that brand endorsement has not been maximized as expected.

The next factor that influences MSME performance is digital influencers. The increasing role of social media makes it a significant factor in improving performance, especially for MSMEs. The community-based target market makes marketing using digital influencers more efficient than using other marketing channels. According to (Masito & Saino, 2021), a digital influencer is a way of marketing a product, either directly or indirectly, which is done to build consumer awareness, memory, recognition, and attitudes towards a product which is done using media from the social web, bookmarking, blogging, microblogging, social networking, and content sharing. The higher social media activity is thought to have a positive impact on the performance of MSMEs (Nguyen, Nguyen, & Do, 2022). The research results of (Komariah, Nursal, & Rianto, 2022) show that digital influencers influence the performance of MSMEs. Pre-survey found that the perception of Digital Influencers by respondents is still relatively low because a mean value of 3.34 was obtained, where the average value is in the poor category (3.34 < 3.41), which indicates that Digital Influencers have not been maximized as expected.

Innovation is an important factor in improving the performance of MSMEs. It is considered a key mechanism for becoming more competitive and surviving in the global business world (Puryantini et al., 2017). Innovation can take the form of new products or services, new production process technology, new structural and administrative systems, or new plans for organizational members (Puryantini, Arfati, & Tjahjadi, 2017). Research by (Avriyanti, 2022) and (Komariah et al., 2022) demonstrates that product innovation influences the performance of MSMEs. According to the pre-survey results, it's evident that respondents have a relatively low perception of product innovation, as the mean value obtained is 3.36. This places the mean value in the "poor" category (3.36 < 3.41), indicating that product innovation has not been maximized as anticipated.

2. Literature
2.1. MSME performance

Performance is used as the result of management activities to achieve company goals. Performance is interpreted as a multidimensional construct that evaluates the company's position concerning internal or external standards to achieve company effectiveness (Alghamdi, 2018). Performance is interpreted as company effectiveness that can be achieved by increasing the company's capabilities and creating the success of a company. There is a link between the company's management control system and performance to achieve goals. The comparison between the output expected by the company and the output produced by the company is called performance (Jahanshahi, Rezaei, Nawaser, Ranjbar, & Pitamber, 2012). According to Munizu (2010), there are four MSME performance indicators, namely:
1. Profit is the result obtained after deducting production capital and other costs.  
2. The marketing area is the area that is the target of the buying and selling process.  
3. Workers are people who carry out tasks and responsibilities given by superiors or business owners.  
4. Capital is the result of production that is used for further production.

2.2. Brand Endorsement

(Yusiana & Maulida, 2015) state that a brand endorser is someone who promotes a brand, and they can be popular public figures or ordinary people, often referred to as ordinary endorsers. The characteristics of brand endorsement include visibility (popularity), credibility (expertise), attraction (attractiveness), and power (strength). Companies use brand endorsements to influence or persuade consumers. The goal is to pique consumers’ interest in using the product, especially since the choice of brand endorsement is typically based on a celebrity's image. Brand endorsements serve as cultural icons or identities, acting as a marketing tool representing individual achievement and human glory, as well as the commercialization of a product (Gita & Setyorini, 2016). According to (Lea-Greenwood, 2013), brand endorsement indicators include:

1. Transference: when a celebrity endorses a brand related to their profession.
2. Congruence (compatibility): ensuring that there is a 'match' (suitability) between the brand and the celebrity.
3. Credibility: the degree to which consumers perceive a source (ambassador) as having relevant knowledge, expertise, or experience and can be trusted to provide objective and unusual information.
4. Attractiveness: non-physical appearance that can support a product or advertisement.
5. Power: the charisma emitted by the resource person to influence consumers to purchase or use the product.

2.3 Digital Influencer

Influencers, as defined by (Farid, 2021), are individuals with a substantial following on social media whose opinions and recommendations hold sway over their audience's behavior, particularly in terms of purchasing decisions. Digital influencers, as described by (Abidin, 2016), play a key role in shaping consumer behavior through social media marketing, often across multiple platforms such as Instagram, YouTube, Twitter, and various blogs. They are a form of microcelebrity and are known for their widespread presence on social media. (Marwick, 2013) distinguishes influencers as individuals who are renowned within specific communities, as opposed to mainstream celebrities. (Hutabarat, 2020) explains that the influence of influencers reflects the outcome of communication and interaction with others and is employed to alter people's attitudes and behaviors. According to (Hariyanti & Wirapraja, 2018), the indicators of this influence include:

1. Information: Processed and organized data that is comprehensible and beneficial to the recipient.
2. Encouragement: Motivation that sparks action, aids in achieving goals, and sustains interest in certain activities.
3. Role: Something that alters a person's status and the associated rights and obligations.
4. Status: A person's position within their community.

