

# Improving Marketing Performance and Product Innovation Capability through Digital Knowledge Sharing (Case Study in Food Processing SMEs)

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**Abstract** - The research aimed to examine the mediating role of product innovation capability with customer orientation and digital knowledge sharing to increase marketing performance. The research had a total of 185 food processing SMEs in Blora, Central Java, Indonesia who often do digital knowledge sharing. They were obtained to become the respondents of the research by using purposive sampling. The research model was tested using multiple linear regression analysis with SPSS software. The findings show that product innovation capability is proven to mediate customer orientation and digital knowledge sharing on marketing performance. Furthermore, the research expects that good customer orientation, digital knowledge sharing, and product innovation capability become the beginning of success in achieving and improving the marketing performance of food processing SMEs in Blora during the pandemic so that SMEs can continue to operate and develop. It occurs necessary for future research to involve some other SMEs from within and outside Blora in order to expand the population and samples.

**Keywords:** customer orientation, digital knowledge sharing, product innovation capability, marketing performance

## I. INTRODUCTION

The drivers of economic growth that can increase total income and per capita income are Small and Medium Enterprises (SMEs). Small and Medium Enterprises (SMEs) are productive economic enterprises carried out by business entities

or individuals and are not subsidiaries or branches. The development of SMEs continues to get attention from various groups, especially the government. They improve performance by providing access to technology transfer and regular digitalization training and coaching specifically for the SME sector so that they can achieve success by maximizing their performance.

The research focuses on the model of improving marketing performance and product innovation capability in digital knowledge sharing. The success rate of SMEs can be seen from the results of the SMEs performance, one of which is marketing performance. A company's success in creating a product that is marketed will lead to its marketing performance (Tamanggung, 2018). To improve marketing performance, it is necessary to do knowledge sharing.

Knowledge sharing is considered a tool for organizations to gain knowledge that changes an organization's behavior and marketing performance (Nguyen et al., 2019). Having the habit of doing knowledge sharing within the organization will impact each individual and the organization.

The role of knowledge sharing in improving marketing performance has received much attention from researchers. Damanik (2020) state that knowledge sharing affects marketing performance since knowledge sharing with colleagues are considered normal so that their performance in the organization could continue to increase.

However, in the current difficult situation caused by a dynamic environment, knowledge sharing is difficult to do directly. Therefore, there is a need for renewal in knowledge sharing by utilizing digitalization, commonly referred to as digital

knowledge sharing. Media that can be used for digital knowledge sharing are Instagram, YouTube, Facebook, WhatsApp, and so forth.

Knowledge sharing related to the provision of information is considered to increase product innovation capability. In creative thinking, people must have an essential creative mindset that can help solve problems to get solutions (Mulyana, Assegaf, & Wasitowati, 2015). Therefore, knowledge sharing is considered essential to developing skills and competencies and maintaining competitiveness. Knowledge sharing approach from perspective of innovation or explanatory knowledge sharia is expected to become a knowledge sharing trend in the future (Memah, 2017).

One way to improve marketing performance is through product innovation capability. Innovative is an essential driver of the growth and well-being of nations, affecting and providing benefits to consumers, businesses and the economy as a whole (Mendoza-Silva, 2020). The existence of innovation can help solve problems creatively to improve performance in their business, as Jalilvand (2017) reveals that innovation is an essential dimension for business performance in organizational success. Innovation capability is considered as one-dimensional phenomenon including the actions that could be implemented to enhance the performance of SMEs (Saunila, 2020).

Customer orientation is required to improve product innovation capability. According to Valenzuela-Fernández et al. (2020) customer orientation is one of the most important challenges that companies face nowadays, because they need to co-create value for the client, but at the same time, they have to focus on how to increase the value of the relationship with the client. Frequently, customers are increasingly critical in choosing products, so that they require companies to further improve their innovation capabilities in creating new products that are different from competing products.

