

Enhancing Marketing Outcomes with Innovative Indigenous Products: A Case Study of Smes Supported by P3ud In Deli Serdang, North Sumatra

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Abstract

The primary aim of this study was to empirically examine the contribution of the Innovative Indigenous Product (IIP) approach in enhancing the marketing performance of MSMEs supported by P3UD in Deli Serdang District, North Sumatra. Through the distribution of questionnaires to 98 MSME participants and the application of Smart-PLS 3.0 for analysis, the results reveal that IIP significantly contributes to the relationship between market orientation and marketing performance, suggesting that market orientation indirectly influences marketing performance by fostering IIP. These findings highlight the importance for MSMEs to explore innovative products and services rooted in local culture, which not only boosts marketing performance but also fosters sustainable competitiveness. Additionally, the results suggest that government support plays a critical role in shaping the relationship between market orientation and marketing performance. Overall, the mediation and moderation effects underscore the significance of contingency factors as indispensable elements in efforts to enhance marketing performance.

Keywords: Market Orientation, Innovative Indigenous Product, Marketing Performance, Government Support.

Introduction

Previous empirical research shows that market orientation can contribute to better company management (Kanovska and Tomaskova, 2012) because it is not only customer-oriented but also includes competitor orientation and inter-functional coordination (Oduro and Haylemariam, 2019); thus, market orientation is generally associated with various aspects of organizational performance, such as profitability (Slater and Narver, 1999) and marketing performance (Oduro and Haylemariam, 2019). This argument aligns with previous research that indicate the deployment of market-oriented strategies can enhance the performance of small and medium-sized enterprises (SMEs). These strategies allow business actors to gain a comprehensive understanding of the market, enabling the development of products and services that cater to the requirements and wishes of consumers. (Hamel and Wijaya, 2020).

The pre-survey results on SMEs assisted by P3UD Deli Serdang Regency show that market orientation drives sales volume and customer growth. MSME players in Deli Serdang district stated that 57.1% of the increase in sales and 64.3% of customer growth were due to market orientation. The pre-survey results also show that most SMEs pay attention to consumer needs before the production process and seek information about consumer needs, focusing on changes in consumer tastes. Conversely, only 7.1% of SMEs do not seek information when producing their products. However, data obtained from the Regional Center for Superior Product Development (P3UD) of Deli Serdang Regency shows that of the 97 SMEs registered as P3UD partners, they still experience sales disparities each month and even tend to experience a decline during the 2022-2023 period.

The preliminary results shown above suggest that while market orientation does play a part in elucidating marketing effectiveness, it also reveals a multifaceted connection between market orientation and marketing performance. Divergent research findings further substantiate the intricate nature of the correlation between market orientation and performance, indicating that market orientation has a favourable yet negligible impact on marketing performance. (Utami *et al.*, 2022). These empirical results are in line with other empirical results that found the influence of market orientation on the business and marketing

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performance of MSMEs to be insignificant (Nurhasanah dan Murwatiningsih, 2018; Sudarmadji *et al.*, 2020; Syarifah *et al.*, 2020; Tanzil *et al.*, 2021). Specifically, the phenomena and inconsistencies in research results indicate that the relationship between market orientation and marketing performance is indirect. Therefore, it is necessary to develop a new model by formulating a trivariate causal relationship model.

This study predicts that the development of a trivariate model (interaction, moderation, or mediation) can further clarify the influence of market orientation on marketing performance, especially in SMEs assisted by the P3UD Deli Serdang Regency. By synthesizing RBV theory (Wernerfelt, 1984; Barney, 1991) and Marketing Mix Theory (Keller, 2016), the present study investigates the concept of indigenous goods (IIP) as a potential solution to address the challenges that arise in the connection between market orientation and marketing performance. Furthermore, to enhance the validity of our findings on the correlation between market orientation and marketing performance, we explore the potential of government support to expand comprehension and even enhance the association between market orientation and marketing success. A regional identity product (IIP) is a local product attribute that is created using new elements derived from its original regional identity. (Wardani, 2024).

