

The Role of Digital Marketing Innovation Mediation to Improve MSMEs Performance in Culinary Industry in Bandung City

Palupi Permata Rahmi^{1*}, Suryana², Chairul Furqon³, Mokh Adib Sultan⁴, A. Jajang W. Mahri⁵, Sri Yusriani⁶

¹Universitas Indonesia Membangun
^{2,3,4,5}Universitas Pendidikan Indonesia
⁶Universiti Sains Malaysia

*palupi.permata@inaba.ac.id

Abstract

This study examines the pivotal role of digital marketing innovation as a mediating mechanism that amplifies the effect of customer orientation on the performance of culinary micro, small, and medium enterprises (MSMEs) in Bandung City. An explanatory research design was employed using a partial least squares structural equation modeling (PLS-SEM) approach, drawing on data from 100 culinary MSMEs. The empirical findings demonstrate that customer orientation exerts a positive and statistically significant influence on MSME performance. In addition, digital marketing innovation is shown to have a significant positive effect on performance outcomes. The analysis further reveals a significant relationship between customer orientation and digital marketing innovation, indicating that a strong customer-oriented mindset stimulates the development of innovative digital marketing practices. Importantly, digital marketing innovation serves as a mediating variable that strengthens the relationship between customer orientation and MSME performance. From a practical standpoint, these results underscore the importance for MSMEs to systematically enhance their understanding of customer needs while accelerating the adoption of digital technologies in marketing and service delivery. Moreover, the findings suggest that local governments and MSME support institutions should implement integrated digital marketing training programs combined with market intelligence initiatives to improve competitiveness and foster sustainable growth in the culinary MSME sector.

Keywords: *Customer Orientation; Digital Marketing Innovation; MSME performance; Culinary Industry; Bandung.*

Introduction

Micro, Small, and Medium Enterprises (MSMEs) continue to play a pivotal role in shaping Indonesia's national economic structure. These enterprises are widely acknowledged for their resilience and adaptability in responding to economic volatility, particularly during periods of crisis (Harisandi, Yahya, and Istiqomah 2024). Beyond their economic resilience, MSMEs function as a key driver of inclusive growth by generating employment, reducing poverty, and fostering local value creation. Among the diverse MSME sub-sectors, culinary enterprises stand out due to their substantial contribution to national Gross Domestic Product (GDP) and the growing consumer demand for local and authentic food experiences (BPS 2024a).

Within West Java Province, and Bandung City in particular, culinary MSMEs have experienced rapid expansion. In 2021, the number of MSMEs exceeded two million units, fuelled by increasing demand for local gastronomy and the strong entrepreneurial culture of creative communities (BPS 2024). However, this quantitative growth has not been accompanied by

commensurate improvements in key performance indicators such as revenue growth, market penetration, or long-term sustainability. This discrepancy highlights persistent challenges related to competitiveness and performance sustainability in an increasingly saturated culinary market.

Digital transformation has emerged as a critical strategic instrument for enhancing MSME competitiveness. Digital marketing innovations—leveraging social media platforms, e-commerce marketplaces, and mobile-based applications—enable MSMEs to expand market reach, strengthen customer engagement, and enhance brand visibility (Yanti, Hurriyati, and Dirgantari 2023). Nevertheless, the effectiveness of digital marketing initiatives is not automatic. Prior studies indicate that the performance outcomes of digital marketing innovation are highly contingent upon internal market orientation, particularly customer orientation and competitor orientation (Harisandi, Muhammad Mardiputra, et al. 2024; Harisandi, Sari, and Yulandri 2023).

Customer orientation reflects the extent to which firms understand and respond to customer needs, preferences, and satisfaction levels (Sun, Kim, and Kim 2014), while competitor orientation refers to the capability of firms to monitor, evaluate, and respond strategically to competitors' actions (Brik, Rettab, and Mellahi 2011; Habib, Bao, and Ilmudeen 2020). Empirical evidence consistently suggests that MSMEs with strong market orientation are more inclined to engage in meaningful innovation activities, which subsequently enhance business performance (Chung 2020).

Despite this growing body of literature, empirical research examining the integrated relationship between market orientation (customer and competitor orientation), digital marketing innovation, and business performance remains limited, particularly within the context of culinary MSMEs in Bandung. Existing studies largely focus on general MSME populations or isolate individual constructs without embedding them in a comprehensive analytical framework. This fragmentation leaves a critical gap in understanding how internal orientations translate into effective digital marketing innovation and performance outcomes in localized culinary settings (Jang 2016).

Business performance in MSMEs is commonly assessed using a combination of financial and non-financial indicators, including profit growth, customer satisfaction, market share, and brand visibility (Harisandi, Nurhidayah, et al. 2024). In culinary MSMEs, performance is especially sensitive to shifts in consumer preferences, service quality, and the firm's ability to adapt marketing strategies in response to dynamic market conditions.

Market orientation, as conceptualized by Crittenden et al. (2011), encompasses customer orientation, competitor orientation, and inter-functional coordination. Subsequent refinements of this framework affirm market orientation as a behavioural foundation for innovation and strategic decision-making. For example, Mahmoud (2016) and Mitchell, Wooliscroft, and Higham (2010) demonstrate that MSMEs with heightened competitor awareness are more agile in formulating differentiated strategies that respond effectively to market changes.

