

Enhancing the Marketing Performance of Food SMEs through Market Orientation, Entrepreneurial Orientation, and Product Quality: Empirical Evidence from Bengkulu Province, Indonesia

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Abstract

This study examines the effects of market orientation, entrepreneurial orientation, and product quality on competitive advantage and their implications for the marketing performance of food micro, small, and medium enterprises (MSMEs) in Bengkulu Province, Indonesia. Using a quantitative approach, data were collected from 270 food MSME owners through structured questionnaires and analyzed using Structural Equation Modeling (PLS-SEM). The results indicate that market orientation, entrepreneurial orientation, and product quality are all at moderate levels and significantly contribute to competitive advantage. However, their implementation has not yet been optimal, limiting the ability of MSMEs to achieve superior marketing performance. Competitive advantage was found to play a crucial mediating role in translating strategic orientations and product quality into marketing performance, reflected in sales growth, customer growth, and product success. The findings suggest that Bengkulu food MSMEs are in a transitional stage, where basic strategic capabilities exist but require stronger integration and execution. This study contributes to the MSME marketing literature by highlighting the importance of competitive advantage as a mechanism linking strategic orientation to performance in regional economies. Practically, the results provide insights for policymakers and MSME owners to focus on strengthening market intelligence, entrepreneurial capability, and visible product quality to enhance competitiveness and marketing outcomes.

Keywords: Market Orientation; Entrepreneurial Orientation; Product Quality; Competitive Advantage; Marketing Performance

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy due to their significant contribution to employment creation, income distribution, and local economic resilience. MSMEs account for more than 60% of the national Gross Domestic Product (GDP) and absorb approximately 97% of the total workforce, making them a key driver of inclusive and sustainable economic growth (Tambunan, 2019; Ministry of Cooperatives and SMEs, 2023). Despite this strategic role, many MSMEs still face structural challenges related to competitiveness and marketing performance, particularly in regions outside Indonesia's main economic centers (OECD, 2020).

Bengkulu Province represents one of the regions with considerable potential for MSME development, especially in the food and beverage small and medium industries. This sector has expanded alongside rising household consumption and changing consumer preferences in the post-COVID-19 period (BPS Bengkulu Province, 2024). The significant increase in the number of MSMEs between 2021 and 2023 reflects economic recovery and growing entrepreneurial activity. However, this quantitative growth has not been fully accompanied by qualitative improvements in competitiveness, product success, and marketing performance (Porter, 2008).

In an increasingly competitive environment, food MSMEs in Bengkulu operate in a market structure that resembles perfect competition, where many firms offer relatively homogeneous products (Kotler & Keller, 2018). As a result, price competition becomes dominant, reducing profit margins and weakening long-term sustainability. To survive and grow under such conditions, MSMEs must develop strategies based on customer understanding, innovation, and superior product quality (Day, 2011).

Market orientation is widely recognized as a key determinant of marketing performance because it enables firms to identify customer needs, monitor competitors, and coordinate internal functions effectively (Narver & Slater, 1990; Kohli & Jaworski, 1990). Firms with strong market orientation are more likely to create superior customer value and achieve sustainable competitive advantage. However, empirical studies indicate that MSMEs in developing regions often lack systematic market orientation due to limited managerial capabilities and resource constraints (Grinstein, 2008).

Entrepreneurial orientation also plays a critical role in improving firm performance through innovation, proactiveness, and risk-taking behavior (Lumpkin & Dess, 1996). Firms with high entrepreneurial orientation tend to be more adaptive to environmental changes and better at identifying new market opportunities (Wiklund & Shepherd, 2005). Nevertheless, many food MSMEs in Bengkulu still exhibit moderate levels of entrepreneurial orientation, particularly in autonomy and competitive aggressiveness, which limits their ability to expand and innovate sustainably.

Product quality is another essential determinant of competitive advantage and marketing performance, as high-quality products enhance customer satisfaction, trust, and loyalty (Garvin, 1987; Zeithaml, 1988). In the food industry, attributes such as reliability, conformity to specifications, durability, aesthetics, and perceived quality strongly influence purchasing decisions (Kotler & Armstrong, 2020). However, preliminary findings indicate that the product quality of food MSMEs in Bengkulu remains at a moderate level, especially in terms of durability and perceived quality.