The IIP concept results from synchronizing the concepts of product innovation and indigenous products. Indigenous products are considered as discoveries for future products (Shaari, 2015). The term indigenous refers to artifacts designed and used by specific communities (Dormer, 1997) or artifact inventions produced by a person or community that aim to fulfill daily living needs, generally represent the regional identity of the region, and are believed to be able to create value. Emotional (Setyawati *et al.* 2020). However, other empirical research shows that product innovation linked to indigenous culture can produce higher emotional value for consumers (Chen *et al.*, 2017), which can increase purchase intentions (Hawkins, 2020) and ultimately boost performance. marketing. Based on these empirical results, IIP is a possible mechanism that can be implemented to explain the relationship between market orientation and marketing performance.

Starting from the empirical arguments above, addressing the lack of research and mitigating phenomena that occur in the relationship between market orientation and marketing performance, the objectives of this research include (1) exploring the direct relationship between market orientation and marketing performance, (2) investigating the mediation effect of the influence of market orientation on marketing performance, and (3) analyzing the moderating effect of government support in the direct relationship between market orientation and marketing performance. The significance of the results of this study is that they have resulted in several contributions. First, this study proposes a new theoretical model, namely the innovative indigenous product (IIP), to solve the problem of the influence of market orientation on marketing performance. Second, the RBV, marketing mix, and product innovation theories add evidence to previous research and expand marketing literature.

Literature Review

Market orientation is the business culture of an organization to continue to be committed to creating superior value for customers and business performance (Narver and Slater, 1990), or a process and activity related to the creation and satisfaction of customers by continuously assessing customer needs and desires (Uncles, 2000). Market-oriented companies always use market information to meet customer needs and predict/anticipate future needs. Thus, existing empirical research claims a significant influence between market orientation and company performance (Lee *et al.*, 2015). These empirical results align with other empirical results that report that market orientation influences company performance (Mei dan Vincent, 2019) because market orientation provides a better understanding of customers, allowing companies to create sustainable superior value for their customers. Thus, market orientation has been confirmed to influence business performance (Jaworski and Slater, 1990; Jaworski and Kohli, 1993; Slater, 2001).

The relationship between market orientation and marketing performance has not only been investigated in large companies but has also been found in small and medium-sized companies (Pelham, 2000). These findings are in line with several other empirical studies that found that market orientation has a positive

effect on the performance of MSMEs (Chao dan Spillan, 2010; Nuvriasari *et al.*, 2015; Saleh *et al.*, 2021) due to active involvement in developing new knowledge and practical product innovation (Lages *et al.*, 2016). Therefore, market orientation is increasingly viewed as a source of competitive advantage, leading to improved performance (Schlegelmilch Dan Ram, 2000). The validity of the results of the relationship between market orientation and the marketing performance of MSMEs has been confirmed in several other studies (Mahmoud, 2011; Protcko dan Dornberger, 2014; Aminu, 2018; Udriyah *et al.*, 2019; Ayimey *et al.*, 2020; Royo-Vela *et al.*, 2022; Sucipto dan Natsir, 2022; Anggraeni *et al.*, 2023; Tirtayasa dan Rahmadana, 2023). Therefore, it can be argued that company performance can be improved by implementing market orientation (Low *et al.* 2007). Thus, the following hypothesis was formulated:

H1: Market Orientation is positively correlated with Marketing Performance

Apart from having implications for performance, market orientation is also an essential source of product innovation, because it provides knowledge about consumer needs and expectations (Aydin, 2021). From the RBV perspective, market orientation is seen as an unusual, valuable, and indispensable resource that can improve product innovation performance and build competitive advantage (Hunt and Morgan, 1995; Menguc and Auh, 2006). Therefore, market orientation is widely believed to have a positive impact and has been proven effective in increasing the success of product innovation (Sinkula, 2005, 2007). These empirical results are in line with several other empirical studies that found a positive and significant impact of market orientation on innovation performance and product quality (Hunt and Morgan, 1995; Pelham and Wilson, 1995; Paladino, 2008; Rodríguez-Pinto *et al.*, 2011), meaningfulness of new products (Kim *et al.*, 2013), product development processes, and new product performance (Langerak *et al.*, 2007). These empirical results indicate that market orientation can facilitate a company's ability to innovate and achieve success in new products (Kohli dan Jaworski, 1990; Deshpandé *et al.*, 1993; Calantone *et al.*, 1994; Cooper, 1994; Slater dan Narver, 1994; Atuahene-Gima, 1995; Atuahene-Gima, 1996).

