



ENTREPRENEURIAL ORIENTATION AND CUSTOMER ORIENTATION MSMEs IN THE DIGITAL AGE: THE MEDIATING ROLE OF DIGITAL MARKETING INNOVATION

Palupi Permata Rahmi¹, Suryana², Chairul Furqon³, Mokh Adib Sultan⁴

¹ Palupi Permata Rahmi (Indonesian University of Education, Bandung, Indonesia).

² Suryana (Indonesian University of Education, Bandung, Indonesia).

³ Chairul Furqon (Indonesian University of Education, Bandung, Indonesia).

⁴ Mokh Adib Sultan (Indonesian University of Education, Bandung, Indonesia).

Corresponding Author: Palupi Permata Rahmi, E-mail: palupipermata@upi.edu

| ABSTRACT

Objective: This study aims to analyze the effect of customer orientation and entrepreneurial orientation on the performance of culinary MSMEs in the City of Bandung, West Java Province, with digital marketing innovation serving as an intervening variable. **Method:** The research employed an explanatory research approach using both primary and secondary data. Primary data were collected through questionnaires distributed to 100 Culinary MSMEs owners in Bandung, selected using a purposive sampling technique. Secondary data was obtained from journals and relevant literature related to the research topic. The data analysis technique used was Structural Equation Modeling (SEM) with Partial Least Squares (PLS). **Result:** The results indicate that customer orientation has a positive and significant effect on MSME performance. Entrepreneurial orientation also has a positive and significant effect on MSME performance. In addition, digital marketing innovation has a positive and significant effect on MSME performance. Customer orientation and entrepreneurial orientation are both found to have a positive and significant influence on digital marketing innovation. Furthermore, the mediation analysis shows that digital marketing innovation significantly mediates the relationship between customer orientation and MSME performance, as well as between entrepreneurial orientation and MSME performance. **Conclusion:** This study concludes that customer orientation, entrepreneurial orientation, and digital marketing innovation play an important role in improving the performance of culinary MSMEs in Bandung City, both through direct and indirect mechanisms. Overall, customer orientation, entrepreneurial orientation, and digital marketing innovation can be key factors in improving the performance of culinary MSMEs in the City of Bandung, West Java Province.

| KEYWORDS

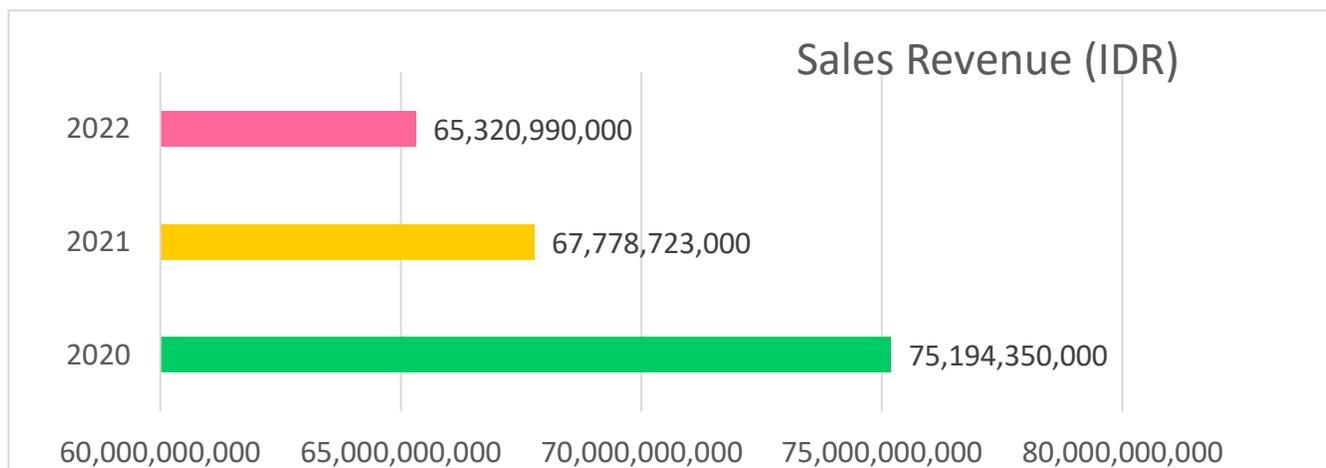
customer orientation, entrepreneurial orientation, digital marketing innovation, MSMEs performance