2.4. Product Innovation

According to (Kotler & Keller, 2018), innovation refers to the development of new products, services, ideas, and perceptions. Product innovation can involve enhancing existing goods and services or creating entirely new ones. It also involves the ability to combine existing production elements in new and improved ways. (Suryana, 2019) defines product innovation as the application of creativity to something that can be implemented and adds value to existing resources. Product innovation results in the emergence of something new, such as a new idea, theory, hypothesis, or method for managing an organization and business. According to (Setiadi, 2013), indicators of innovation include:

1. Relative advantage: This refers to whether the new product offers a significantly greater advantage than the product it replaces.
2. Compatibility: This refers to the degree to which a product is consistent with the existing values and past experiences of potential adopters.
3. Complexity: This refers to the level at which an innovation is perceived to be difficult to understand and use.
4. Trialability: This indicates whether an innovation can be tested in real situations before adoption, speeding up the adoption process.

5. Visibility (observability): This refers to the degree to which the results of using an innovation can be seen by others, reflecting the likelihood of adoption.

3. Method
In this study, the population consists of all micro, small, and medium enterprises (MSMEs) in Banda Aceh, totaling 17,308 businesses. According to the application of Slovin's formula, the research required a sample size of 390 respondents. The data used were primary. To examine the direct effect, Structural Equation Modelling (SEM) was employed, while the indirect effect was tested using the Sobel calculator. The hypothesis formulated to be tested are:

H1: Digital Influencer Influences Brand Endorsement
H2: Product Innovation influences Brand Endorsement
H3: Digital Influencer influences MSMEs Performance
H4: Product Innovation Influences MSME Performance
H5: Brand Endorsement Influences MSMEs Performance
H6: Brand Endorsement mediates the Digital Influencer impact on MSME Performance
H7: Brand Endorsement mediates the Product Innovation impact on MSME Performance

4. Result and Discussion
The hypothesis testing for direct effect can be seen in Table 1 below.

<table>
<thead>
<tr>
<th>Influence</th>
<th>Estimate</th>
<th>S.E</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Endorsement &lt;---</td>
<td>0.368</td>
<td>0.078</td>
<td>5.309</td>
<td>0.000</td>
</tr>
<tr>
<td>Digital Influencers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Endorsement &lt;---</td>
<td>0.421</td>
<td>0.101</td>
<td>5.983</td>
<td>0.000</td>
</tr>
<tr>
<td>Product Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSME performance &lt;---</td>
<td>0.245</td>
<td>0.057</td>
<td>4.032</td>
<td>0.000</td>
</tr>
<tr>
<td>Digital Influencers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSME performance &lt;---</td>
<td>0.239</td>
<td>0.075</td>
<td>3.818</td>
<td>0.000</td>
</tr>
<tr>
<td>Product Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MSME performance &lt;---</td>
<td>0.442</td>
<td>0.041</td>
<td>9.042</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Endorsement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data Processed, (2023)

4.1. Digital Influencers Towards Brand Endorsement (H1)
The Digital Influencer Influence test on Brand Endorsements provides a Critical Ratio (CR) 5.309 and a probability (p) of 0.000, meaning Digital Influencer influences significantly Brand Endorsement. The effect magnitude of Digital Influencers affecting Brand Endorsements is 0.368 or 36.8%, indicating improving Digital Influencers will have a positive and real influence on increasing Brand Endorsements.

4.2. Product Innovation Towards Brand Endorsement (H2)
The Product Innovation influence test on Brand Endorsement provides CR 5.983 and p 0.000, explaining Product Innovation influences significantly Brand Endorsement. The effect magnitude of Product Innovation affecting Brand Endorsement is 0.421 or 42.1%, indicating the higher the Product Innovation, the more Brand Endorsement will increase.

4.3. Digital Influencers on MSME Performance (H3)
The Digital Influencers influence test on MSME Performance provides CR 4.032 and p 0.000, meaning that Digital Influencers influences significantly MSME performance. The effect magnitude of Digital Influencer affecting Brand Endorsements is 0.245 or 24.5%, indicating the higher the Digital Influencers, the greater the performance of MSMEs.