Digital marketing innovation refers to the adoption and strategic utilization of digital technologies to deliver value propositions and interact with customers (Heine and Berghaus 2014). Contemporary research conceptualizes digital innovation not merely as a technological endeavour but as a strategic process involving novel content creation, audience engagement, and data-driven customer analysis (Hagberg, Sundstrom, and Egels-Zandén 2016). Related

findings show that digital innovation can mediate the relationship between entrepreneurial orientation and firm performance, particularly among MSMEs in emerging economies, suggesting relevance to Southeast Asian contexts.

Empirical evidence further confirms that digital marketing innovation enhances MSME performance by enabling personalized promotions, real-time customer interaction, and adaptive pricing strategies (Matt, Hess, and Benlian 2015; Wardhana 2024). However, these benefits are moderated by internal capabilities and market orientation. Without a strong understanding of customer needs and competitive dynamics, digital tools risk producing superficial engagement rather than sustained performance improvements.

Several research gaps therefore persist. First, many studies on digital innovation overlook the interactional mechanisms through which internal orientations influence innovation outcomes. Second, much of the MSME literature relies on cross-sectional designs and lacks sectoral specificity, particularly in culinary businesses where taste, service quality, and cultural identity intersect uniquely. Third, empirical studies focusing on urban Indonesian contexts—especially Bandung—remain limited, despite the city’s distinctive blend of traditional culinary heritage and rapidly evolving digital ecosystems.

Accordingly, this study aims to address these theoretical and empirical gaps by examining how customer and competitor orientation influence digital marketing innovation and how such innovation subsequently affects the business performance of culinary MSMEs in Bandung. By integrating these constructs within a single analytical framework, this study contributes to the advancement of strategic marketing and innovation theory in the MSME context. Furthermore, it provides actionable insights for entrepreneurs and policymakers seeking to strengthen digital capabilities and enhance the competitiveness of culinary MSMEs.

This study empirically investigates the mediating role of digital marketing innovation in the relationship between market orientation (customer and competitor orientation) and business performance among culinary MSMEs in Bandung. Specifically, the study addresses the following research questions:

1. How does customer orientation influence the performance of culinary MSMEs in Bandung?
2. How does customer orientation influence digital marketing innovation in culinary MSMEs in Bandung?
3. How does digital marketing innovation influence the performance of culinary MSMEs in Bandung?
4. Does digital marketing innovation mediate the relationship between customer orientation and the performance of culinary MSMEs in Bandung?

This study offers both academic and practical contributions. Academically, it enriches the literature by clarifying how market orientation and digital innovation capabilities interact to shape MSME performance. Practically, it provides a diagnostic framework for culinary MSMEs to evaluate their market orientation and digital marketing practices, supporting more informed strategic decision-making and resource allocation.

Literature Study

Customer Orientation and MSME Performance

Customer orientation has been widely recognized as a critical determinant of MSME performance, as it enhances customer satisfaction, strengthens competitive positioning, and

improves operational efficiency (Sun et al. 2014). Empirical evidence from Vietnam indicates that a stronger customer-oriented approach positively and significantly influences SME performance by improving firms' ability to understand and fulfill customer needs and expectations (Kusa, Suder, and Duda 2024). These findings consistently demonstrate that MSMEs adopting customer-oriented strategies are better positioned to achieve superior performance outcomes. Based on this body of empirical evidence, the following hypothesis is proposed:

H1: Customer orientation has a positive effect on MSME performance.

Customer Orientation and Digital Marketing Innovation

Customer orientation also plays a pivotal role in fostering digital marketing innovation, which subsequently enhances MSME productivity and competitiveness. Prior studies confirm that customer orientation exerts a positive and significant influence on innovation by encouraging firms to develop marketing practices aligned with customer preferences and behaviours (Guruh Suksmono Aji and Iva Khoiril Mala 2024). Further empirical evidence suggests that customer-oriented firms are more likely to adopt and implement contemporary digital marketing innovations effectively (Chaffey 2020; Wardhana 2024). Supporting this argument, research conducted among MSMEs in Morocco demonstrates that customer orientation significantly strengthens firms' innovation capabilities (Batu and Kutlu 2023). Drawing on these findings, this study proposes the following hypothesis:

H2: Customer orientation has a positive effect on digital marketing innovation.

Digital Marketing Innovation and MSME Performance

Digital marketing innovation has been shown to enhance MSME performance by strengthening marketing capabilities and improving organizational responsiveness. Febryansyah (2021) found that innovation in digital marketing positively influences business performance, with indirect effects often exceeding direct impacts, particularly across different organizational scales. Similarly, Milan et al. (2021) demonstrated that digital marketing innovation—both directly and through digital transformation—improves MSME performance by expanding market share, enhancing customer interaction, and optimizing operational processes. During periods of disruption such as the COVID-19 pandemic, innovative digital marketing practices have been shown to play a crucial role in sustaining business performance (Shen, Liu, and Li 2025). At the local level, Lefsrud, Macciotta, and Nkoro (2020) further confirmed that innovation significantly contributes to the performance of culinary MSMEs in Pekanbaru City, both partially and simultaneously. Based on this accumulated empirical evidence, the following hypothesis is formulated:

H3: Digital marketing innovation has a positive effect on MSME performance.