An Innovative Indigenous Product (IIP) is a local product attribute developed with new creations using the original regional identity (Wardani, 2024). IIP is a synchronization of the concepts of product innovation and indigenous products. Previous literature shows that culture-based products are considered unique so that they have their appeal (Setyawati *et al.*, 2020), are not considered by consumers based on price but rather on their quality (Fuchs *et al.*, 2015), and can produce high emotional value (Chen *et al.*, 2017). Such local product characteristics can provide benefits, namely sustainable competitive advantages (Dormer, 1997). To achieve success in developing IIP and gaining competitive advantage, businesses, especially MSMEs, consistently need to apply marketing concepts in their operations. Companies that apply the marketing concept are market oriented (Maruta *et al.*, 2017).

Market-oriented companies will gain an understanding of market knowledge from the external environment (Aydin, 2021), namely how to meet customer needs, whether the strategies implemented can compete with competitors, and how the resources they have can be used appropriately (Eibe Sørensen, 2009). Thus, with this knowledge, IIP as a product attribute that is innovative, unique, and has high emotional value can be developed as a superior resource compared to its competitors. Therefore, organizations that implement a market-oriented culture by focusing entirely on customers and competitors can develop product innovation capabilities (Cohen & Levinthal, 1990). Thus, the following hypothesis was formulated:

H2: Market orientation is positively correlated with Innovative Indigenous Products

Product innovation is claimed to be key to organizational renewal and success (Slater *et al.*, 2010). Therefore, companies must continually create innovative products and services to satisfy consumers (Trisianto & Pandjaitan, 2020). Conceptually, product innovation refers to goods, services, and ideas perceived as something new and different from before (Solomon *et al.*, 1997). Product innovation is also defined as the creation of new products and improvements to existing products (Pleschak and Sabisch, 1996; Tidd *et al.*, 2005; Disselkamp, 2015), which is carried out in an effort to differentiate and produce better performance or value (Kotler and Keller, 2016). Meanwhile, other empirical research states that product innovation is often associated with the novelty and meaningfulness of new products introduced to the market at the right

time (Ahmed, 2004); thus, it is believed to be very important for the success of sustainable business, opening up opportunities for business growth and expansion (Cooper, 2000), as well as explicitly improving marketing performance because performance improvements are built through innovation, one of which is product innovation (Hartanty dan Ratnawati, 2013).

Existing empirical research states that product innovation, apart from being a way to build competitive advantage (Kuncoro dan Suriani, 2018), also produces positive consequences on marketing performance, as measured by increasing sales volume, number of customers, and creating profits for MSME business owners (Pattipeilohy, 2018). Based on the empirical results, we can argue that product innovation has implications for marketing performance. On the other hand, indigenous products are designed and produced by specific communities and are considered unique. Hence, they have appeals (Setyawati *et al.*, 2020) and provide their benefits; therefore, they can build sustainable competitive advantages (Dormer, 1997). Meanwhile, other studies show that product innovation linked to indigenous culture can produce higher emotional value for consumers (Chen *et al.*, 2017), contributing to economic growth and business resilience, especially in developing countries (Adegbite, 2012; Asunka *et al.*, 2021), which also plays a vital role in improving marketing performance (Waliuddin and Umar, 2021; Utami *et al.*, 2022; Ramadhan and Farida, 2023). Based on these empirical results, we can conclude that local culture-based products have implications for marketing performance.