The research model is tested on food processing SMEs in Blora Regency, Indonesia. Blora has several SME sectors such as agriculture, livestock, mining, restaurants, etc. One of the SME sectors that dominate in Blora Regency is food processing industry sector. The obstacles that SMEs often come across are: 1) the increase in similar business actors, 2) many business actors who have created innovations but lack enthusiasm from customers, 3) marketing activities still rely on Word of Mouth and other offline promotional media, 4) the sales volume decrease at the beginning of the pandemic, and 5) the transformation of coaching directly (offline) to online during this pandemic.

The research is urgently applied to food processing SMEs in Blora Regency, Indonesia, because the activities carried out face to face are very difficult to do. If SMEs do not immediately realize how important the digital world is in business continuity, other business actors will be left behind. It is expected that product innovation capability can mediate the

relationship between customer orientation and digital knowledge sharing on marketing performance. The research results are also expected to increase knowledge, especially in the field of marketing performance.

Hidayah and Purnadi (2017) define marketing performance as a concept used to measure the achievement of company strategies within a specific time. Meanwhile, Yasa et al. (2020) define that marketing performance is among the measures of firm performance. The performance can be measured using the level of annual sales, market share growth, and operational profit.

Good marketing performance is marked by increased sales growth and a broader market share than before. Meanwhile, poor marketing performance is indicated by declining sales and market share, declining sales compared to the previous year and competitors in the same industry (Utomo & Nugraha, 2017).

According to Rosadian (2020), customer orientation is a company's commitment to prioritize customers through fulfilling customer needs and desires to create customer satisfaction. Customer refers to the extend organizations and their employees are committed to meeting customer needs and improving customer well-being (Zhao, 2022). Meanwhile, according to Feng et al. (2019), customer orientation reflects a firm's strategic to focus on the market, and it is defined as a "firm orientation toward the promotion and support for the collection, dissemination, and responsiveness to market intelligence to serve customer needs".

Organizations have seen knowledge as their most valuable competitive resource for over two decades. It is unique differentiator that requires strategic management. Traditional sources of competitive advantage, such as basic labor and capital, are almost universally available these days (Kucharska & Erickson, 2020). According to Muafi (2020), knowledge sharing is the behavior of accepting new knowledge and donating the knowledge possessed to other individuals or organizations who need it to be useful. Knowledge sharing can be useful for building organizational networks and increasing organizational efficiency and effectiveness. Meanwhile, according to Ali, Paris, and Gunasekaran (2019), knowledge sharing is the process of transferring knowledge from individuals or groups to other individuals or groups using appropriate media. This statement is in line with (Islam et al., 2012), that knowledge sharing can be done through various interactions and media so that individuals would perceive each other's knowledge.

The rapid development of science, technology, and information has led to new media in sharing the knowledge, which is called as digital knowledge sharing. According to Eze et al. (2013), digital knowledge sharing is a channel that can share knowledge on various media such as Facebook, WhatsApp, or other social media. Digital knowledge sharing consists of two dimensions: 1) digital

knowledge donating (sharing knowledge through digital media) and 2) digital knowledge collecting (gaining knowledge through digital media). Digital knowledge sharing refers to those activities through which employees share knowledge digitally with actors within or outside the organization (Tønnessen et al., 2021). Digital knowledge sharing is a continuous with the digital environment that produces direct effects and certain changes in knowledge acquisition patterns (Nugraha, Irwansyah, & Purwadi, 2021).

According to Fazizah and Guntarayana (2020), innovation capability is the ability to develop new products that can satisfy the market, perform productivity with modern technology, develop new products for long-term needs, and respond to changing activities unexpected opportunities carried out by competitors. In essence, the level of desire of each consumer is different and dynamic. Consumers look at the value of the product and pay attention to the added value compared to other similar products. Innovation capability is also defined as the valuable assets for the firms to provide and sustaining competitive advantage and in the implementation of the entire strategy. The capability of innovation facilitates firms to introduce new product quickly and adopt new systems rather it is important to factor for feeding the ongoing competition (Rajapathirana & Hui, 2018).