I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy due to their resilience, adaptability, and substantial contribution to employment creation and poverty alleviation. Within this sector, culinary MSMEs have become increasingly prominent, particularly in urban areas where they contribute significantly to regional economic growth and tourism development. Bandung City is widely recognized as one of Indonesia's leading culinary destinations, positioning the culinary MSME sector as an integral component of the city's creative economy [1].

Despite the continuous increase in the number of culinary MSMEs, their business performance has not improved proportionally. Official data show that the number of culinary MSMEs in Bandung City continued to rise and reached

187,355 business units in 2023. However, this growth was accompanied by a decline in sales revenue during the 2020–2022 period. As shown in Figure 1, total sales revenue decreased from IDR 75.19 billion in 2020 to IDR 67.78 billion in 2021 and further declined to IDR 65.32 billion in 2022 [2]. This trend indicates a structural gap between business growth and MSMEs performance.



Source: Department of Cooperatives and MSMEs of Bandung 2023, as cited in Inayah & Hasanah [2]

Figure 1. Sales Turnover of Culinary MSMEs in Bandung City 2020-2022

The declining sales revenue amid an increasing number of MSMEs suggests intensifying competition, market saturation, and limited differentiation strategies. MSME performance, commonly measured through sales growth, customer growth, and profit growth, is a critical indicator of business sustainability and long-term competitiveness [3], [4]. Therefore, identifying strategic factors that can enhance MSME performance has become an urgent issue for business practitioners and policymakers.

In the digital economy era, digital marketing innovation has emerged as a key strategic instrument for improving MSME competitiveness. The use of social media, online marketplaces, and digital platforms enables MSMEs to expand market reach, strengthen customer engagement, and improve marketing efficiency [5], [6]. However, the effectiveness of digital marketing innovation depends not only on technological adoption but also on firms' strategic orientations.

Customer orientation, as a core dimension of market orientation, reflects a firm's ability to understand customer needs and continuously create superior customer value [7]. Strong customer orientation enhances customer satisfaction, loyalty, and competitive positioning [8]. Meanwhile, entrepreneurial orientation represents a firm's strategic posture characterized by innovativeness, proactiveness, and risk-taking, later expanded to include autonomy and competitive aggressiveness [9], [10]. Firms with strong entrepreneurial orientation tend to be more adaptive to environmental changes and more capable of exploiting emerging opportunities [11].

Although previous studies have demonstrated that customer orientation and entrepreneurial orientation positively influence MSME performance [12], [13], other studies indicate that these orientations also foster innovation capability, which subsequently enhances firm performance [14], [15]. Nevertheless, empirical research that integrates customer orientation, entrepreneurial orientation, and digital marketing innovation within a single analytical framework remains limited, particularly in the context of culinary MSMEs in Bandung City.

Based on these theoretical and empirical considerations, this study proposes an integrated conceptual framework in which digital marketing innovation mediates the relationships between customer orientation, entrepreneurial orientation, and MSME performance. The proposed research model is illustrated in Figure 2.

As illustrated in Figure 2, customer orientation and entrepreneurial orientation are hypothesized to have direct effects on MSME performance and indirect effects through digital marketing innovation. This model is grounded in market orientation theory and entrepreneurial orientation theory, positioning digital marketing innovation as a strategic mechanism that transforms strategic orientations into superior performance outcomes.