From the above findings, it can be concluded that there is harmony in the role of product innovation and indigenous products in explaining marketing performance. Product innovation, which is generally associated with the development of something new and has the potential to attract consumer attention, has implications for marketing performance. Likewise, indigenous products as products based on cultural values also have implications for marketing performance, as well as being attractive; they are also seen as unique (Setyawati *et al.*, 2020) and contain emotional value so that they can influence purchasing intentions and ultimately encourage company performance. Therefore, integrating product innovation and indigenous product concepts into an Innovative Indigenous Product (IIP) proposition allows it to influence the marketing performance. Thus, the following hypothesis was formulated:

H3: Innovative Indigenous Products have a positive effect on marketing performance

Based on the phenomenon that occurs in MSMEs assisted by P3UD Deli Serdang Regency, which shows that MSME actors are still not optimal in managing market orientation to improve marketing performance (measured by sales), MSME actors are required to make efforts to improve marketing performance continuously. One way to achieve this is through implementation of a competent strategy. This study proposes an Innovative Indigenous Product (IIP) to mitigate problems in the relationship between market orientation and marketing performance. As explained previously, IIP is a concept resulting from the synchronization of the concepts of product innovation and indigenous products, which are operationally defined as local product attributes developed with new creations through the use of the original regional identity (Wardani, 2024). Therefore, with the implementation of IIP, this study predicts that IIP will play an additional role in the market orientation of P3UD-assisted SMEs in improving their marketing performance.

Existing empirical research states that for more than four decades, academics and practitioners have recognized that market-oriented corporate strategy is a pillar of superior corporate performance (Pelham, 2000), because market orientation focuses on profits and competition based on needs, desires, and consumer aspirations, as well as offering products that are more competitive than competitors (Blankson and Ming-Sung Cheng, 2005). Therefore, superior market orientation leads companies to achieve superior performance (Low *et al.*, 2007). However, other empirical studies argue that market orientation does not always positively impact marketing performance under all conditions (Jaworski 1990). These empirical results align with other empirical results that found that market orientation had a relatively less significant relationship (Greenley, 1995) and an insignificant positive effect on marketing performance (Johnson *et al.*, 2009). However, the influence of market orientation on marketing performance when applied together with innovation as an intervening factor shows positive and significant results (Han *et al.*, 1998; Olavarrieta and

Friedmann, 2008; Theoharakis dan Hooley, 2008; Johnson *et al.*, 2009). The results of this study align with other research that found a positive relationship between market orientation and marketing performance, mediated by product innovation (Kohli and Jaworski, 1990). Therefore, it is valid to argue that market orientation has a positive effect on marketing performance through innovation (Pandjaitan, 2020).

The significance of the trivariate relationship between market orientation, product innovation, and marketing performance shows that product innovation as an intervention can provide an additional total influence of market orientation on marketing performance. Therefore, the IIP proposition as a synchronization of product innovation and indigenous products positively affects the relationship between market orientation and marketing performance. Thus, the following hypothesis was formulated:

H4: Innovative Indigenous Product Mediates the Effect of Market Orientation on Marketing Performance

Existing literature states that the influence of market orientation on marketing performance is a complex interaction of various factors (Zhang *et al.*, 2019). This study indicates that the relationship between market orientation and marketing performance is multifaceted or depends on various factors. As a measure of achievement obtained from an organization's overall marketing activity process (Yudith, 2005), marketing performance is often used to measure the impact of a company's strategy and is measured in three main quantities. The first is sales volume, namely, the volume or number of product sales the company achieves. The second is customer growth, that is, the level of customer growth achieved by the company. Third, profitability is the profit from product sales that a company has managed to obtain (Ferdinand, 2000).

Government support for entrepreneurs in tiny and medium industries (IKM) plays an important role in improving marketing performance. Previous empirical research shows that government support in the form of finance has an impact on the overall performance of SMEs because it can increase competitive advantage (Pergelova & Angulo-Ruiz, 2014) and has a significant positive impact on innovation for both new and better products (Kim *et al.*, 2023). Other empirical research shows that government support in marketing leads to competitive ability and performance (Mata *et al.*, 2021) in SME exports (Purwanto *et al.*, 2018). These findings show the government's role in encouraging business performance (Choi *et al.*, 2021) and the survival of SMEs (Najib *et al.*, 2021). Likewise, empirical results show that government support plays a positive role in governance, indicating government support for SME business performance (Xie *et al.*, 2022). The above findings show the multifaceted influence of government support on various aspects of SME business performance, including marketing (Ismanu dan Kusmintarti, 2020). Therefore, government support moderates comprehensive business results (Mohammad and Abdullah, 2010) in supporting businesses to achieve optimal performance. From the empirical results, the following hypothesis can be formulated:

H5: Government support strengthens the relationship between market orientation and marketing performance.