Customer-oriented companies will be stronger in developing their innovation capabilities concerning creating superior value in new products, product quality, and product design. Customer orientation in the company is positively related to innovative companies, to the capacity for innovation in services, and to a propensity for innovation. This orientation contributes to the competitive advantage of a company if it is combined with innovation capacity (Schlesinger & Emilio, 2018). Fidel, Schlesinger, and Emilio (2018), with research objects SMEs in Spain, also provide a sufficient understanding of market orientation in terms of customer demand, customer behavior patterns, market potential, and competitiveness to create innovations according to their capacity.

Based on the previous research, when a company is customer-oriented, they tend to have a better understanding every customer's needs and tastes in order to create value and satisfaction for customers so that they will try to improve their innovation capabilities. Further, the consumers will be interested in buying the marketed products.

H<sub>1</sub>: Customer orientation has a positive influence on product innovation capability

The intensity of knowledge sharing can increase individual knowledge in the organization to encourage individuals to innovate. With regard to the relationship between knowledge sharing and innovation capability, it is clear that capability in transforming and applying knowledge determines a firm's degree of innovation, for instance, faster problem-solving and quick response to the changes of business environment (Le & Lei, 2019). Organizational innovativeness is closely

related to creating and exploiting knowledge resource available within organizations (Lam et al., 2021). In the context of innovation, knowledge sharing is the exchange of expertise oriented to create or improve products and services of value. Knowledge sharing is an important resource underlying product development capability (Castaneda & Cuellar, 2020).

Chang, Liao, and Wu (2017), on the car industry in Taiwan, find that by sharing knowledge, new ideas would emerge by promoting renewable technology to compete to create innovations that are different from other car industries. Meanwhile, Le and Lei (2018) point out that by means of knowledge sharing in organizational learning application, Chinese firms can benefit from collective knowledge and significantly affect innovation capabilities (such as innovation speed and innovation quality) and competitive advantages.

When individuals often do knowledge sharing (knowledge donating and knowledge collecting), they will have updated knowledge, so that their ability to generate many creative ideas in creating new products and imitating competitors' products will increase. Furthermore, the market dynamics will also increase. H<sub>2</sub>: Digital knowledge sharing has a positive effect on product innovation capability

The success of marketing performance depends on customers willingness to consume and repurchase the products produced by an organization. Neneh (2018) on SMEs in the Free State Province, South Africa, shows that SME players have paid attention to the dynamics of their customers, but they also continue to explore and expand their understanding of market conditions to plan more cost-effective strategies so that performance can run well. Domi, Capelleras, and Musabelliu (2019) on Tourism SMEs in Albania has prioritized customer needs since customer orientation is an essential factor that affects the performance of not only one tourism but also consolidated with other tourism.

Based on the previous research, when an organization is customer-oriented, marketing performance will increase in accordance with the planned target.

H<sub>3</sub>: Customer orientation has a positive effect on marketing performance

Knowledge sharing will generate a process of transfer self-upgrading, the formation of new organizational groups, the exchange of information, and indirectly create an arena for promotions and networks, which will have a positive impact on the marketing performance (Setini et al., 2020). The application of knowledge sharing in an organization can be disseminated, implemented, and developed, which will impact marketing performance. Muafi (2020) on Batik MSMEs in Pekalongan and Klaten, Indonesia, states that knowledge sharing can be an organizational asset in improving MSME performance if they can manage their knowledge and cannot be imitated in the current digital era.



Therefore, it is believed that when an organization often conducts knowledge sharing, usually within the organization, good cooperation has been created between individuals so that sharing activities are easy to implement, which will impact the effectiveness and efficiency of performance.

