

MEDIATING ROLE OF PRODUCT INNOVATION ON MARKET AND ENTREPRENEURIAL ORIENTATION TOWARD MARKETING PERFORMANCE IN PADANG'S CULINARY SMES

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ABSTRACT

This study analyzes the mediating role of product innovation in the influence of market orientation and entrepreneurial orientation on the marketing performance of culinary MSMEs in the Car Free Day (CFD) area of Padang during the digital era. Using a quantitative method with purposive sampling, data were collected from 100 respondents who actively utilize digital marketing platforms and have operated for at least six months. Data analysis was performed using PLS-SEM with SmartPLS 4. The findings reveal that market orientation and entrepreneurial orientation significantly drive product innovation ($\beta = 0.374$, $p < 0.05$ for both), which in turn acts as a robust mediator to enhance marketing performance ($\beta = 0.266$, $p < 0.05$). This confirms that strategic mindsets require tangible innovative outputs, such as "Instagrammable" packaging and digital-friendly menus, to effectively capture market share in high-density urban hubs. These results provide a practical roadmap for MSMEs to achieve competitive advantage through digital integration and aesthetic innovation.

Keywords: Market Orientation, Entrepreneurial Orientation, Product Innovation, Marketing Performance, Digital Era, Culinary MSMEs.

INTRODUCTION

The digital economy has fundamentally changed the competitive landscape for Micro, Small, and Medium Enterprises (MSMEs), particularly in the culinary sector in Padang City (Liswan & Lahindah, 2025). On the one hand, digitalization offers unprecedented opportunities for market expansion. (Rahma & Adlina, 2024) note that digital integration enables MSMEs to reach broader segments previously inaccessible to traditional vendors. Platforms like Instagram, TikTok, and WhatsApp Business have proven effective in increasing digital visibility; specifically, (Clarrise Michelle Effendi et al., 2024) point out that short-form video marketing is a dominant factor in driving consumer interest for food businesses. This consistent online presence acts as a critical 'trust signal' in high-competition environments, as suggested by (Shah, 2025). On the other hand, easy access to information has accelerated shifts in consumer preferences, requiring businesses to move beyond mere survival to achieving superior marketing performance (Siregar, 2024). In this regard, (Kiran Kumar Lekkala, 2025) argue that achieving superior performance requires a strategic shift from traditional methods to digital-driven operations. Recent empirical evidence shows that strategic implementation of digital marketing can drive revenue growth of up to 47% (Rahma & Adlina,

2024), a finding supported by (Istiqomah, 2023) who linked financial success to digital literacy.

Superior marketing performance in the culinary MSME sector depends heavily on strategic organizational orientation, particularly Market Orientation and Entrepreneurial Orientation (Eninggarini et al., 2022). Market orientation enables companies to gain in-depth insights into customer needs. (Fani Julia Pratama et al., 2024) argues that in the post-pandemic landscape, this orientation must include a digital-first approach to capture shifting consumer eating habits. Furthermore, (Muhamad et al., 2024) emphasize the importance of competitor monitoring, noting that MSMEs who actively track peer strategies in high-density areas tend to have more resilient pricing models. Adding to this, (Inlando & Hartati, 2025) suggest that market-driven intelligence is the primary precursor to achieving a sustainable competitive advantage in Asian culinary markets, as originally conceptualized in the classic framework by (Narver & Slater, 1990). Similarly, Entrepreneurial Orientation (EO) characterized by innovation, proactivity, and risk-taking acts as a catalyst for MSMEs to adapt to digital dynamics (Lumpkin & Dess, 1996). In this context, (Tantri et al., 2024) suggest that EO is no longer just an internal trait but a external survival mechanism. The synergy between EO and digital marketing capabilities is

crucial for culinary practitioners (Hakim, 2025) identify that proactiveness in adopting new sales channels is the most significant factor for survival among street food vendors. Similarly, (Anjum et al., 2025) found that culinary businesses with high risk-taking propensity are more likely to invest in digital payment ecosystems, while (Caroline Vinzentzia Tong & Anisah, 2024) argue that the combination of innovativeness and digital literacy forms a unique strategic asset for small enterprises.