The Mediating Role of Digital Marketing Innovation

Prior research suggests that customer orientation enhances MSME performance not only directly but also indirectly through innovation. Sun et al. (2014) demonstrated that innovation partially mediates the relationship between customer orientation and MSME performance, indicating that customer orientation strengthens performance outcomes by stimulating innovative activities. Consistent with this perspective, Harisandi et al. (2025) and Harisandi,

Muhammad Mardiputra, et al. (2024) found that open innovation partially mediates the relationship between customer orientation and firm performance, highlighting innovation as a key transmission mechanism. Additional evidence indicates that customer orientation directly improves MSME performance by enabling firms to better meet customer expectations, while innovation capability further reinforces this effect (Ottman 1993; Pancić, Serdarušić, and Čučić 2023). Collectively, these studies suggest that customer-oriented MSMEs achieve superior performance by leveraging innovation, particularly in digital marketing contexts. Accordingly, this study proposes the following hypothesis:

H4: Digital marketing innovation mediates the relationship between customer orientation and MSME performance.

Research Methodology

This study adopts a quantitative research design with explanatory characteristics, aiming to examine causal relationships among constructs through hypothesis testing based on empirical evidence (Huit et al. 2018). The approach is appropriate for assessing both direct and mediating effects within a structured analytical framework.

Population and Sample

The study population comprises all culinary micro, small, and medium enterprises (MSMEs) operating in Bandung City and officially registered with the West Java Provincial Office of Cooperatives and Small Enterprises. A purposive sampling technique was employed to select respondents who met specific criteria, namely: (1) actively utilizing digital channels for marketing purposes and (2) having operated for a minimum of one year. Based on these criteria, a total of 100 culinary MSMEs were included in the final sample, which is considered adequate for PLS-SEM analysis.

Data Collection and Research Instrument

Primary data were collected using a structured questionnaire, distributed electronically via Google Forms through MSME community WhatsApp groups and direct outreach. The questionnaire employed a five-point Likert scale, ranging from strongly disagree to strongly agree, and comprised items measuring MSME performance, digital marketing innovation, and customer orientation.

The instrument's content validity was ensured through an extensive review of relevant literature and pilot testing. Construct validity and reliability were subsequently assessed during the data analysis stage using established statistical criteria. Secondary data were obtained from official government reports, peer-reviewed journal articles, and relevant studies on MSME development in West Java to support contextual analysis.

Research Variables and Measurement

This study examines three main constructs:

- *Customer Orientation (X1)*

Based on Narver and Slater (1990), customer orientation was measured using six indicators: customer commitment (X1.1), customer value creation (X1.2), understanding of customer

needs (X1.3), customer satisfaction objectives (X1.4), satisfaction measurement (X1.5), and after-sales service (X1.6).

- *Digital Marketing Innovation (M)*

Digital marketing innovation was measured using indicators adapted from Erhan et al. (2024), including experimentation with new digital applications (M1), development of digital applications (M2), and utilization of digital opportunities (M3).

- *MSME Performance (Y)*

MSME performance was operationalized following Rapih et al. (2015) and measured using indicators of profit growth, customer growth, and sales growth (Y1).

All measurement items were adapted to reflect the operational characteristics and business environment of culinary MSMEs in Bandung City.

Data Analysis Technique

The collected data were analysed using Partial Least Squares–Structural Equation Modelling (PLS-SEM) with SmartPLS version 4.1. The analysis was conducted in a systematic and sequential manner, comprising two main stages:

- *Measurement Model Evaluation (Outer Model)*

The first stage assessed the quality of the measurement model. Convergent validity was evaluated using factor loadings with a minimum threshold of 0.70 and Average Variance Extracted (AVE) values exceeding 0.50 for each construct. Internal consistency reliability was assessed using Composite Reliability and Cronbach's Alpha, both of which were required to exceed 0.70. Discriminant validity was examined using the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT) to confirm construct distinctiveness.

- *Structural Model Evaluation (Inner Model)*

Following the establishment of measurement model adequacy, the structural model was evaluated to test the hypothesized relationships among constructs. Model explanatory power was assessed using the coefficient of determination (R^2), while effect size (f^2) was used to evaluate the relative contribution of each exogenous variable. Predictive relevance was examined using the Stone–Geisser Q^2 statistic.

Hypothesis testing was conducted using a bootstrapping procedure with 5,000 subsamples to generate robust standard errors and t-values. Hypotheses were considered supported when the t-statistic exceeded 1.96 and the p-value was below 0.05, corresponding to a 5% significance level. This procedure enabled reliable inference regarding the significance and strength of the causal relationships within the proposed model.

Research Results and Discussions

Descriptive Analysis

The descriptive statistical analysis indicates that the MSME performance variable achieved an aggregate score of 1,065, which falls within the good classification. Among the three performance dimensions, customer base growth (Y2) recorded the highest score at 379, whereas sales transaction volume (Y1) obtained the lowest score at 325. These results suggest that customer base expansion represents the strongest aspect of performance among culinary MSMEs in Bandung City. Although sales volume remains within a favorable category, its relatively lower score indicates more moderate performance compared to customer growth.

The customer orientation variable accumulated a total score of 2,388, also categorized as good. The highest-scoring indicator was the firms' ability to understand customer preferences and needs (X1.3), which achieved 406 points. In contrast, the customer satisfaction evaluation

(X1.5) indicator recorded the lowest score at 380 points. This pattern implies that while culinary MSMEs demonstrate a strong commitment to understanding customer needs, the implementation of systematic mechanisms to evaluate customer satisfaction remains an area requiring further improvement.

For digital marketing innovation, the total score reached 1,206, indicating a good level of adoption. The indicator reflecting the utilization of new opportunities through digital application platforms (M3) achieved the highest score at 405 points, whereas experimentation with the latest digital application technologies (M1) received the lowest score at 400 points. These findings suggest that MSMEs are generally responsive in leveraging digital platforms to capitalize on market opportunities; however, there remains scope for enhancing experimentation and adoption of more advanced and innovative digital technologies.