H<sub>4</sub>: Digital knowledge sharing has a positive effect on marketing performance

Companies without innovation will not survive in the world of business competition. Innovation is necessary to make a firm different, thus obtaining a competitive advantage, while innovative capability of companies and individuals in the company have a positive causal correlation with SME performance described by (Afriyie, Du, & Musah, 2020). Naala, Nordin, and Omar (2017), on SMEs in Nigeria, suggest the importance of innovation capabilities in designing, developing, and implementing new ideas that can improve the performance of SMEs. Research by (Soto-Acosta et al., 2018) suggest that innovation contributes positively to firm performance in SMEs. Meanwhile, research by (Rajapathirana & Hui, 2018) in the Sri Lankan insurance industry revealed that product and marketing innovations are the driving force for the increased performance of insurance companies in Sri Lanka.

Based on the above study, when an organization can maximize its ability to create products that can meet the needs and desires of customers in accordance with market dynamics, the sales volume and profits will increase so that the innovation capabilities owned and run by the company will improve marketing performance.

H<sub>5</sub>: Product innovation capability has a positive effect on marketing performance

Product innovation capability is defined as the company's ability to develop new ideas that can increase customer satisfaction. Research by (Produção et al., 2020) on business organizations in Brazil shows that companies with a tendency to customer orientation will be able to collect information and knowledge about the market in creating innovations that can provide satisfaction to consumers. Therefore,

a customer-oriented company will tend to have a high level of marketing performance. Meanwhile, Shafi (2020), on Handicraft SMEs in Pakistan, finds that competent resources in understanding customers can affect the performance of SMEs through their innovation capabilities.

A customer-oriented organization will try to improve its innovation capability to create quality products in accordance with market trends. Products received in the market can increase sales volume accompanied by an increase in sales profit, more customers, and wider distribution.

H<sub>6</sub>: Product innovation capability has a role in mediating customer orientation on marketing performance

High innovation ability tends to be more successful in responding to a dynamic environment to develop its ability to generate new ideas to achieve superior performance. Wang, Sharma, and Cao (2016) point out that companies in China set priorities in knowledge sharing to explore their capabilities in presenting new ideas by involving technology to achieve company performance goals. Laily and Ernawati (2020), conducting research on Batik SMEs in Surabaya, explains that a culture of knowledge sharing needs to be carried out so that business actors have more comprehensive information and knowledge to improve their innovation capability so that the performance of SMEs can continue to improve rapidly.

Based on the studies that have been conducted, knowledge sharing will have a significant effect on the performance of individuals within the organization if they have high product innovation capabilities. Individuals who can take advantage of their abilities to share and receive knowledge from other individuals will develop innovations or ideas to create new products and modify existing products. Innovations that have been designed can improve their marketing performance.

H<sub>7</sub>: Product innovation capability has a role in mediating digital knowledge sharing on marketing performance

The research model is presented in Figure 1

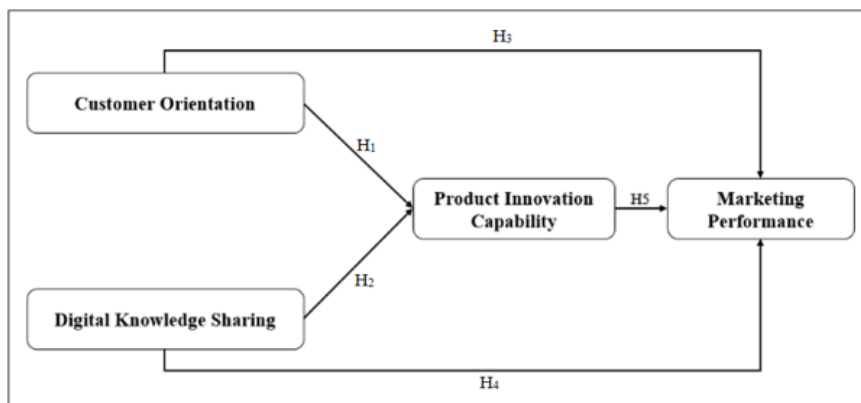


Figure 1 Research Model

## II. METHODS

The research uses a quantitative approach to explain the causal relationship between independent and dependent variables. The population of the research is all food processing SMEs in Blora Regency, that actively use social media.