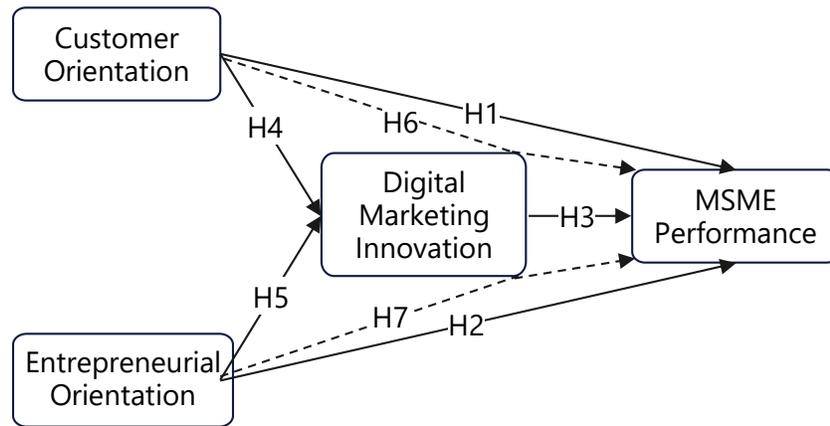


Figure 2 Research Model

Accordingly, this study aims to analyze the effects of customer orientation and entrepreneurial orientation on the performance of culinary MSMEs in Bandung City, with digital marketing innovation serving as a mediating variable. The novelty of this research lies in its integrated examination of strategic orientations and digital marketing innovation within a local culinary MSME context. The findings are expected to contribute theoretically by extending strategic orientation and innovation literature and by providing evidence-based insights for MSME owners, policymakers, and supporting institutions to enhance competitiveness and business sustainability in the digital era.

II. METHODOLOGY

This study employs a quantitative explanatory approach aimed at testing causal relationship among variables based on empirical data [16].

Population and Sample

In this study, the population consists of culinary MSMEs in Bandung City that are registered with the Department of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) West Java Province. A sample of 100 MSMEs was selected using purposive sampling, with the criteria including a minimum one year of operation and active use of digital platform for marketing.

Data collection

Primary data was collected using structured questionnaire distributed both directly and online via Google Form to various MSME WhatsApp groups. Responses were measured using a five-point Likert scale ranging from "Strongly Disagree" to "Strongly Agree". The questionnaire assessed Customer Orientation, Entrepreneurial Orientation, Digital Marketing Innovation, and MSME Performance. Content validity evaluated through literature review and pilot testing, while construct validity and reliability were assessed during data analysis stage using statistical methods. Secondary data were obtained from official government, academic journals, and reports related to MSMEs in West Java.

Research Instruments

This study consists of four main variables:

1. Customer Orientation (X1): This variable is measured using 6 indicators: customer commitment (X1.1), customer value creation (X1.2), understanding customer needs (X1.3), customer satisfaction targets (X1.4), satisfaction measurement (X1.5), and after-sales service (X1.6) adapted from Narver & Slater [7].
2. Entrepreneurial Orientation (X2): This variable measures the extent to which MSMEs possess entrepreneurial attitudes, behaviors, and strategies operating their businesses using 5 indicators: Innovation (X2.1), Proactiveness (X2.2), Risk-taking (X2.3), Competitive aggressiveness (X2.4), autonomy (X2.5) adapted from Lumpkin & Dess [10].
3. Digital Marketing Innovation (M): This variable is measured by using these following indicators: experimenting with new digital applications (M.1), developing digital applications (M.2), and exploiting digital opportunities (M.3) adapted from Erhan et al. [17].
4. MSME performance (Y): This variable is measured using sales growth (Y.1), customer growth (Y.2), and profit

growth indicator adapted from Rapih et al. [4].

- Each indicator was developed into questions in a questionnaire that was adapted to the context of culinary MSMEs in Bandung City.

Data analysis

The data collected were analyzed using Structural Equation Modeling (SEM) with Partial Method Least Square (PLS) approach, implemented using SmartPLS software. The analysis began with an evaluation of the measurement model (outer model) to assess the convergent validity, internal reliability, and discriminant validity of the indicators.