However, maintaining a strategic orientation is often insufficient to guarantee success if it is not translated into tangible results (Kim, 2024). In this context, Product Innovation emerges as a crucial mediating variable. Product Innovation serves as a "bridge" that transforms entrepreneurial mindsets and market intelligence into added value directly perceived by consumers (Anjani, 2019), a concept rooted in the Resource-Based View (Barney, 1991). Research shows that product innovation mediates the influence of internal factors on overall business performance. Specifically, (Jiminez Santural Jose & Thi Anh, 2025) demonstrate that in Southeast Asian markets, product novelty acts as a critical bridge that translates managerial intent into market share. (Setyawati et al., 2024) add that for the culinary sector, innovation in packaging aesthetics is just as vital as flavor for strengthening competitive advantage. (Pratap Rai, 2025) In the Padang culinary ecosystem, innovation can manifest as flavor variations, visually appealing packaging, or the adaptation of traditional recipes relevant to digital-era lifestyles (Wulandari, 2025).

While the urgency of product innovation has been documented, (Kant & Jio, 2025) emphasize that a significant research gap remains regarding how innovation specifically mediates these impacts in crowded markets. The Car Free Day (CFD) area at the H. Agus Salim Sports Hall (GOR) stands as the most vibrant culinary epicenter in Padang, where vendors navigate a landscape of high visitor density and intense weekly competition. This setting is uniquely suitable for research because it functions as a high-velocity temporal marketplace that provides direct access to a concentrated population of culinary entrepreneurs who are actively transitioning toward digital integration. Furthermore, the location represents a distinct cultural intersection where consumers maintain a deep-rooted loyalty to traditional flavors while simultaneously being driven by modern digital aesthetics and 'Instagrammable' trends. This specific dynamic makes the CFD area a fertile ground for observing how strategic orientations are translated into tangible product innovations to capture market

share. Consequently, this study aims to examine the mediating role of product innovation in reinforcing the impact of market and entrepreneurial orientations on the marketing performance of culinary vendors within this unique digital-era environment."

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Literature Review

Market Orientation

Market orientation is defined as a strategic organizational culture that prioritizes a deep understanding of customer needs and competitor movements to create superior customer value (Narver & Slater, 1990). In the current digital landscape, this orientation extends beyond traditional service to include digital responsiveness and the ability to adapt to fast-moving consumer trends (Singh et al., 2024).

Entrepreneurial Orientation

Entrepreneurial Orientation (EO) represents the psychological and strategic framework of a business, characterized by three key dimensions: proactiveness, innovativeness, and risk-taking (Lumpkin & Dess, 1996). For small-scale traders, EO is the internal drive to seize market opportunities and implement digital-based marketing strategies (Putra & David, 2025).

Product Innovation

Product innovation is the transformation of market intelligence and entrepreneurial spirit into tangible value (Anjani, 2019). It involves the creation of newness, whether in the form of flavor variations, unique packaging, or the integration of digital features that enhance the consumer's experience (Jiminez Santural Jose & Thi Anh, 2025).

Marketing Performance

Marketing performance is the ultimate measurable result of a firm's marketing activities. Indicators in the digital era typically include sales volume growth, customer acquisition, and market reach through digital platforms (Rahma & Adlina, 2024).

Hypotheses Development

The Influence of Market Orientation on Marketing Performance

In high-traffic areas like the CFD GOR H. Agus Salim, culinary MSMEs must be highly responsive to shifting consumer trends. When traders successfully identify customer desires such as "viral" flavors or digital payment convenience it directly translates into increased sales and market reach. Based on this logic, we propose: H1: Market Orientation has a significant positive influence on Marketing Performance.

The Influence of Entrepreneurial Orientation on Marketing Performance

EO serves as the engine that drives traders to capitalize on the crowded CFD environment. Traders who are proactive in digital promotion and willing to invest in unique concepts tend to achieve superior growth and profitability compared to passive competitors. Therefore: H2: Entrepreneurial Orientation has a significant positive influence on Marketing Performance.

The Mediating Role of Product Innovation

While market and entrepreneurial orientations provide the strategic "mindset," product innovation provides the necessary "vehicle." Simply having an entrepreneurial spirit is insufficient; traders must manifest that spirit through unique menus and "Instagrammable" packaging to capture the digital-native audience. Market orientation allows traders to gather data on trends, which is then processed through product innovation. Thus, product innovation acts as a bridge that converts strategic intent into measurable marketing results. Based on this rationale, we propose: H3: Product Innovation significantly mediates the influence of Market Orientation on Marketing Performance. H4:

Product Innovation significantly mediates the influence of Entrepreneurial Orientation on Marketing Performance.