A comprehensive summary of the descriptive statistical results for all research variables is presented in Table 1.

Table 1.
Descriptive Analysis

| Var | Indicator | Response Frequency | | | | | Total Score | Category |
|------------------------------|------------------------------------|--------------------|----|----|----|----|-------------|----------|
| | | STS | TS | C | S | SS | | |
| MSME Performance | | | | | | | | |
| Y.1 | Sales Growth | 2 | 11 | 33 | 35 | 19 | 325 | Medium |
| Y.2 | Customer Growth | 0 | 10 | 21 | 28 | 41 | 379 | Height |
| Y.3 | Profit Growth | 0 | 10 | 22 | 43 | 25 | 361 | Height |
| Total Score | | | | | | | 1065 | Height |
| Customer Orientation | | | | | | | | |
| X1.1 | Customer Commitment | 0 | 10 | 11 | 34 | 45 | 403 | Height |
| X1.2 | Customer Value Creation | 0 | 11 | 12 | 29 | 48 | 402 | Height |
| X1.3 | Understanding Customer Needs | 0 | 8 | 13 | 31 | 48 | 406 | Height |
| X1.4 | Customer Satisfaction Goals | 0 | 10 | 13 | 37 | 40 | 394 | Height |
| X1.5 | Customer Satisfaction Measurement | 0 | 11 | 20 | 27 | 42 | 380 | Height |
| X1.6 | After Sales Service | 0 | 5 | 20 | 22 | 53 | 403 | Height |
| Total Score | | | | | | | 2388 | Height |
| Digital Marketing Innovation | | | | | | | | |
| M.1 | New Digital Application Experiment | 0 | 4 | 18 | 34 | 44 | 400 | Height |
| M.2 | Digital Application Development | 0 | 7 | 14 | 36 | 43 | 401 | Height |
| M.3 | Leveraging Digital Opportunities | 0 | 6 | 14 | 35 | 45 | 405 | Height |
| Total Score | | | | | | | 1206 | Height |

Data Analysis and Results

The measurement model evaluation process was carried out through a series of comprehensive tests, including verifying convergent validity using factor loading parameters and Average Variance Extracted (AVE) values, assessing internal consistency reliability using Composite Reliability (CR) and Cronbach's alpha coefficients, and evaluating discriminant validity using

the Heterotrait-Monotrait (HTMT) methodology and the Fornell-Larcker standard. The overall findings from these tests have been compiled and presented systematically in Table 2.

Table 2.
Outer Model Measurement Model Evaluation

| Variable | Indicator | Loading Factor | AVE | CR | Cronbach's alpha |
|------------------------------|-----------|----------------|-------|-------|------------------|
| Customer Orientation | X1.2 | 0.785 | 0,643 | 0,915 | 0,889 |
| | X1.3 | 0.809 | | | |
| | X1.4 | 0.812 | | | |
| | X1.5 | 0.793 | | | |
| | X1.6 | 0.788 | | | |
| Digital Marketing Innovation | M.1 | 0.865 | 0,755 | 0,903 | 0,838 |
| | M.2 | 0.870 | | | |
| | M.3 | 0.872 | | | |
| MSME Performance | Y.1 | 0.824 | 0,719 | 0,885 | 0,806 |
| | Y.2 | 0.884 | | | |
| | Y.3 | 0.835 | | | |

According to the findings of the outer model evaluation analysis, every indication in the four study variables satisfies the validity and reliability requirements set forth in the measurement model.

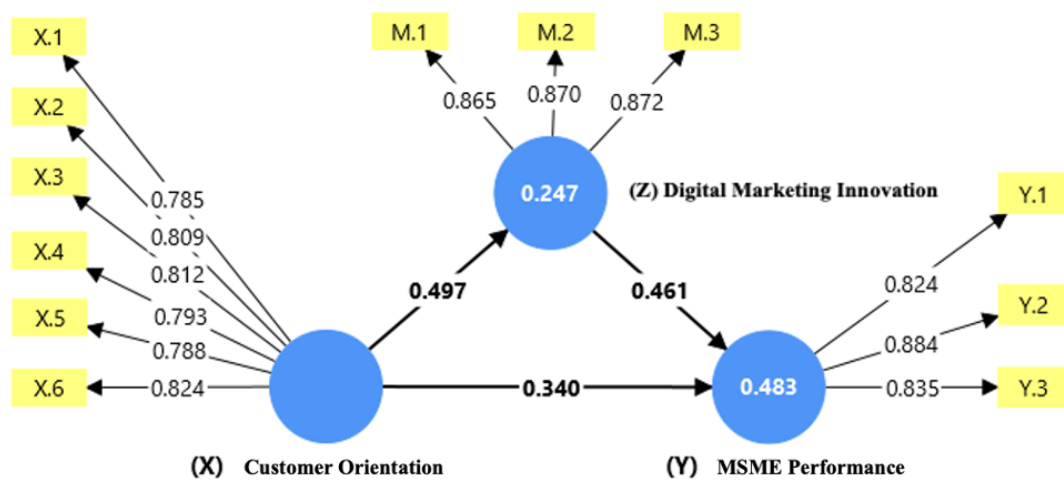


Figure 1.
Results of the Outer Model of the Research

According to the study's findings, every outer loading indication of the variables under investigation is greater than 0.70. This means that every indicator in the variables under investigation is assured to be legitimate and trustworthy, meaning that none of them need to be removed.