Convergent validity was evaluated by examining the factor loading values (> 0.7) and Average Variance Extracted ($AVE > 0.5$). Internal reliability was assessed using Composite Reliability and Cronbach's Alpha (> 0.7). Discriminant validity was examined using the Fornell-Larcker and Heterotrait-Monotrait methods Ratio (HTMT) [18].

After the measurement model was confirmed to be valid and reliable, the analysis proceeds to the structural model (inner model) to examine the causal relationship among variables. This stage involved evaluating the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). Hypothesis testing was conducted using the bootstrapping method, applying t-statistic value (> 1.96) and p-value (< 0.05) as the criteria of statistical significance [18].

III. RESULTS AND DISCUSSION

Results Descriptive Statistics

The descriptive analysis indicates that the overall performance of culinary MSMEs in Bandung City is categorized as high. Among the performance indicators, customer growth demonstrates the strongest contribution, while sales growth records the lowest score. This finding suggests that culinary MSMEs have been relatively successful in attracting and retaining customers; however, this success has not been fully translated into proportional sales growth, indicating efficiency and conversion challenges.

Customer orientation also falls within the high category, with understanding customer needs emerging as the most dominant indicator. This reflects MSMEs' strong attentiveness to market demand and customer preferences. Nevertheless, the relatively lower score on customer satisfaction measurement indicates that feedback mechanisms and systematic evaluation of customer experience remain underdeveloped. Entrepreneurial orientation is categorized as very high, particularly in risk-taking and proactiveness, illustrating MSME owners' willingness to exploit opportunities in a competitive environment. However, autonomy scores are relatively lower, suggesting centralized decision-making and limited delegation within MSMEs. Digital marketing innovation is also classified as high, with the strongest emphasis on exploiting digital opportunities, although experimentation with new digital applications remains an area for improvement.

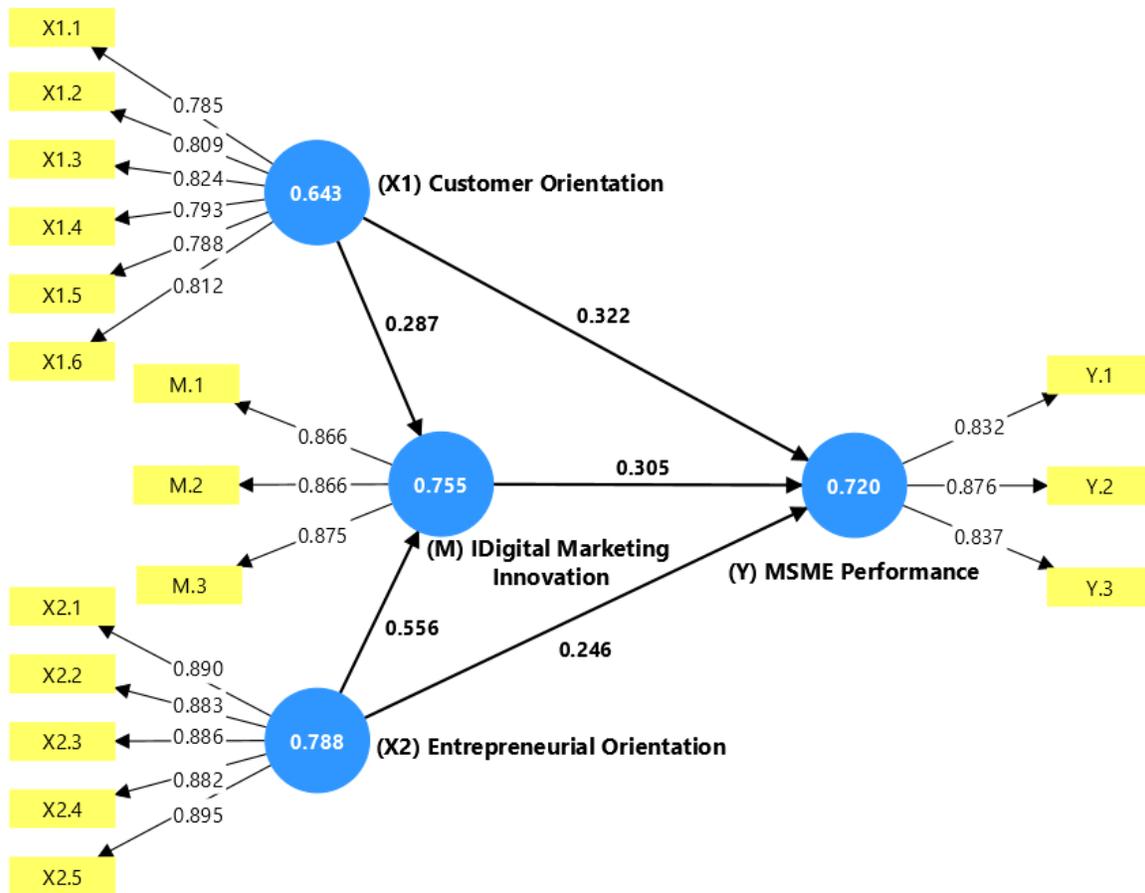
Measurement Model Evaluation (Outer Model)