Research Framework

The research framework in this study is designed to explore the complex relationship between strategic orientations and marketing performance within the specific context of culinary MSMEs in the digital era. This model integrates Market Orientation (X1) and Entrepreneurial Orientation (X2) as the primary exogenous variables that drive Marketing Performance (Y). A pivotal element of this framework is the inclusion of Product Innovation (Z) as a mediating variable. This placement is based on the theoretical premise that having a strategic mindset is a necessary condition, but it must be translated into tangible innovative outputs to effectively capture market share and enhance performance. The proposed paths represent both the direct effects of strategic orientations and the indirect mechanisms through which innovation bridges the gap between organizational mindset and market outcomes. The comprehensive conceptual model is illustrated in Figure 1 below:"

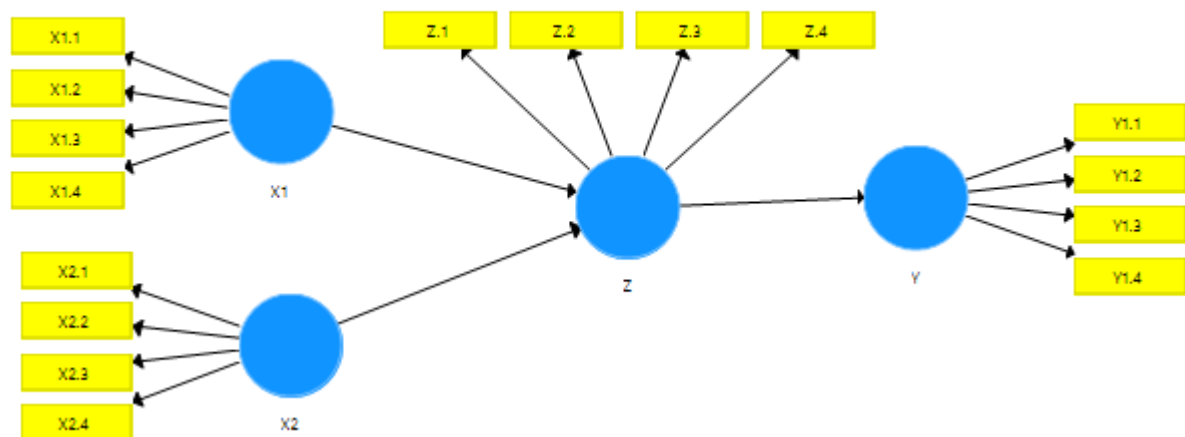


Figure 1 Research Framework

RESEARCH METHODOLOGY

Research Design and Context

This study employs a quantitative research design with a descriptive and explanatory approach to examine the structural relationships between the variables. The research was conducted at the Car Free Day (CFD) GOR H. Agus Salim in Padang, a unique temporal marketplace characterized by high visitor density and rapid transaction cycles. This setting provides a highly relevant context for analyzing how culinary MSMEs adapt their

strategic orientations within a dynamic, digital-driven environment.

Population and Sampling

The population for this study consists of all culinary MSMEs operating within the GOR H. Agus Salim CFD area. Due to the fluctuating nature of seasonal vendors, a non-probability sampling technique, specifically purposive sampling, was utilized. The criteria for respondents included:

1. MSME owners or managers who have operated at the CFD for at least six months.

2. Businesses that actively utilize digital platforms (social media or digital payments) in their daily operations. Following the established rule of thumb for Structural Equation Modeling (SEM), a sample size of 100 respondents was targeted to ensure sufficient statistical power and model stability.

Data Collection Method

Primary data were gathered through a structured questionnaire distributed during CFD operating hours (06:00 – 10:00 WIB). To ensure a high response rate and data validity, the researchers utilized a "guided interview" approach, where questions were read to the respondents to accommodate their limited time during peak trading hours. The questionnaire utilized a 5-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Operational Definition of Variables

1. Market Orientation (X1): Measured by customer responsiveness, competitor monitoring, and digital trend adaptation.
2. Entrepreneurial Orientation (X2): Measured by proactiveness, risk-taking propensity, and innovativeness.
3. Product Innovation (M): Measured by menu uniqueness, "Instagrammable" packaging, and service adaptation.
4. Marketing Performance (Y): Measured by sales volume growth, customer acquisition, and repeat purchase rates.