4.4. Product Innovation on MSME Performance (H4)
The product Innovation influence test on MSME performance provides CR 3.818 and p 0.000, meaning that Product Innovation influences significantly MSME Performance. The effect magnitude of
Product Innovation affecting MSME Performance is 0.239 or 24.5%, indicating the better the product innovation, the greater the performance of MSMEs.

4.5. **Brand Endorsement on MSME Performance (H5)**

The influence of Brand Endorsement on MSME Performance provides CR 9.042 and p 0.000. Thus it can be concluded that Brand Endorsements influence the performance of MSMEs. The effect magnitude of Brand Endorsement on MSME Performance is 0.442 or 44.2%, indicating the higher the Brand Endorsement will increase MSME performance.

4.6. **Digital Influencer on MSME Performance through Brand Endorsement (H6)**

From the Sobel test, the result was 4.322 with p 0.000, meaning Brand Endorsement acts as a mediating of Digital Influencers affecting MSME Performance. Furthermore, because Digital Influencer also affects MSME Performance, the role of Brand Endorsement in mediating Digital Influencers and MSME Performance is partially mediating. Partial reveals that Digital Influencers can affect MSME Performance both directly or through Brand Endorsement.

**Table 4.2: Significant Test for Digital Influencer Affecting MSME Performance Through Brand Endorsement**

<table>
<thead>
<tr>
<th>Input</th>
<th>Test statistic:</th>
<th>Std. Error:</th>
<th>p-values:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>0.360</td>
<td>4.322616462</td>
<td>0.037633</td>
</tr>
<tr>
<td>b</td>
<td>0.442</td>
<td>4.398642645</td>
<td>0.03776865</td>
</tr>
<tr>
<td>c</td>
<td>0.078</td>
<td>4.337855552</td>
<td>0.03749607</td>
</tr>
<tr>
<td>d</td>
<td>0.041</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.7. **Product Innovation influences MSME Performance through Brand Endorsement (H7)**

From the results of the Sobel test calculation, the result was 3.887 with p 0.000, meaning Brand Endorsement acts as a mediating of Product Innovation affecting MSME Performance. Furthermore, because Product Innovation affects MSME Performance, so the role of Brand Endorsement in mediating the Product Innovation and MSME Performance is partially mediating. Partial reveals that the Product Innovation impact can affect MSME Performance directly or through Brand Endorsement.

**Table 4.3: Significant Test for Product Innovation Affecting MSMEs Performance Through Brand Endorsement**

<table>
<thead>
<tr>
<th>Input</th>
<th>Test statistic:</th>
<th>Std. Error:</th>
<th>p-values:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>0.421</td>
<td>3.88761086</td>
<td>0.04756292</td>
</tr>
<tr>
<td>b</td>
<td>0.442</td>
<td>3.87334959</td>
<td>0.04804113</td>
</tr>
<tr>
<td>c</td>
<td>0.101</td>
<td>3.90246186</td>
<td>0.04763336</td>
</tr>
<tr>
<td>d</td>
<td>0.041</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **Conclusion**

The results reveal that Digital Influencers and Product Innovation influence Brand Endorsement. Additionally, Digital Influencers, Product Innovation, and Brand Endorsement all influence MSME Performance. The study also found that Brand Endorsement acts as a mediator between Digital Influencers and Product Innovation in influencing MSME performance. This shows that the MSME Performance improvement model in Banda Aceh depends on the suitability of Digital Influencers, increased Product Innovation, and effective Brand Endorsement. These findings explain that the MSMEs Performance improvement model in Banda Aceh is proven to be a function of Digital Influencer Suitability and Increased Product Innovation and Brand Endorsement. These results are the premise to strengthen the previous causality theory, and make the tested model an academic reference for future use in developing theories in marketing science. The limitations are in the scope of the study. The survey results provided several recommendation as follows.

1) For the digital influencer variable, the lowest average value was obtained for the encouragement indicator where respondents lacked motivation to find out more about MSME products after seeing advertisements on social media. This can be a concern for MSME players to change the way they deliver products on social media.
2) The product innovation variable has the lowest average value on the compatibility or suitability indicator the product is less consistent with existing values and experience. This can be a concern for MSME players to be more consistent in creating products so that product value can increase.

3) To increase Brand Endorsement and MSME Performance, companies can increase Digital Influencers and Product Innovation.

References