The measurement model was evaluated to assess convergent validity, internal consistency reliability, and construct reliability. Table 2 presents the results of the outer model evaluation.

TABLE 1 EVALUATION OF THE OUTER MODEL

Variabel	Indikator	Loading Factor	AVE	CR	Cronbach's alpha
Customer Orientation	X1.1 Customer Commitment	0.785	0,643	0,915	0,889
	X1.2 Customer Value Creation	0.809			
	X1.3 Understanding Customer Needs	0.824			
	X1.4 Customer Satisfaction Targets	0.793			
	X1.5 Customer Satisfaction Measurement	0.788			
	X1.6 After-Sales Service	0.812			
Entrepreneurial Orientation	X2.1 Innovativeness	0.890	0.788	0.949	0.933
	X2.2 Proactiveness	0.883			
	X2.3 Risk-Taking	0.886			
	X2.4 Competitive Aggressiveness	0.882			

Variabel	Indikator	Loading Factor	AVE	CR	Cronbach's alpha
	X2.5 Autonomy	0.895			
Digital Marketing Innovation	M.1 Experimentation with New Digital Applications	0.866	0,755	0,903	0,838
	M.2 Development of Digital Applications	0.866			
	M.3 Exploitation of Digital Opportunities	0.875			
MSME Performance	Y.1 Sales Growth	0.832	0,720	0,885	0,806
	Y.2 Customer Growth	0.876			
	Y.3 Profit Growth	0.837			



Source: Processed data, 2025

Figure 2 Outer Model Results

Structural Model Evaluation (Inner Model)

The structural model evaluation shows moderate explanatory power. The coefficient of determination (R^2) indicates that customer orientation and entrepreneurial orientation explain 51.1% of the variance in digital marketing innovation, while the combined effect of customer orientation, entrepreneurial orientation, and digital marketing innovation explains 51.4% of the variance in MSME performance. These values fall within the moderate category, suggesting that the proposed model adequately explains the relationships among the studied variables.

Predictive relevance (Q^2) values for both digital marketing innovation and MSME performance are substantially above zero, confirming strong predictive capability. Model fit evaluation using SRMR yields a value below the recommended threshold of 0.08, indicating a good overall model fit.

The results of the f^2 test indicate that the effect of digital marketing innovation on MSME performance has an f^2 value of 0.093, which falls into the small category, suggesting that its contribution to improving MSME performance is

relatively limited. Similarly, the effect of customer orientation on digital marketing innovation has an f^2 value of 0.144, which is also classified as small. Furthermore, customer orientation on MSME performance shows an f^2 value of 0.160, which is categorized as moderate. On the other hand, entrepreneurial orientation demonstrates a very strong effect on digital marketing innovation, as reflected by an f^2 value of 0.542, which falls into the large category. This finding confirms that entrepreneurial orientation is a key factor in driving the formation and development of digital marketing innovation among MSMEs. However, the direct effect of entrepreneurial orientation on MSME performance is only 0.069 and is classified as small, indicating that its direct impact on performance is relatively weak.