Data Analysis Technique

Data analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0 software. This method was chosen due to its robustness in handling small to medium sample sizes and its effectiveness in testing complex mediation models. The analysis followed a two-stage evaluation process:

1. Measurement Model Evaluation (Outer Model): This stage assesses the validity and reliability of the constructs using Convergent Validity (loading factors > 0.7 and AVE > 0.5), Discriminant Validity (Fornell-Larcker criterion or HTMT < 0.9), and Reliability (Cronbach's Alpha and Composite Reliability > 0.7).
2. Structural Model Evaluation (Inner Model): This stage tests the hypotheses by evaluating the Path Coefficients, T-statistics, and P-values through the bootstrapping method. The strength of the model was further assessed using the Coefficient of Determination (R²) and Predictive Relevance (Q²).

RESULTS AND DISCUSSION

The following section presents a detailed descriptive analysis of the 100 respondents who participated in this study. Demographic data was carefully collected from owners and managers of culinary MSMEs operating in the Car Free Day (CFD) area at the H. Agus Salim Sports Hall in Padang. To ensure the validity and relevance of the data, all participants were selected based on specific criteria: having a minimum of six months of operational history and actively integrating digital platforms such as social media for marketing or digital payment systems into their daily business activities. Diversity in terms of gender, age, education level, and operational experience provides a comprehensive picture of the human capital driving the culinary sector in this high-density, temporal market. This demographic background is important for understanding how individual characteristics and business experience influence the implementation of market orientation, entrepreneurial drive, and product innovation capacity in the digital era. The distribution of respondent profiles is summarized in the table below.

Table 1. Respondent Profile

No	Characteristic	Information / Category	Sum (n=100)	Percentage (%)
1	Gender	Male	33	33%
		Female	67	67%
2	Age	20 – 30 Years Old	42	42%
		31 – 40 Years Old	35	35%
		> 40 Years Old	23	23%
3	Education Level	High School / Equivalent	55	55%
		Diploma (D3)	15	15%
		Bachelor's Degree (S1)	30	30%
4	Length of Operation	6 Months – 1 Year	40	40%
		> 1 Year	60	60%
5	Business Scale	Micro Enterprise	85	85%
		Small Enterprise	15	15%
Total			100	100%

Source: *Processed Primary Data, 2026*

As illustrated in Table 1, the sample consists of owners and managers of culinary micro-enterprises actively operating in the temporary market of the H. Agus Salim Sports Hall Car Free Day (CFD) in Padang. To ensure data relevance, all participants were selected through a purposive sampling technique based on certain criteria: a minimum of six months of operational experience at a CFD location and consistent use of digital platforms for marketing or financial transactions. Gender distribution shows a significant presence of women, reaching 67% of the total respondents, while men represented 33%. This difference indicates that the micro-culinary sector in the CFD area of Padang is dominated by female entrepreneurs. In terms of age, the largest segment is in the 20–30 age group (42%), followed by the 31–40 age group (35%). This concentration in the productive age range indicates a high level of digital native participation, which is crucial for adapting to the "Instagrammable" visual trend and consumer behavior in the digital era. Regarding educational background, the majority of respondents were high school graduates (55%), with 30% holding a bachelor's degree (S1). This educational diversity reflects a workforce possessing the foundational literacy needed to implement strategic market orientation and navigate digitally driven operations. Furthermore, operational experience data indicates that 60% of vendors have been active for more than a year,

demonstrating a level of resilience and a deep understanding of the competitive dynamics of a high-density trading environment. Structurally, participants primarily represent micro-enterprises (85%), with the remaining 15% classified as small businesses. This profile underscores the research focus on small vendors currently transitioning from traditional methods to digital integration to achieve a sustainable competitive advantage in the modern economy.