There are 25 parameters so that the minimum sample is 125 respondents. However, the research takes 250 respondents to minimize data errors. Determination of the number of samples refers to Hair et al. (2018), about five times the estimated parameters. Using the purposive sampling method, the research selects respondents who have established a business for at least three years and often share social media knowledge.

The data collection method is carried out by distributing questionnaires through google forms and direct interviews with SMEs. 250 questionnaires are distributed to respondents, but only 185 questionnaires turn out to be eligible for analysis according to the criteria.

Respondents consist of 77,8% women and 22,2% men, dominated by ages between 31 to 40 years. As many as 44,9 % of respondents have the latest undergraduate education while the rests are Diploma and Senior High School level. Most of the respondents have established their business for 3-6 years by 60%. In contrast, the rest have been in existence for seven years to more than ten years.

Marketing performance is defined as the level of achievement of the results of a product marketed within a certain period of time as measured using indicators of sales volume growth, customer growth, profit growth, and expansion of marketing reach (Hidayah & Purnadi, 2017).

Product innovation capability is defined as a company's ability to create products, modify products, and develop products to be able to realize sustainable quality products as measured by indicators, namely: 1) the ability to create new products, 2) the ability to improve product quality, 3) the ability to modify old products, and 4) the ability to imitate competitors' products (Umar, 2020).

Customer orientation is defined as the understanding of SMEs towards customer needs and preferences, understanding every customer complaint in order to create products that can satisfy and create customer value on an ongoing basis which is measured using indicators such as: 1) understanding customer demands and tastes, 2) understanding customer complaints, 3) understanding the essential to create customer value, and 4) understanding that creating customer satisfaction is essential (Azizah & Maftukhah, 2017).

Digital knowledge sharing is defined as the intensity of knowledge sharing both receiving and gaining new knowledge from individuals or groups to other individuals or groups using social media as measured using the indicators such as: 1) digital knowledge donating (sharing) and 2) digital knowledge

collecting (obtaining). The knowledge includes new food variants, modification of processed foods, shifts in customer tastes (Firmanda, 2021).

Multiple linear regression analysis aims to determine the relationship between the dependent variable and the independent variable whether each variable is positively or negatively related. There are two regression models in the research. First, multiple linear regression to determine the direct effect between customer orientation (CO) and digital knowledge sharing (DKS) on product innovation capability (PIC). Second, multiple linear regression to determine the direct influence between customer orientation (CO), digital knowledge sharing (DKS), product innovation capability (PIC) on marketing performance (MP). A good regression model is seen from the larger t-test and F-test, and the p-value does not exceed 0,05 (Ghozali, 2016). The research uses the classical assumption test to determine whether there are data deviations. The normality test explains that the residual value is normally distributed by using the Kolmogorov-Smirnov Test statistical test. Tolerance values less than 0,1 and Value Inflation Factor (VIF), not more than ten, explain that there is no multicollinearity between independent variables. Meanwhile, to find out the variance inequality of the residuals using the glacier test with a reference p-value of not more than 0,05. Furthermore, the research uses the Sobel test to determine the indirect effect of independent variables on the dependent variable.

## III. RESULTS AND DISCUSSIONS

A validity test is used to determine whether the instrument (questionnaire) distributed is valid. The reliability test aims to test the consistency of the measuring instrument, whether the results remain consistent or not when the measurement is repeated. This research instrument used Cronbach Alpha with a value greater than 0,60. The testing technique is to correlate each item's score with a total score. The results of this study indicate that the p-value of each indicator is less than 0,05, which indicates that the research instrument is valid. In contrast, the Cronbach Alpha value for each variable range from 0,608 to 0,769, which indicates that the research is reliable or consistent. Validity and Reliability Tests can be found in Table 1.