Hypothesis Testing and Discussion

The hypothesis testing results demonstrate that all proposed relationships are positive and statistically significant. Customer orientation positively influences MSME performance, emphasizing the importance of customer-focused strategies in enhancing business sustainability. Entrepreneurial orientation also positively affects MSME performance, although its direct contribution is weaker compared to its influence on digital marketing innovation. Digital marketing innovation significantly enhances MSME performance, confirming its role as a strategic driver in the digital economy.

Moreover, both customer orientation and entrepreneurial orientation significantly influence digital marketing innovation, with entrepreneurial orientation exhibiting the strongest effect. Mediation analysis confirms that digital marketing innovation significantly mediates the relationship between customer orientation and MSME performance as well as between entrepreneurial orientation and MSME performance. These findings indicate that digital marketing innovation functions as a strategic mechanism that translates strategic orientations into superior performance outcomes.

Overall, the results provide strong empirical support for the proposed SEM-PLS model and highlight the critical role of digital marketing innovation in strengthening the performance and competitiveness of culinary MSMEs in Bandung City.

IV. CONCLUSION

This study provides empirical evidence that customer orientation and entrepreneurial orientation play a crucial role in enhancing the performance of culinary MSMEs in Bandung City, both directly and indirectly through digital marketing innovation. The findings confirm that MSMEs with a strong customer focus and entrepreneurial mindset are more capable of developing innovative digital marketing practices, which in turn contribute to improved business performance. The mediating role of digital marketing innovation highlights its strategic function in translating strategic orientations into tangible performance outcomes in the digital era. Theoretically, this study contributes to the strategic management and MSME literature by integrating customer orientation, entrepreneurial orientation, and digital marketing innovation within a single explanatory framework, thereby extending previous research that examined these constructs separately. Practically, the results imply that MSME owners should strengthen customer-oriented strategies and entrepreneurial capabilities while actively investing in digital marketing innovation to enhance competitiveness and sustainability. In addition, policymakers and supporting institutions are encouraged to design targeted programs that improve digital capabilities and innovation readiness among MSMEs, particularly in the culinary sector.

REFERENCES

- [1] A. Pramezwary, J. Juliana, and I. B. Hubner, "Desain Perencanaan Strategi Pengembangan Potensi Wisata Kuliner dan Belanja Kota Bandung," *Jurnal Pariwisata*, vol. 8, no. 1, pp. 10–21, 2021, doi: 10.31294/par.v8i1.9205.
- [2] M. Inayah and Y. N. Hasanah, "Pengaruh Literasi Keuangan Dan Penerapan E-Commerce Terhadap Kinerja UMKM Kuliner Di Kota Bandung," *eProceedings of Management*, vol. 11, no. 3, pp. 2423–2430, 2024, Accessed: Dec. 22, 2025. [Online]. Available: <https://openlibrarypublications.telkomuniversity.ac.id/index.php/management/article/view/23182>
- [3] D. Hujayanti, "Pengaruh Orientasi Kewirausahaan, Orientasi Pasar dan Keunggulan Bersaing Terhadap Kinerja UMKM Krupuk di Desa Harjosari Lor Kecamatan Adiwerna Kabupaten Tegal," 2020, *Tegal*. [Online]. Available: <http://repository.upstegal.ac.id/363/>
- [4] S. Rapih, T. Martono, and G. Riyanto, "Analisis Pengaruh Kompetensi Sumber Daya Manusia, Modal Sosial dan Modal Finansial terhadap Kinerja UMKM Bidang Garmen di Kabupaten Klaten," *Jurnal Pendidikan Insan Mandiri*, vol. 1, no. 2, 2015.