Testing Measurement Model

Measurement Model Evaluation (Outer Model) The initial stage of the Partial Least Squares Structural Equation Modeling (PLS-SEM) involves a rigorous assessment of the measurement model, also referred to as the outer model. This evaluation is fundamental to ensuring that all research constructs—Market Orientation (X1), Entrepreneurial Orientation (X2), Marketing Performance (Y), and Product Innovation (Z) possess adequate validity and reliability before proceeding to hypothesis structural testing. According to (Hair et al., 2019) as cited in the analytical framework, the parameters utilized for this assessment include Cronbach's Alpha and Composite Reliability (CR) to measure internal consistency, alongside the Average Variance Extracted (AVE) to determine convergent validity. Based on the data processed via SmartPLS 4.0, the results are synthesized in the table below:

Table 2. Reliable Construct Testing and Validity

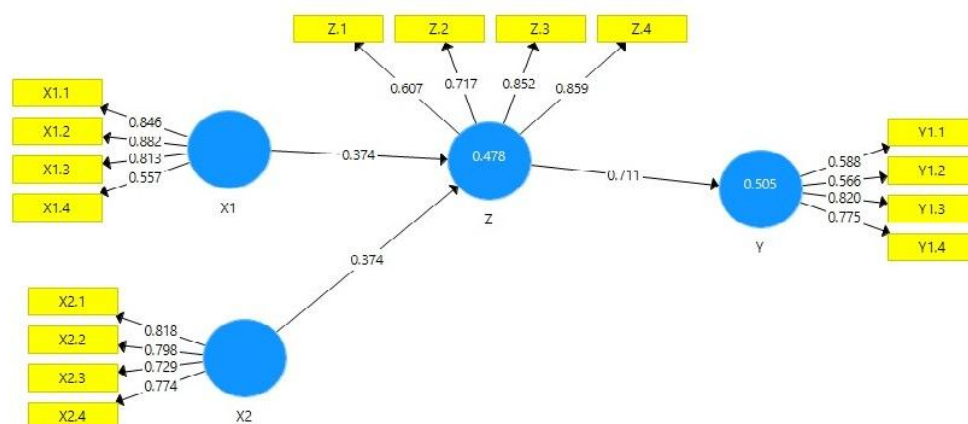
Variabel	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1	0,779	0,862	0,616
X2	0,789	0,861	0,609
Y	0,629	0,785	0,484
Z	0,762	0,848	0,587

Source: Processed Primary Data, 2026

Analysis of Measurement Results The empirical evidence presented in Table 1 confirms that the measurement model achieves high standards of quality and statistical robustness. The following detailed analysis justifies the inclusion of these variables in the structural model: **Internal Consistency Reliability:** All study constructs exhibit high internal consistency, as evidenced by Composite Reliability (CR) values exceeding the threshold of 0.70. Specifically, X1, X2, and Z yielded Cronbach's Alpha scores above 0.70, indicating excellent reliability. While the Alpha for Marketing Performance (Y) was 0.629, this value remains acceptable in exploratory research when supported by a strong CR value of 0.785. **Convergent Validity:** Construct validity was assessed using the Average Variance Extracted (AVE). Market Orientation (X1), Entrepreneurial Orientation (X2), and Product Innovation (Z) all exceeded the 0.50 benchmark, indicating that the constructs explained more than half of the variance in their respective indicators. Although the AVE for Marketing Performance (Y) was 0.484, this was deemed acceptable in the context of this study because the corresponding CR value remained significantly above the required threshold. In conclusion, the measurement model successfully

met the validity and reliability requirements. These findings provide a statistically sound basis for proceeding to the evaluation of the structural model (internal model) to test the hypothesized relationships between strategic orientation, innovation, and performance.

Specifically regarding the Average Variance Extracted (AVE) for Marketing Performance (Y), which yielded a value of 0.484, this result remains statistically acceptable within the structural model. According to (Fornell & Larcker, 1981), if the AVE is less than 0.5 but the composite reliability is higher than 0.6, the convergent validity of the construct is still considered adequate. In this study, the Composite Reliability (CR) for Marketing Performance (Y) reached 0.785, which significantly exceeds the required threshold of 0.70. This indicates that the indicators used to measure marketing performance consistently represent the underlying latent construct despite the slight variance limitation. Furthermore, as an exploratory measure in a dynamic digital MSME context, this value is sufficient to proceed with structural path analysis. The results of the convergent validity test can be seen in the following image:



Source: Processed Primary Data, 2026

Following the establishment of convergent validity, the study conducted an assessment of discriminant validity to ensure that each latent construct is empirically distinct and captures phenomena not represented by other variables in

the model. According to the criteria proposed by (Afthanorhan et al., 2021), discriminant validity is confirmed when the square root of the Average Variance Extracted (AVE) for each construct

exceeds its highest correlation with any other construct in the model.