The normality test results showed that the first and second regression models were normally distributed because they had a significance value of 0,057 and 0,200, which were more than 0,05. In the first regression model and the second regression model, there is also no relationship or correlation between independent variables, so that there is no multicollinearity because the VIF is less than ten and the tolerance value is more than 0,1. Each regression model has a significance value of more than 0,05 so that there is no similarity between variables. This means that there is no heteroscedasticity, and further

testing can be carried out. The first regression model test results obtained a calculated F-value of 13,642 with a p-value of 0,000. Meanwhile, in the second regression model, the calculated F-value is 37,478 with a p-value of 0,000. Therefore, the independent variable can explain the dependent variable in each model.

Based on the results of hypothesis testing in the first regression, it shows that CO – PIC ( $\beta = 0,228$ , p-value < 0,001); DKS – PIC ( $\beta = 0,241$ , p-value < 0,001); CO-MP ( $\beta = 0,365$ , p-value < 0,000); DKS-MP ( $\beta = 0,260$ , p-value < 0,000); PIC-MP ( $\beta = 0,247$ , p-value < 0,000). Thus, H1, H2, H3, H4, and H5 are accepted. The summary of hypothesis test results are provided in Table 2.

The results of the Sobel test are used to test

the indirect effect between variables according to the procedure developed by Sobel (Ghozali, 2016). The first model indicates that product innovation capability can indirectly affect customer orientation towards marketing performance because the t-count value of 2,00111552 is greater than the t-table value of 1,973. Furthermore, the second model indicates that product innovation capability can indirectly affect digital knowledge sharing on marketing performance because the t-count value of 3,789359594 is greater than the t-table value of 1,973. The summary of mediating variable test results is shown in Table 3.

Marketing performance can be increased through product innovation capability. Meanwhile, digital knowledge sharing and customer orientation can also encourage improving product innovation

Table 1 Validity and Reliability Test Results

Variables	R	p-value	CA (a)
Customer Orientation (CO)			
Understanding customer desires and tastes	0,603**	0,000	0,626
Understanding customer complaints	0,754**	0,000	0,626
Creating customer value is important	0,714**	0,000	0,626
Understand that creating satisfaction is important	0,674**	0,000	0,626
Digital Knowledge Sharing (DKS)			
Often share knowledge about new food variants	0,646**	0,000	0,769
Often share knowledge about modification of processed foods	0,714**	0,000	0,769
Often share knowledge about shifting customer tastes	0,786**	0,000	0,769
Often get knowledge about new food processing variants	0,538**	0,000	0,769
Often gain knowledge about modification of processed foods	0,702**	0,000	0,769
Frequently gain knowledge about shifting customer tastes	0,716**	0,000	0,769
Product Innovation Capability (PIC)			
Ability to create new products	0,792**	0,000	0,663
Ability to improve product quality	0,581**	0,000	0,663
Ability to modify old products	0,722**	0,000	0,663
Ability to imitate competitor's products	0,717**	0,000	0,663
Marketing Performance (MP)			
Sales volume growth	0,655**	0,000	0,608
Customer growth	0,735**	0,000	0,608
Profit Growth	0,678**	0,000	0,608
Expansion of marketing reach	0,653**	0,000	0,608

Table 2 Parameters for direct effect

Hypothesis	Regression	Beta	B	SE	CR	p-value	Results
H <sub>1</sub>	CO - PIC	0,228	0,331	0,102	3,235	0,001	Accepted
H <sub>2</sub>	DKS – PIC	0,241	0,116	0,034	3,429	0,001	Accepted
H <sub>3</sub>	CO-MP	0,365	0,469	0,078	5,981	0,000	Accepted
H <sub>4</sub>	DKS-MP	0,260	0,110	0,026	4,237	0,000	Accepted
H <sub>5</sub>	PIC-MP	0,247	0,218	0,055	3,953	0,000	Accepted

Model 1: Adj R2 = 0,121; F = 13,642; p-value = 0,000. Model 2: Adj R2 = 0,373; F = 37,478; p-value = 0,000

Note: CO = Customer Orientation, DKS = Digital Knowledge Sharing, PIC = Product Innovation Capability, MP = Marketing Performance.

capability. The role of customer orientation and digital knowledge sharing not only directly affects product innovation capability on marketing performance but has also been indirectly influenced.