- [5] S.-U. Jung and V. Shegai, "The Impact of Digital Marketing Innovation on Firm Performance: Mediation by Marketing Capability and Moderation by Firm Size," *Sustainability*, vol. 15, no. 7, p. 5711, 2023, doi: 10.3390/su15075711.
- [6] A.-A. A. Sharabati, A. A. A. Ali, M. I. Allahham, A. A. Hussein, A. F. Alheet, and A. S. Mohammad, "The Impact of Digital Marketing on the Performance of SMEs: An Analytical Study in Light of Modern Digital Transformations," *Sustainability*, vol. 16, no. 19, p. 8667, 2024, doi: 10.3390/su16198667.
- [7] J. C. Narver and S. F. Slater, "The Effect of a Market Orientation on Business Profitability," *J Mark*, vol. 54, no. 4, p. 20, 1990, doi: 10.2307/1251757.
- [8] O. C. Racela and A. Thoumrungroje, "When do customer orientation and innovation capabilities matter? An investigation of contextual impacts," *Asia Pacific Journal of Marketing and Logistics*, vol. 32, no. 2, pp. 445–472, 2019, doi: 10.1108/APJML-03-2019-0143.
- [9] D. Miller, "The Correlates of Entrepreneurship in Three Types of Firms," *Manage Sci*, vol. 29, no. 7, pp. 770–791, 1983, [Online]. Available: <https://www.jstor.org/stable/2630968>
- [10] G. T. Lumpkin and G. G. Dess, "Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance," *The Academy of Management Review*, vol. 21, no. 1, p. 135, 1996, doi: 10.2307/258632.
- [11] M. F. Nizam, E. Mufidah, and V. Fibriyani, "Pengaruh Orientasi Kewirausahaan Inovasi Produk Dan Keunggulan Bersaing Terhadap Pemasaran UMKM," *Jurnal EMA*, vol. 5, no. 2, Dec. 2020, doi: 10.47335/ema.v5i2.55.
- [12] C. D'Souza, M. Nanere, M. Marimuthu, M. Arwani, and N. Nguyen, "Market orientation, performance and the mediating role of innovation in Indonesian SMEs," *Asia Pacific Journal of Marketing and Logistics*, vol. 34, no. 10, pp. 2314–2330, 2022, doi: 10.1108/APJML-08-2021-0624.
- [13] J. H. Kurniawan and K. Nuringsih, "Pengaruh Orientasi Pasar, Orientasi Kewirausahaan, Dan Media Sosial Terhadap Kinerja UMKM Makanan Khas Jambi," *Jurnal Muara Ilmu Ekonomi dan Bisnis*, vol. 6, no. 1, p. 176, Apr. 2022, doi: 10.24912/jmie.v6i1.13357.
- [14] B. A. Bamfo and J. J. Kraa, "Market orientation and performance of small and medium enterprises in Ghana: The mediating role of innovation," *Cogent Business & Management*, vol. 6, no. 1, 2019, doi: 10.1080/23311975.2019.1605703.
- [15] Y. Allammari, C. Jaride, M. Azdod, and A. Taqi, "The role of customer orientation in enhancing the innovation capability and performance of Moroccan SMEs: A structural equation approach," *Multidisciplinary Science Journal*, vol. 6, no. 11, p. 2024250, 2024, doi: 10.31893/multiscience.2024250.
- [16] Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*, 2 Cetakan ke-5. Alfabeta, 2023.
- [17] T. P. Erhan, S. van Doorn, A. Japutra, and I. A. Ekaputra, "Digital marketing innovation and firm performance: the role of decision-making comprehensiveness in dynamic environments," *Asia Pacific Journal of Marketing and Logistics*, vol. 36, no. 2, pp. 435–456, 2024, doi: 10.1108/APJML-01-2023-0097.
- [18] J. F. Hair, G. T. M. Hult, C. M. Ringle, and M. Sarstedt, *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*, 3rd ed. California: SAGE Publications, Inc, 2022.