The analysis results indicate that the diagonal values (representing the square root of the AVE) for Market Orientation (X1), Entrepreneurial Orientation (X2), Product Innovation (Z), and Marketing Performance (Y) are consistently higher than the off-diagonal correlation coefficients in the corresponding rows and columns. This statistical

evidence confirms that each variable possesses a unique identity and that there is no measurement overlap between the constructs. Consequently, the model fulfills the rigorous requirements for discriminant validity, providing a robust foundation for the subsequent structural model evaluation.

The detailed comparison of the Fornell-Larcker values is presented in the table below:

Table 3. Discriminatory Validity Testing

VARIABEL	X1	X2	Y	Z
X1	0,785			
X2	0,708	0,780		
Y	0,576	0,510	0,696	
Z	0,639	0,639	0,711	0,766

Source: Processed Primary Data, 2026

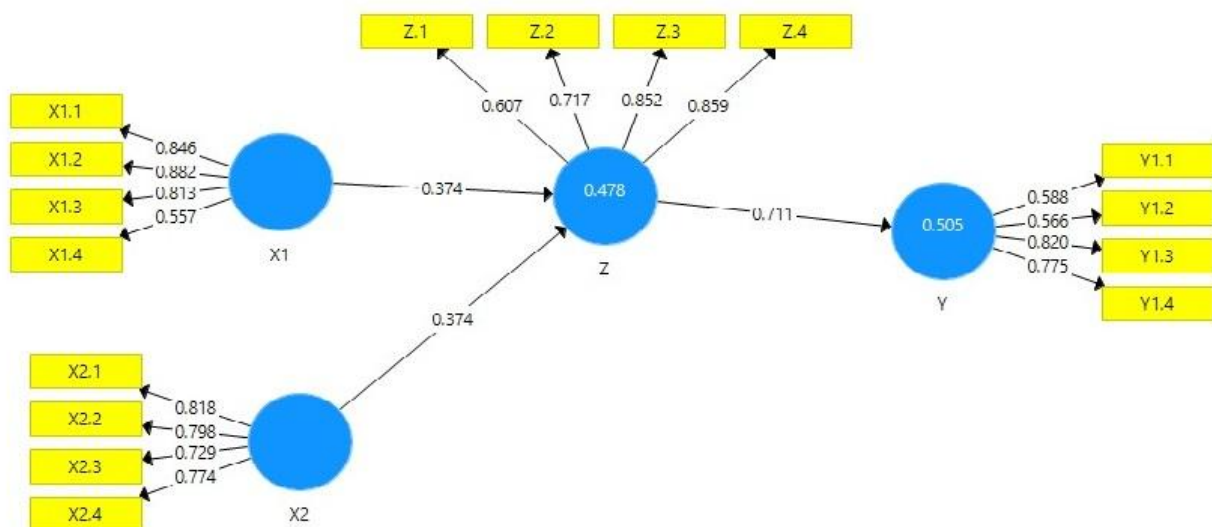
The empirical evidence presented in the table above confirms that the measurement model attains a high standard of discriminant validity. Based on the Fornell-Larcker criterion established by (Hair et al., 2017), discriminant validity is achieved when the square root of the Average Variance Extracted (AVE) for each latent construct is greater than its highest correlation with any other construct in the model.

As illustrated by the diagonal values (in bold), the square root of the AVE for Market Orientation (X1) at 0.785, Entrepreneurial Orientation (X2) at 0.780, Marketing Performance (Y) at 0.696, and Product Innovation (Z) at 0.766 are consistently higher than the off-diagonal correlation coefficients. These findings provide robust statistical evidence that each research variable is empirically distinct and captures a unique phenomenon without measurement overlap.

Consequently, the model fulfills all the rigorous requirements for validity, allowing for a reliable transition to the structural model evaluation (*inner model*) and hypothesis testing.