Methods

Data Collection

Data collection in this study used a survey or questionnaire method with a questionnaire instrument distributed to the research population, namely MSMEs assisted by P3UD Deli Serdang Regency, totaling 98 people. The entire population was used as the sample, because the research population was less than 100. Thus, by using the entire population without having to draw a research sample as a unit of observation, the sampling technique for this research was a census technique.

Data Analysis Techniques and Research Models

The objectives of this study include the influence of market orientation on marketing performance, the influence of market orientation on Innovative Indigenous Products, the influence of Innovative Indigenous Products on marketing performance, and the moderation of government support in the relationship

between market orientation and marketing performance. The research object was analyzed using second-order PLS analysis, a form of measurement model consisting of two levels that show the relationship between latent variables at the first level as indicators of a second-level latent variable.

Table 1. Operational Research Variables

Variable	Dimensions	Indicator
Market Orientation (MARKETORIENT)	1.Customer Orientation	Information (OP1) Response to Information (OP2)
	2.Competitor Orientation	Reaction to competitors' actions (OP3) Opportunity to Gain Excellence (OP4)
Innovative Indigenous Product (IIP)	1. Authenticity	Using original regional raw materials (IIP1) Using regional identity on products (IIP2) Using innovation with local regional resources (IIP3)
	2. Aesthetics	Product Form (IIP4) Product Packaging (IIP5)
Government Support (GOVSUPP)	1. Finance	Ease of getting loan assistance (GOV1) Get live help (GOV2)
	2. Non-Financial	Help in marketing ((GOV3) In-product help (GOV4) Assistance in regulations (GOV5)
Marketing Performance (MARKETINGPERFORM)	1. Sales Growth	Increase in sales (PERF1) Profit increase (PERF2)
	2.Customer Growth	Increase in market share (PERF3) Increased customer loyalty (PERF4)

All indicator items are measured using a Likert scale with a weighted value of 1 to 5 for each answer: Strongly Agree (SS) = 5, agree (S) = 4, disagree (KS) = 3, disagree (TS) = 2, and Strongly Disagree (STS) = 1 (Hardani, 2020). The questionnaire survey was conducted from June 2023 to December 2023, and hypothesis testing was conducted using PLS-SEM with Smart-PLS 3.0.

Results and Discussion

The descriptive statistics presented in Table 2 provide insights into the central tendencies and distribution characteristics of the variables studied. The market orientation indicators (OP_1 to OP_4) show moderate to high mean values, with OP_1 (mean = 3.612) and OP_2 (mean = 3.592) indicating that the SMEs in this study generally consider customer needs and competitor actions as important factors. The standard deviations suggest moderate variability, particularly for OP_2 (0.879), while skewness values indicate a right-skewed distribution for most market orientation indicators, meaning that a larger portion of the respondents rated their market orientation lower than the average. Kurtosis values suggest relatively light-tailed distributions, reflecting moderate variability in the responses.

Table 2. Descriptive Statistics

	Missing	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
OP_1	0.000	3.612	4.000	2.000	5.000	0.791	-0.628	0.314
OP_2	0.000	3.592	3.000	2.000	5.000	0.879	-0.826	0.265
OP_3	0.000	3.541	4.000	1.000	5.000	0.859	-0.123	-0.129

OP_4	0.000	3.459	3.000	2.000	5.000	0.785	-0.358	0.137
IIP_1	0.000	3.592	4.000	2.000	5.000	0.767	-0.373	0.029
IIP_2	0.000	3.612	4.000	2.000	5.000	0.876	-0.779	0.112
IIP_3	0.000	3.449	3.000	3.000	5.000	0.591	-0.062	0.953
KIN_1	0.000	3.490	3.000	2.000	5.000	0.674	-0.130	0.648
KIN_2	0.000	3.663	4.000	2.000	5.000	0.699	-0.452	0.216
KIN_3	0.000	3.694	4.000	2.000	5.000	0.761	-0.758	0.305
KIN_4	0.000	3.765	4.000	2.000	5.000	0.780	-0.866	0.180
GOV_1	0.000	3.765	4.000	2.000	5.000	0.843	-0.906	0.057
GOV_2	0.000	3.633	4.000	2.000	5.000	0.748	-0.647	0.427
GOV_3	0.000	3.663	4.000	2.000	5.000	0.755	-0.710	0.366
GOV_4	0.000	3.755	4.000	2.000	5.000	0.809	-0.708	0.011
GOV_5	0.000	4.010	4.000	2.000	5.000	0.851	-0.889	-0.322