Structural Model Analysis (Inner Model)

The results of the structural model evaluation, as presented in Table 3, illustrate the strength of the relationships among latent constructs, as assessed through the coefficient of determination (R^2). Following the criteria proposed by Hair et al. (2019), R^2 values are classified into three levels: values of 0.75 or above indicate strong explanatory power, values around 0.50 reflect moderate explanatory power, and values of 0.25 or below indicate weak explanatory power.

The empirical findings show that the R^2 value for digital marketing innovation is 0.247, while the R^2 value for MSME performance is 0.483. These results suggest that customer orientation explains 24.7% of the variance in digital marketing innovation, indicating a weak-to-moderate level of explanatory power. Meanwhile, the combined influence of customer orientation and digital marketing innovation accounts for 48.3% of the variance in MSME performance, reflecting a moderate level of explanatory capacity.

The remaining unexplained variance—75.3% for digital marketing innovation and 51.7% for MSME performance—is attributable to factors not included in the proposed research model. Overall, these findings indicate that the structural model demonstrates an adequate ability to predict digital marketing innovation and MSME performance. Nevertheless, the substantial proportion of unexplained variance suggests that future research could enhance the model's predictive accuracy by incorporating additional explanatory variables, such as organizational capabilities, technological readiness, or external environmental factors.

Table 3.
R-Square Test Results Table

| | <i>R-square</i> | <i>R-square adjusted</i> |
|------------------------------|-----------------|--------------------------|
| Digital Marketing Innovation | 0.247 | 0.239 |
| MSME Performance | 0.483 | 0.472 |

In accordance with the guidelines proposed by Cohen (1988), the effect size (f^2) statistic is employed to assess the magnitude of the influence exerted by an exogenous construct on an endogenous construct within the structural model. The f^2 values are classified into three categories: small effects (≥ 0.02 to < 0.15), moderate effects (≥ 0.15 to < 0.35), and large effects (≥ 0.35). This classification reflects the substantive contribution of each predictor construct to the explained variance of the endogenous variables.

The f^2 results presented in Table 4 indicate that all structural relationships in the model exhibit moderate effect sizes. Specifically, the effect of customer orientation on digital marketing innovation yields an f^2 value of 0.327, while the direct effect of customer orientation on MSME performance records an f^2 value of 0.168. These findings suggest that customer orientation plays a meaningful role in fostering digital marketing innovation and directly enhancing MSME performance.

Furthermore, digital marketing innovation demonstrates a moderate effect on MSME performance, with an f^2 value of 0.309. This result indicates that improvements in MSME performance are more effectively achieved through the implementation of digital marketing innovations that are grounded in a strong customer-oriented approach. Overall, the findings highlight customer orientation as a key driver of digital innovation, while also emphasizing that

the performance of culinary MSMEs is optimally enhanced through the synergistic interaction between customer orientation and digital marketing innovation.

Table 4.
F-Square Test Results

| Path | f ² | Category |
|---|----------------|----------|
| Digital Marketing Innovation → MSME Performance | 0,309 | Moderate |
| Customer Orientation → Digital Marketing Innovation | 0,327 | Moderate |
| Customer Orientation → MSME Performance | 0,168 | Moderat |

The Q² (predictive relevance) test results, as shown in Table 5, show that the Q² value for digital marketing innovation reached 0.217, and for MSME performance it was 0.291. Both values are above the zero threshold, by the recommendations of Latan and Ghozali (2022), confirming that the model has adequate predictive relevance. These Q² values indicate that the model's exogenous constructs can explain approximately 21.7% of the variance in digital marketing innovation and 29.1% of the variance in MSME performance. The developed structural model has proven to have satisfactory predictive capabilities and can serve as a reliable foundation for interpreting the relationships between constructs in this study.

Table 5.
Predictive Relevance Test Results (Q-Square)

| | Q ² predict |
|------------------------------|------------------------|
| Digital Marketing Innovation | 0.217 |
| MSME Performance | 0.291 |

Model Fit Test

In the model fit test, the SRMR index is used, as shown in Table 6. The SRMR value for both the Saturated Model and the Estimated Model is 0.065, still below the threshold of 0.08 recommended by Henseler et al. (2016). This means that the configuration of relationships between latent variables is at an acceptable level of model fit, making the model estimation results suitable for use as a basis for research interpretation.

Table 6.
Model Fit Test Results

| | <i>Saturated model</i> | <i>Estimated model</i> |
|------|------------------------|------------------------|
| SRMR | 0,065 | 0,065 |

Hypothesis Testing Results

Hypothesis testing was conducted using a bootstrapping procedure in the SmartPLS application. The results, summarized in Table 7, indicate that all hypothesized structural paths in the model are positive and statistically significant.

The relationship between customer orientation and MSME performance is supported, with an original sample coefficient (O) of 0.340, a t-statistic of 3.238, and a p-value of 0.001. This finding confirms that customer orientation exerts a positive and significant influence on MSME performance. It suggests that MSMEs that prioritize customer needs, preferences, and satisfaction tend to achieve superior performance outcomes. This result is consistent with

market orientation theory, which posits that customer-centric strategies enhance business performance by improving service value, responsiveness, and competitive positioning (Sun et al. 2014).