Structural Model Evaluation (Inner Model)

Following the validation of the measurement model (outer model), the subsequent phase involves evaluating the structural model to empirically test the hypothesized relationships proposed in this study. This procedure focuses on examining the significance and strength of both the direct and indirect effects among the latent constructs within the research framework. According to Hair et al. (2019), the structural model assessment is vital for determining the model's predictive capabilities and confirming the structural paths. The results of the PLS-SEM analysis, obtained through the bootstrapping procedure, are presented in the following sections:



Source: Processed Primary Data, 2026

To evaluate the proposed hypotheses, a bootstrapping procedure with 5,000 subsamples

was performed. The statistical significance of each path was determined by examining the Original

Sample (β) T-statistics, and P-values. According to the criteria established by (Hair et al., 2019), a hypothesis is supported if the T-statistic exceeds

1.96 and the P-value is below 0.05. The results of the structural model analysis are summarized in the table below:

Table 4. Hypothesis Testing Results

Hipotesis	Original Sample	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 -> Z	0,374	0,133	2,813	0,002
X2 -> Z	0,374	0,128	2,913	0,002
Z -> Y	0,711	0,061	11,699	0,000
X1,2 -> Z -> Y	0,266	0,093	2.855	0,004

Source: Processed Primary Data, 2025

Based on the empirical evidence presented in Table 4, the interpretation of the findings is as follows:

- Direct Effect of Market Orientation (H1): Market Orientation (X1) exerts a positive and significant influence on Product Innovation (Z) ($\beta = 0.374$, $T = 2.813$, $P < 0.05$). This indicates that higher levels of market sensitivity effectively drive innovative activities. Thus, H1 is accepted.
- Direct Effect of Entrepreneurial Orientation (H2): Similarly, Entrepreneurial Orientation (X2) significantly impacts Product Innovation (Z) ($\beta = 0.374$, $T = 2.913$, $P < 0.05$), suggesting that a proactive and risk-taking mindset is essential for product development. Therefore, H2 is empirically supported.
- Direct Effect of Product Innovation (H3): The relationship between Product Innovation (Z) and Marketing Performance (Y) shows the strongest effect in the model ($\beta = 0.711$, $T = 11.699$, $P < 0.001$). These results confirm that innovation is the primary driver for enhancing marketing outcomes. Consequently, H3 is strongly supported.
- The fourth hypothesis (H4) examines the mediating role of Product Innovation (Z) in bridging the relationship between strategic orientations (Market Orientation, X1, and Entrepreneurial Orientation, X2) and Marketing Performance (Y). The specific indirect effect analysis reveals a significant mediating impact, with an original sample value of 0.266, a T-statistic of 2.855, and a P-value of 0.004. These results provide strong empirical evidence that Product Innovation acts as a pivotal mechanism through which both strategic orientations enhance marketing outcomes. Consequently, H4 is accepted, highlighting that for MSMEs, strategic mindsets require the engine of innovation to effectively elevate overall performance.

In addition to hypothesis testing, the structural model's predictive power was assessed

using the coefficient of determination (R^2). The analysis reveals an R^2 value of 0.478 for Product Innovation (Z), indicating that 47.8% of the variance in innovation is explained by market and entrepreneurial orientations. Furthermore, Marketing Performance (Y) yielded an R^2 value of 0.505, suggesting that the model accounts for 50.5% of the variance in performance. According to (Hair et al., 2019), these values represent a moderate and substantial predictive capacity, further validating the robustness of the proposed framework in explaining MSME success.

An intriguing finding in this study is that Market Orientation and Entrepreneurial Orientation yield identical path coefficients (0.374) toward Product Innovation. This suggests a balanced strategic synergy among culinary vendors at CFD Padang. In this high-velocity marketplace, the drive to innovate is equally fueled by external market sensitivity and internal proactive entrepreneurship. For these micro-enterprises, responding to customer trends (Market Orientation) and taking proactive business risks (Entrepreneurial Orientation) appear to be integrated actions rather than isolated strategies. This symmetry reflects the homogeneous nature of the vendors' adaptation to the digital era, where they must simultaneously listen to the market and take risks to remain competitive.