Convergent Validity and Model Analysis

Convergent Validity aims to determine the validity of each relationship between the indicator and construct or latent variable. Thus, the construct measures should have a high correlation value. The measure used in this research was the loading factor value, which must be at least greater than 0.50 - 0.6. Furthermore, outer loading value for each indicator was found that there were 2 (two) indicators with a loading factor value of less than 0.5 so they were excluded from the research data analysis. The IIP3 indicator, or products produced through innovation with local regional resources, is a dimension of authenticity. The second indicator excluded from the analysis is GOV4, or direct assistance in the form of products received by SMEs, which is the dimension of assistance in the non-monetary form of the government support variable.

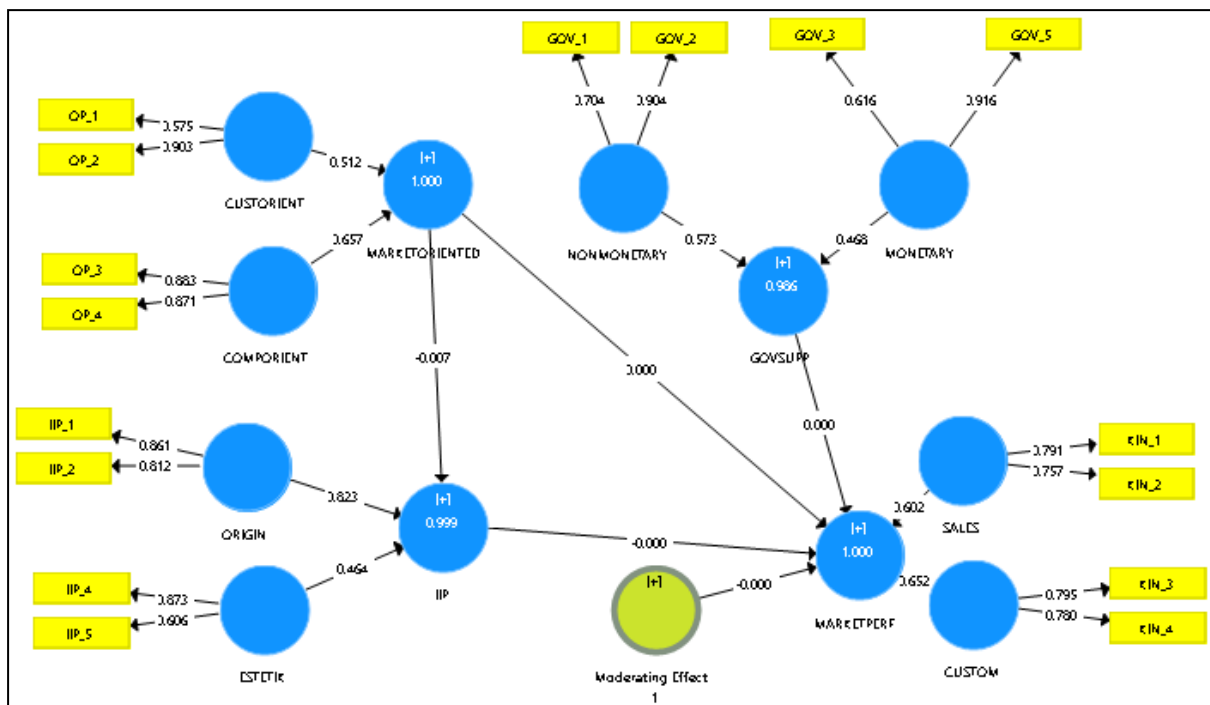


Figure 1. Outer Loading

Construct Validity and Reliability

The average AVE value, which measures the amount of variance captured by a construct about the amount of variance due to measurement error, can explain at least half of the variance in its indicators. The measure used is that AVE must be greater than 0.5. Table 2 provides the construct validity and reliability metrics. The Cronbach's Alpha, composite reliability, and AVE for each construct are listed below:

Table 3: Construct Validity and Reliability

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Comporients	0.701	0.870	0.770
Custom	0.687	0.765	0.620
Custorient	0.789	0.719	0.573
Aesthetic	0.748	0.717	0.566
Govsup	0.707	0.826	0.567
Iip	0.704	0.786	0.872
Marketorient d	0.633	0.785	0.592
Marketperf	0.772	0.716	0.587
Monetary	0.798	0.746	0.606
Nonmonetary	0.799	0.789	0.655
Origin	0.874	0.824	0.700
Sales	0.831	0.749	0.599

Composite or construct reliability is a measure of internal consistency used to prove the instrument's accuracy, consistency, and precision in explaining the construct. The composite reliability value was required to be greater than 0.70. Discriminant Validity ensures that a construct is genuinely different from other constructs. Thus, the measures of a different construct do not have a high correlation, implying that the construct is unique and captures phenomena that are not represented by other constructs in the model. The cross-loading value was required to be greater than 0.50.

The extent to which the level of variation in the independent variable influences the variation in the dependent variable. The measure used if the adjusted r-square value is more significant than 0.75 is a strong relationship, more than 0.5 is a moderate relationship, and less than 0.5 means a weak relationship. Based on the results of the data analysis, the model can explain exogenous constructs through exogenous constructs in a relative relationship with an r-square value greater than 0.75.

Hypothesis testing (t-test) measures the confidence level of a hypothesis or temporary assumption, which determines whether the hypothesis will be accepted. The measure used was that if the P Value was more significant than 0.05, then the research hypothesis was accepted.

Based on the results of data processing and analysis, this study found that Market Orientation has a positive and significant influence on the Marketing Performance of SMEs assisted by P3UD in Deli Serdang Regency, North Sumatra. Thus, so by accepting the research hypothesis states that market orientation has a positive and significant influence on marketing performance. Furthermore, the results of research data processing found that market orientation had a positive and significant influence on Innovative Indigenous Products from SMEs assisted by P3UD Deli Serdang Regency, North Sumatra, thus accepting the research hypothesis, which stated that market orientation had a positive and significant influence on Innovative Indigenous Products.

Likewise, the research results show that Innovative Indigenous Products positively affect the marketing performance of SMEs assisted by P3UD, the Deli Serdang Regency, and North Sumatra. This finding also supports the research hypothesis that indigenous products are aligned, especially those related to new and potential product innovations that can explain and influence marketing performance. Moreover, indigenous products based on cultural values also have implications for marketing performance because apart from being attractive, they are also seen as unique (Setyawati *et al.*, 2020).

Inner Model Hypothesis Test Results

The inner model hypothesis test results reveal significant relationships among the constructs examined in the study. The path coefficients, t-statistics, and p-values for the hypothesized relationships are provided in table 3.

Table 3: Inner Model Hypothesis Test

Hypothesis	Original (O)	Sample	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (O/STDEV)
Market Orientation → Marketing Performance	0.630		0.591	0.137	4.585
Market Orientation → Innovative Indigenous Products (IIP)	0.828		0.825	0.026	31.454
IIP → Marketing Performance	0.652		0.648	0.091	7.161
Moderating Effect (Government Support) → Marketing Performance	0.602		0.586	0.090	6.660
Government Support → Marketing Performance	0.473		0.507	0.101	4.673

The results indicate that Market Orientation has a significant positive influence on Marketing Performance ($p < 0.001$), supporting the hypothesis that market orientation is a critical factor in enhancing the marketing performance of MSMEs. Additionally, the strong positive relationship between Market Orientation and Innovative Indigenous Products (IIP) ($p < 0.001$) highlights the role of market orientation in fostering product innovations rooted in local culture.