The path from digital marketing innovation to MSME performance also demonstrates a strong and statistically significant effect, with an original sample coefficient (O) of 0.461, a t-statistic of 5.123, and a p-value of 0.000. This result indicates that MSMEs that actively adopt digital marketing innovations, such as social media utilization, search engine optimization, and personalized content strategies are more likely to achieve higher levels of market performance. These findings align with diffusion of innovation theory (Levinson et al. 1999), which emphasizes the role of technological adoption in enhancing organizational performance, particularly for SMEs operating in dynamic and digitally driven environments (Safira Armah and Rayyan Firdaus 2024).

Furthermore, the relationship between customer orientation and digital marketing innovation is strongly supported, with an original sample coefficient (O) of 0.497, a t-statistic of 6.070, and a p-value of 0.000. This result confirms that customer-oriented MSMEs are significantly more inclined to innovate in their digital marketing practices. It suggests that a deep understanding of customer behavior and preferences serves as a critical foundation for the development and implementation of effective digital marketing strategies. This finding is consistent with the customer-driven innovation perspective, which highlights customer insights as key drivers of marketing innovation and value creation (Kim et al. 2021).

Overall, all path coefficients exceed the threshold for statistical significance ($p < 0.05$), and the corresponding t-statistics surpass the critical value of 1.96, providing robust empirical support for the proposed hypotheses. Collectively, these findings underscore the pivotal role of customer orientation as both a direct driver of MSME performance and an indirect enabler through digital marketing innovation. Moreover, digital marketing innovation emerges as a critical determinant of MSME performance, reinforcing the strategic importance of digital transformation for the sustainability and growth of culinary MSMEs.

Table 7.
Hypothesis Testing

| | <i>Original sample</i> | <i>Sample mean</i> | <i>STDEV</i> | <i>T-statistics</i> | <i>P-values</i> | Result |
|---|------------------------|--------------------|--------------|---------------------|-----------------|-------------|
| Customer Orientation → MSME Performance | 0.340 | 0.345 | 0.105 | 3.238 | 0.001 | Significant |
| Digital Marketing Innovation → MSME Performance | 0.461 | 0.456 | 0.090 | 5.123 | 0.000 | Significant |
| Customer Orientation → Digital Marketing Innovation | 0.497 | 0.505 | 0.082 | 6.070 | 0.000 | Significant |

Based on the mediation analysis results presented in Table 8, which were obtained using the Partial Least Squares (PLS) approach, the indirect relationship among the study variables is empirically supported. The analysis of the indirect path from customer orientation to MSME performance through digital marketing innovation yields an original sample coefficient (O) of 0.229, a t-statistic of 4.173, and a p-value of 0.000, indicating a statistically significant mediating effect.

These findings confirm that digital marketing innovation mediates the relationship between customer orientation and MSME performance. This suggests that customer orientation alone is not sufficient to fully translate into enhanced performance outcomes; rather, its impact is substantially strengthened when customer-oriented practices are leveraged through innovative digital marketing strategies. MSMEs that proactively align their operations with customer needs while simultaneously innovating in digital marketing are therefore more likely to achieve superior performance.

This result is consistent with Dynamic Capabilities Theory, which emphasizes that firms must continuously integrate, reconfigure, and deploy internal and external competencies—such as customer knowledge and digital innovation capabilities—to adapt to rapidly changing environments and sustain competitive advantage. The statistical significance of the indirect effect ($p < 0.05$) and the t -statistic exceeding the critical value of 1.96 provide robust empirical evidence supporting the mediating role of digital marketing innovation.

Overall, the findings highlight digital marketing innovation as a strategic mechanism through which customer-oriented practices are transformed into tangible performance gains for culinary MSMEs.

Table 8.
Testing of Mediation Hypothesis

| | <i>Original sample (O)</i> | <i>Sample mean</i> | <i>STDEV</i> | <i>T-statistics</i> | <i>P-values</i> |
|--------------|----------------------------|--------------------|--------------|---------------------|-----------------|
| X1 -> M -> Y | 0.229 | 0.229 | 0.055 | 4.173 | 0.000 |

Conclusions

This study demonstrates that customer orientation exerts a direct and significant influence on the performance of culinary MSMEs in Bandung City. MSMEs that possess a strong understanding of customer needs and preferences are better positioned to create value, enhance customer satisfaction, and foster long-term loyalty. Moreover, customer orientation is shown to be a critical driver of digital marketing innovation, which further strengthens overall business performance. These findings underscore the strategic importance of a market-oriented approach in sustaining competitiveness within the dynamic and highly competitive urban culinary sector.

The results further confirm that digital marketing innovation serves as a significant mediating mechanism between customer orientation and MSME performance. Through the effective utilization of digital platforms—such as social media, online marketplaces, and food delivery applications—culinary MSMEs can expand market reach, engage with customers in real time, and deliver enhanced customer experiences. Importantly, this study highlights that digital innovation does not operate in isolation; rather, it is shaped and enabled by a firm’s strategic customer orientation. Consequently, the success of digital transformation initiatives among MSMEs is contingent upon their ability to continuously and adaptively interpret and respond to evolving market demands.

Recommendations

Based on the findings, culinary MSMEs in Bandung City are encouraged to further strengthen their customer orientation by prioritizing value creation, deepening their understanding of consumer preferences, enhancing after-sales services, and implementing systematic customer

satisfaction measurement mechanisms. Such practices are essential for building sustainable customer relationships and reinforcing competitive advantage. Additionally, MSMEs should move beyond reactive market responses by proactively identifying innovation opportunities derived from customer insights and emerging digital trends.