Table 3 Parameters for indirect effect

Hypothesis	Regression	CR	t-table	Results
H6	CO – PIC – MP	2,001**	1,973	Accepted
H7	DKS – PIC – MP	3,789**	1,973	Accepted

Customer orientation positively affects product innovation capability, meaning that higher customer orientation increases product innovation capability. Food processing SMEs in Blora Regency can understand customers' desires, try to respond to complaints quickly, and create satisfaction for their customers. Customer orientation makes it easier for them to improve their product innovation capability by creating new products and modifying products by prioritizing quality and imitating competitor products with their respective characteristics. The research results are in line with research by Jalilvand (2017) and Fidel et al. (2018), that customer orientation has a positive effect on innovation capability. Sufficient understanding of customer orientation in the context of customer demand, business actors must be able to take advantage of their capabilities to fulfil customer desires by creating innovative products and services.

Digital knowledge sharing positively affects product innovation capability, which means that higher digital knowledge sharing causes product innovation capability to increase. Digital knowledge sharing activities are not limited by space and time. They use social media WhatsApp for knowledge sharing. Knowledge sharing activities to share and gain knowledge of new variants, modification of processed foods and shifts in customer tastes will increase product innovation capability. The research results are in line with research by Wang and Wang (2012) and Chang et al. (2017), that knowledge sharing has a significant positive effect on innovation capability. Knowledge sharing will bring up new ideas so that they can compete to generate different innovations according to the customers' desires.

Customer orientation has a positive effect on marketing performance, meaning that the higher the customer orientation, the higher the marketing performance. SMEs try to understand the desires and always respond to customer complaints and create value for customers. Satisfied customers will recommend so that new customers can be achieved, which means the number of their customers will increase, which will result in increased sales volume and profits and wider marketing reach. The results are in line with research by Neneh (2018), Domi et al. (2019), and Umar (2020), that customer orientation has

a significant positive effect on marketing performance. Even though SME players already know the dynamics of customers, they still need to explore on an ongoing basis market conditions so that the performance of SMEs will not decrease and run optimally.

Digital knowledge sharing positively affects marketing performance, meaning that higher digital knowledge sharing leads to higher marketing performance. Digital knowledge sharing between members inside and outside the organization makes business actors more updated about new products and modifications to old products and recognizes shifts in customer tastes. Good cooperation between business actors will improve marketing performance so that sales volume, profits, and customers increase, then the product marketing reach is also wider. The results shows similarity with research conducted by Muafi (2020), that knowledge sharing has a significant positive effect on marketing performance. Business actors who frequently share knowledge will have better understanding on market shifts and dynamics so that performance continues to improve.

Product innovation capability positively affects marketing performance, meaning that the higher the product innovation capability, the higher the marketing performance will also increase. SMEs in improving their product innovation capability is manifested in the form of always trying new food processing ideas and modifying old products, imitating competitor products and always trying to improve product quality. Products that have developed and are selling well in the market impact increasing sales volume and profits, increasing the number of customers and making products more widespread. The results of this study are in line with research conducted by (Saunila, Pekkola, & Ukko, 2014; (Naala et al., 2017); Rajapathirana & Hui, 2018), that innovation capability has a significant positive effect on performance. Innovations that are designed, developed, and implemented have an important role in creating new ideas and modifying them to improve SMEs' performance.