Furthermore, IIP significantly contributes to the improvement of Marketing Performance ($p < 0.001$), demonstrating the importance of indigenous product innovation in enhancing the competitive positioning of MSMEs. The moderating effect of Government Support was also found to be significant, reinforcing the idea that both financial and non-financial government interventions can substantially enhance the marketing outcomes of MSMEs. Research findings showed that the government's role in monetary and non-monetary support encouraged MSE performance and the survival of SMEs (Najib *et al.*, 2021). Good governance influences the performance of MSEs through multifaceted support, including marketing (Ismanu and Kusmintarti, 2020).

Full And Partial Mediation

Little et al. (2010) formulated the position of mediation as an important aspect in managing research models and seeking answers to several roles of certain strategic variables that can be elevated to the status of mediating variables. Little et al. (2010) divided the mediation model into four conditions, obtained from research activities. First, there was full mediation, partial mediation, inconsistent mediation, and nomediation.

The test to determine full mediation or partial mediation in this study uses Hair et al. 's (2017) rule by calculating the Variance Accounted For (VAF) value as follows:

- Full Mediation: If the VAF value is greater than 80%,
- Partial Mediation: if the VAF value ranges from 20% to-80%
- No Mediation: if the VAF value was below 20%.

The following formula was used to calculate the VAF value:

$$\text{VAF} = (\text{Direct Influence}) / (\text{Direct Influence} + \text{Indirect Influence}) = 0.630 / (0.630 + 0.434) = 59.21\%$$

Thus, the present study demonstrates that IIP partially mediates the link between Market Orientation and Marketing Performance. Indeed, the justification for examining contingent elements in the correlation between market orientation and marketing performance is driven by inconclusive empirical results. Consequently, the impact of market orientation on marketing performance remains uncertain and suggests that the function of market orientation as a concept capable of enhancing marketing performance is more intricate than mere causality. Hence, given the crucial role of market orientation in marketing performance, this study establishes contingency elements (mediation and moderation) in the link between market orientation and marketing performance. This paper posits that the development of a trivariate relationship model can effectively address the intricacy of problems and enhance the understanding of market-orientation mechanisms, thereby leading to improved marketing performance. This work addresses a research gap by using innovative indigenous products (IIP) as a mediator and government support as a moderator in the research relationship between market orientation and marketing performance. Estimation results indicate that the mediation of IIP and the moderation of government support are crucial factors in enhancing the marketing performance of MSMEs supported by P3UD in the Deli Serdang District, North Sumatra. The results of this study provide both theoretical and practical contributions to the field of marketing management. This study aims to address the uncertainty around the function of market orientation in explaining marketing success and to enhance the existing marketing management literature by examining Integrated Innovation Process (IIP) mechanisms to enhance marketing performance. These findings offer practical contributions to MSME actors in Deli Serdang District, North Sumatra, supported by P3UD. One contribution is the mediation of intellectual property rights (IIP) in the connection between market orientation and marketing performance. This indicates that MSME actors should prioritise the development of innovative products rooted in local culture as a crucial factor in enhancing their performance. Furthermore, the importance of validating Hypotheses 1 and 3 in marketing and developing sustainable competitiveness is crucial for P3UD-assisted MSMEs in Deli Serdang District, North Sumatra, to make a firm commitment to generating exceptional value in customer-related activities.

Conclusion

This study empirically investigates the correlation between market orientation and marketing performance, with a specific focus on the mediating mechanism of innovative indigenous products (IIP) and the moderating influence of government support. The results emphasise the intricate relationship between market orientation and performance, demonstrating that both Innovative Innovation Policy (IIP) and government support are essential factors in enhancing the marketing performance of Micro, Small, and

Medium Enterprises (MSMEs) backed by P3UD in Deli Serdang District, North Sumatra. The findings of this study offer significant contributions to both theoretical understanding and practical application. They highlight the need of local cultural innovation and external help in promoting marketing success and long-term competitiveness for MSMEs.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper.

Acknowledgment

The authors would like to express their sincere gratitude to all parties who have contributed to the successful completion of this research. Special thanks to the Regional Center for Superior Product Development (P3UD) in Deli Serdang Regency for their collaboration and assistance throughout the study.

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