For local governments and MSME support institutions, the study recommends prioritizing capacity-building initiatives that focus on strengthening digital marketing capabilities. These initiatives may include targeted training programs, ongoing business mentoring, and facilitated access to relevant digital platforms. Furthermore, supportive policies and infrastructure—such as technology subsidies, digital tool adoption incentives, and digital-based business incubation programs—are crucial to accelerating MSME digital transformation. Collectively, these efforts will not only enhance individual MSME performance but also contribute to broader local economic development by fostering more adaptive, innovative, and sustainable entrepreneurial ecosystems.

References

- Araújo, G. R., H. T. Kato, and J. M. Del Corso. 2022. “Dynamic Capabilities, Strategic Planning and Performance: A Virtuous and Mutually Reinforcing Cycle.” *Journal of Management & ...* <https://www.cambridge.org/core/journals/journal-of-management-and-organization/article/dynamic-capabilities-strategic-planning-and-performance-a-virtuous-and-mutually-reinforcing-cycle/7603F605EB4D27853B17AF6559FBD57A>.
- Batu, Mikail, and Özlem Kutlu. 2023. “Sustainable Branding in Digital Environment in Terms of Corporate Communication.” Pp. 27–45 in *New Normal in Digital Enterprises*. Springer Nature Singapore.
- BPS. 2024a. *Badan Pusat Statistik Indonesia*. Vol. 52. Badan Pusat Statistik.
- BPS. 2024b. “BERITA RESMI STATISTIK.”
- Brik, Anis Ben, Belaid Rettab, and Kamel Mellahi. 2011. “Market Orientation, Corporate Social Responsibility, and Business Performance.” *Journal of Business Ethics* 99(3):307–24. doi:10.1007/s10551-010-0658-z.
- Chaffey, D. 2020. *Digital Business and E-Commerce Management*. 7th ed. Pearson Education.
- Chung, Kuo Cheng. 2020. “Green Marketing Orientation: Achieving Sustainable Development in Green Hotel Management.” *Journal of Hospitality Marketing and Management* 29(6):722–38. doi:10.1080/19368623.2020.1693471.
- Crittenden, Victoria L., William F. Crittenden, Linda K. Ferrell, O. C. Ferrell, and Christopher C. Pinney. 2011. “Market-Oriented Sustainability: A Conceptual Framework and Propositions.” *Journal of the Academy of Marketing Science* 39(1):71–85. doi:10.1007/s11747-010-0217-2.
- Febryansyah, Yudihistira. 2021. “Digital Communication Transformation: Efforts to Improve Cooperative Performance: A Case Study on the Ghani Mandiri Indonesia Cooperative, Cimahi, West Java.” *Coalition: Cooperative Journal* 1(1):17–34. doi:<https://doi.org/10.32670/koaliansi.v1i1.949>.
- Guruh Suksmono Aji, and Iva Khoiril Mala. 2024. “Meningkatkan Kualitas SDM Untuk Mencapai Keunggulan Kompetitif Perusahaan Di Era Digital: Tren, Inovasi, Dan Tantangan.” *Jurnal Manajemen Dan Ekonomi Kreatif* 2(3):01–17. doi:10.59024/jumek.v2i3.357.
- Habib, Md Ahashan, Yukun Bao, and Aboobucker Ilmudeen. 2020. “The Impact of Green Entrepreneurial Orientation, Market Orientation and Green Supply Chain Management Practices on Sustainable Firm Performance.” *Cogent Business and Management* 7(1). doi:10.1080/23311975.2020.1743616.