Product innovation capability has a role in mediating customer orientation on marketing performance. This condition indicates that better customer orientation and high product innovation capability will increase marketing performance. SMEs are trying to find information about wants and customers, respond to customer criticism and suggestions and create value and customer satisfaction. Customer criticism and suggestions make them cultivate their product innovation capability to create new products, modify old products, and try to imitate competitor products that are trending in the market. Products received in the market will impact increasing sales volume and profits and increasing customers. The results of this study are in line with research by (Shafi, 2020; Produção et al., 2020), that innovation capability mediates the relationship between customer orientation and business performance. Companies with a tendency to customer orientation will have the ability to gather information and knowledge about



the market. By developing a deep understanding, the company can create innovations that can provide satisfaction to customers so that it impacts increasing marketing performance.

Product innovation capability has a role in mediating digital knowledge sharing on marketing performance. This condition indicates that more digital knowledge sharing and high product innovation capability will improve the marketing performance. SMEs can share knowledge about new variants and product modifications and changes in customer taste without being asked due to the culture and strong cooperation between their members. Knowledge sharing can improve their ability to create new products and modify old products by paying attention to the quality of each product. The more products that customers favor, the more they will recommend to others so that customers increase, sales volume and operating profit are under the expected target, and the product range is wider. The results of this study are in line with research by Laily and Ernawati, (2020) and Pranowo et al. (2021), that innovation capability mediates the relationship between digital knowledge sharing and firm performance. SMEs will be superior if knowledge sharing is balanced with innovation capability so that the performance of SMEs continues to increase rapidly.

#### IV. CONCLUSIONS

Marketing performance of food processing SMEs can be increased through product innovation capability. Besides, product innovation capability can be increased through customer orientation and digital knowledge sharing. It means, food processing SMEs can achieve sales volume growth, customer growth, profit growth and expansion of marketing reach when they are able to create new products, product quality, modify old products and imitate competitors' products. The ability to perform products can be encouraged through a stronger understanding that: 1) creating customer value is important, 2) customer complaints must be addressed, and 3) products should meet customer's desire and demand. In addition, in order for food processing SMEs to have product innovation capability, they must share knowledge more often and be exposed to information about new food processing variants, changing customer tastes, and modifications of food processing SMEs.

The research provides several managerial implications related to the research variables. In connection with increasing understanding in creating value, it is important that food processing SMEs in Blora Regency, Indonesia, can be more committed to themselves always to improve service to every customer's needs even though the processed food products marketed are in high or low sales because doing business does not only sell goods but also must provide satisfactory service to customers. Increasing digital knowledge sharing behavior regarding the

shift in customer tastes also needs to be improved by sharing updated information and knowledge about processed foods favored by customers. In addition, business actors also need to be more active in seeking the latest product information to increase their ability to imitate products to create similar products that are modified according to their respective characteristics. In concern of the customer growth increase, it is hoped that food processing SMEs in Blora Regency can expand product distribution networks, intensify offline and online promotions, sell products using e-commerce, and participate in bazaars so that they can expand product range and increase the number of customers both from within and outside the city.

Along with increasing marketing performance, it is better if food processing SMEs in Blora Regency increases their understanding of customers and the intensity of knowledge sharing so that marketing performance activities are more effective and efficient without having to carry out activities to increase their product innovation capability.

The research limitation lies on the two independent variables, namely customer orientation and digital knowledge sharing. Therefore, it is necessary to expand research by including other supporting variables such as entrepreneur orientation, learning orientation, creativity, brand knowledge, competitive advantage and other variables related to increasing marketing performance. The process of collecting online questionnaires in the research causes the respondent's data to take a longer time and the answers are only based on the collected questionnaires. In addition, the research uses the scope of the population in Blora Regency only, so the description of the respondents is considered not optimal. For future research, it is necessary to increase the number of population and samples by involving several similar SMEs from within and outside Blora.

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