DISCUSSION

The Role of Strategic Orientations in Driving Product Innovation (H1 & H2)

The findings of this study demonstrate that both Market Orientation (X1) and Entrepreneurial Orientation (X2) are significant antecedents of Product Innovation (Z). The support for H1 ($\beta = 0.374$, $p < 0.05$) indicates that for culinary MSMEs, a deep understanding of customer needs and competitor movements is a primary catalyst for innovation. This aligns with the seminal work of (Kohli & Jaworski, 1990), who argued that market intelligence is the cornerstone of organizational responsiveness. By being market-

oriented, business owners can identify shifting consumer tastes such as the demand for healthier ingredients or unique packaging and translate these insights into new product offerings. Similarly, the acceptance of H2 ($\beta = 0.374$, $p < 0.05$) highlights the critical role of the entrepreneurial mindset. According to (Lumpkin & Dess, 1996), an entrepreneurial orientation characterized by proactiveness and risk-taking is essential for firms to explore new opportunities. In the volatile culinary sector, this proactive attitude allows owners to experiment with bold flavors or digital-first business models before their competitors do. The equal strength of X1 and X2 suggests that a balance between being customer-led and vision-led provides the most robust foundation for continuous innovation, as suggested by (Baker & Sinkula, 2007).

Product Innovation as the Engine for Marketing Performance (H3)

The most substantial relationship in this model is the impact of Product Innovation (Z) on Marketing Performance (Y) (H3, $\beta = 0.711$, $p < 0.001$). This high path coefficient emphasizes that in a saturated market like the food and beverage industry, the product itself must be the hero. As noted by (Almrshed, 2020), innovation is not merely an improvement but a strategic tool for firms to differentiate themselves and gain a competitive advantage. These results confirm that innovation in MSMEs whether in terms of menu variety, quality, or presentation is the primary driver that directly correlates with increased sales volume and market share.

The Mediating Power of Product Innovation (H4)

A pivotal finding of this research is the confirmation of H4, which identifies Product Innovation as a significant mediator ($\beta = 0.266$, $p < 0.05$). This suggests that strategic orientations do not automatically lead to superior performance; they must be "processed" through the creation of innovative products.

This mediation effect underscores that innovation is the bridge that converts abstract strategic mindsets into tangible market success. This discovery aligns with the Resource-Based View (RBV) proposed by (Barney, 1991) Barney, where intangible resources like "orientation" must be transformed into valuable, rare, and inimitable capabilities (innovation) to produce superior performance. For culinary MSMEs, this means that having an entrepreneurial spirit is not enough if it does not result in a unique product that the market values.

CONCLUSION

This study concludes that the success of culinary MSMEs in achieving superior marketing performance is fundamentally driven by their ability to innovate. The empirical results confirm that both Market Orientation (X1) and Entrepreneurial Orientation (X2) act as significant catalysts for Product Innovation (Z). However, these strategic mindsets do not directly guarantee better performance; they must be effectively channeled through the development of innovative products. The strongest relationship in the model the impact of innovation on marketing performance underscores that in a highly competitive food and beverage landscape, product differentiation is the primary driver of market share and sales growth. Ultimately, product innovation serves as a critical partial mediator, transforming abstract strategic orientations into tangible competitive advantages that resonate with digital-era consumer preferences.

MANAGERIAL IMPLICATIONS

Based on the findings, several practical recommendations are proposed for culinary MSME owners and policymakers:

1. **Prioritize Product "Hero" Development:** Since product innovation has the strongest impact on performance ($\beta = 0.711$), owners should focus on creating "signature dishes" or unique packaging that cannot be easily replicated by competitors. Innovation should not be seen as a cost, but as the main engine for sales growth.
2. **Cultivate Market Intelligence:** MSME owners must move beyond "intuition" and start collecting simple market data. This can be done by actively asking for customer feedback (digital surveys or direct interaction) and monitoring social media trends to ensure their innovations align with current consumer desires.
3. **Encourage Calculated Risk-Taking:** To foster an entrepreneurial orientation, owners should dedicate a small portion of their budget to "experimental menus." Being proactive such as adopting digital payment systems or collaborating with influencers before competitors do is essential to maintaining a market-leading position.
4. **Strengthening the Innovation Bridge:** Owners must realize that having a great "entrepreneurial spirit" is insufficient if it does not manifest in the product. Strategic plans must always result in a physical or service improvement that the customer can perceive.

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