- Hagberg, J., M. Sundstrom, and N. Egels-Zandén. 2016. "The Digitalization of Retailing: An Exploratory Framework." *International Journal of Retail & Distribution Management* 44(7):694–712.
- Harisandi, Prasetyo, Adibah Yahya, and Anisah Istiqomah. 2024. "Building Independence through an Entrepreneur Education, Marketing Channel Strategy and E-Commerce Mediated by Student's Entrepreneur Motivation in Increasing MSMEs in Bekasi District." *MUKADIMAH: Jurnal Pendidikan, Sejarah, Dan Ilmu-Ilmu Sosial* 8(2):330–37. doi:10.30743/mkd.v8i2.9310.
- Harisandi, Prasetyo, Ilham Muhammad Mardiputra, Zulfa Zakiyatul Hidayah, and Steven Jordan Alvaro Ramba. 2024. "Creation of Micro Market Structure in MSMEs in Review of Social Entrepreneurship Involvement, Government Policy and Empowerment." *Jurnal Ilmiah Manajemen* 12(1):231–46. doi:10.56457/jimk.v12i1.534s.
- Harisandi, Prasetyo, Maya Sari, and Elsa Yulandri. 2023. "MARKET MICROSTRUCTURE AND FINANCING EFFICIENCY IN MSMEs IN INDONESIA: COMPARISON OF SHARIA AND CONVENTIONAL SECTORS." *Finansha: Journal of Sharia Financial Management* 4(2):160–75. doi:10.15575/fjsfm.v4i2.30801.
- Harisandi, Prasetyo, Ratih Hurriyati, Vanessa Gaffar, Lili Adi Wibowo, Pitri Yanti, and Sri Yusriani. 2025. "Personal Branding of Lecturers and Word of Mouth: Effective Education Strategy in Increasing the Attractiveness of Entrepreneurship Study Program and Reputation of Pelita Bangsa University." *IJORER : International Journal of Recent Educational Research IJORER* 6(3). doi:10.46245/ijorer.v6i3.813.
- Harisandi, Prasetyo, Rika Nurhidayah, Sri Yusriani, Nining Yuningsih, Oom Tikaromah, and Sarjaya Sarjaya. 2024. "Transforming Student into Entrepreneurs: The Role of Entrepreneurship Education and E-Commerce." *Finansha: Journal of Sharia Financial Management* 5(2). doi:10.15575/fjsfm.v5i2.40685.
- Heine, Klaus, and Benjamin Berghaus. 2014. "Luxury Goes Digital: How to Tackle the Digital Luxury Brand-Consumer Touchpoints." *Journal of Global Fashion Marketing* 5(3):223–34.
- Huit, G. Tomas M., Joseph F. Hair, Dorian Proksch, Marko Sarstedt, Andreas Pinkwart, and Christian M. Ringle. 2018. "Addressing Endogeneity in International Marketing Applications of Partial Least Squares Structural Equation Modeling." *Journal of International Marketing* 26(3):1–21. doi:10.1509/jim.17.0151.
- Jang, Yoon Jung. 2016. "Environmental Sustainability Management in the Foodservice Industry: Understanding the Antecedents and Consequences." *Journal of Foodservice Business Research* 19(5):441–53. doi:10.1080/15378020.2016.1185880.
- Kim, Kyung Hoon, Eunju Ko, Jin Sang Kim, and Qi Jiang. 2021. "Digital Service Innovation, Customer Engagement, and Customer Equity in AR Marketing." *Journal of Global Scholars of Marketing Science* 31(3):453–66.
- Kusa, Rafał, Marcin Suder, and Joanna Duda. 2024. "Role of Entrepreneurial Orientation, Information Management, and Knowledge Management in Improving Firm Performance." *International Journal of Information Management* 78. doi:10.1016/j.ijinfomgt.2024.102802.
- Lefsrud, L., R. Macciotta, and A. Nkoro. 2020. "Performance-Based Regulations for Safety Management Systems in the Canadian Railway Industry: An Analytical Discussion." ... *Journal of Civil Engineering*. doi:10.1139/cjce-2018-0513.
- Levinson, F. J., B. L. Rogers, K. M. Hicks, T. Schaetzel, L. Troy, and C. Young. 1999. "Monitoring and Evaluation of Nutrition Programs in Developing Countries." *Nutrition Reviews* 57(5 I):157–64.

- Mahmoud, Mahmoud Abdulai. 2016. "Sustainable Market Orientation: A Competitive Strategic Tool in an Emerging Economy Context." *Journal of Strategic Marketing* 24(7):635–54. doi:10.1080/0965254X.2016.1149210.
- Matt, C., T. Hess, and A. Benlian. 2015. "Digital Transformation Strategies." *Business & Information Systems Engineering* 57(5):339–43.
- Milan, S., M. Veale, L. Taylor, and S. Gürses. 2021. "Promises Made to Be Broken: Performance and Performativity in Digital Vaccine and Immunity Certification." ... *Journal of Risk Regulation*. <https://www.cambridge.org/core/journals/european-journal-of-risk-regulation/article/promises-made-to-be-broken-performance-and-performativity-in-digital-vaccine-and-immunity-certification/87428F2D73E84C437271E515433E45E5>.
- Mitchell, Robert W., Ben Wooliscroft, and James Higham. 2010. "Sustainable Market Orientation: A New Approach to Managing Marketing Strategy." *Journal of Macromarketing* 30(2):160–70. doi:10.1177/0276146710361928.
- Ottman, J. A. 1993. "Green Marketing: Opportunity for Innovation." *McGraw-Hill*.
- Pancić, Mladen, Hrvoje Serdarušić, and Dražen Ćučić. 2023. "Green Marketing and Repurchase Intention: Stewardship of Green Advertisement, Brand Awareness, Brand Equity, Green Innovativeness, and Brand Innovativeness." *Sustainability (Switzerland)* 15(16). doi:10.3390/su151612534.
- Safira Armah, and Rayyan Firdaus. 2024. "Konsep Dan Penerapan Sistem Informasi Manajemen." *Jurnal Inovasi Manajemen, Kewirausahaan, Bisnis Dan Digital* 1(3):50–56. doi:10.61132/jimakebidi.v1i3.192.
- Shen, Hang, Anmin Liu, and Hongming Li. 2025. "The Impact of Knowledgeable Employees' Salary Satisfaction on Their Work Performance in the Digital Economy Era." *International Journal of Information Technologies and Systems Approach* 18(1):1–19. doi:10.4018/IJITSA.383946.
- Sun, Yang, Kyung Hoon Kim, and Juran Kim. 2014. "Examining Relationships among Sustainable Orientation, Perceived Sustainable Marketing Performance, and Customer Equity in Fast Fashion Industry." *Journal of Global Fashion Marketing* 5(1):74–86. doi:10.1080/20932685.2013.866319.
- Wardhana, Aditya. 2024. *Brand Management in Digital Era*. edited by M. Pradana. Eureka Media Aksara.
- Yanti, Pitri, Ratih Hurriyati, and Puspo Dewi Dirgantari. 2023. "Leveraging Marketing Automation to Enhance Customer Relationship Management and Improve Management Performance in MSME B2B." *Jurnal Riset Multidisiplin Dan Inovasi Teknologi* 2(01):184–96. doi:10.59653/jimat.v2i01.419.
-