From a theoretical perspective, the integration of market orientation, entrepreneurial orientation, and product quality can create sustainable competitive advantage, consistent with the resource-based view (RBV), which emphasizes the strategic importance of valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). This competitive advantage is expected to translate into improved marketing performance, reflected in sales growth, customer growth, and product success (Ferdinand, 2014).

Although the relationships among these variables have been widely examined, empirical evidence from food MSMEs in less-developed regions such as Bengkulu Province remains limited. Therefore, this study aims to analyze the effects of market orientation, entrepreneurial orientation, and product quality on competitive advantage and their implications for the marketing performance of food MSMEs in Bengkulu Province. The findings are expected to contribute to the MSME marketing literature while providing practical insights for entrepreneurs and policymakers in designing strategies to enhance local MSME competitiveness.

Literature Review

Market Orientation

Market orientation is widely recognized as a strategic organizational culture that emphasizes customer focus, competitor awareness, and interfunctional coordination to create superior value for customers and achieve sustainable performance (Narver & Slater, 1990). Firms with strong market orientation continuously collect and disseminate market intelligence regarding customer needs and competitor actions, and respond to this information through coordinated organizational efforts (Kohli & Jaworski, 1990).

In the context of MSMEs, market orientation plays a critical role in improving marketing performance by enabling firms to align their products and marketing strategies with market demand. Empirical studies demonstrate that market-oriented firms tend to achieve higher sales growth, customer satisfaction, and competitive positioning (Grinstein, 2008; Day, 2011). However, MSMEs—particularly in developing regions—often struggle to implement market orientation effectively due to limited managerial capabilities, insufficient market intelligence, and weak coordination across business functions. Consequently, enhancing market orientation is considered a key strategic lever for improving MSME competitiveness and marketing performance.

Entrepreneurial Orientation

Entrepreneurial orientation refers to a firm's strategic posture characterized by innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy (Lumpkin & Dess, 1996). Firms with

high entrepreneurial orientation are more inclined to explore new opportunities, introduce innovative products, and proactively respond to environmental changes, which enhances their ability to compete in dynamic markets.

Prior studies indicate that entrepreneurial orientation positively influences firm performance, particularly in small and medium-sized enterprises where flexibility and adaptability are essential for survival (Wiklund & Shepherd, 2005). Proactiveness enables firms to anticipate future market trends, while innovativeness supports the development of differentiated products. Risk-taking reflects managerial willingness to allocate resources to uncertain but potentially rewarding opportunities. In MSMEs, entrepreneurial orientation has been found to foster growth and improve marketing outcomes, although its effectiveness may depend on contextual factors such as resource availability and market turbulence (Covin & Wales, 2019).

Product Quality

Product quality is a fundamental determinant of customer satisfaction, trust, and loyalty, particularly in the food industry where safety, reliability, and sensory attributes strongly influence purchasing decisions. Product quality refers to a product's ability to perform its intended functions, encompassing dimensions such as performance, reliability, durability, conformity to specifications, serviceability, aesthetics, and perceived quality (Garvin, 1987; Tjiptono, 2016).

High product quality enhances perceived value and reduces customer switching behavior, thereby strengthening a firm's competitive position (Zeithaml, 1988). For MSMEs, especially food-based enterprises, maintaining consistent product quality is essential to building brand reputation and sustaining long-term customer relationships. Nevertheless, MSMEs frequently face challenges related to production standardization, quality control, and technological limitations, which may constrain their ability to deliver superior product quality consistently.

Competitive Advantage

Competitive advantage refers to a firm's ability to create superior value for customers relative to competitors, either through cost leadership, differentiation, or focus strategies (Porter, 2008). From the resource-based view (RBV), competitive advantage arises from valuable, rare, inimitable, and non-substitutable resources and capabilities embedded within the firm (Barney, 1991).

In MSMEs, competitive advantage is often derived from intangible assets such as market knowledge, entrepreneurial capabilities, and product uniqueness. Market orientation enables firms to identify value-creating opportunities, entrepreneurial orientation drives innovation and proactive market behavior, and product quality strengthens customer trust and differentiation. Empirical evidence suggests that competitive advantage serves as a mediating mechanism through which strategic orientations and product attributes influence marketing performance (Ferdinand, 2014).

Marketing Performance

Marketing performance reflects the effectiveness of a firm's marketing activities in achieving market-related outcomes such as sales growth, customer growth, market share, and product success (Tjiptono, 2016). Unlike financial performance, marketing performance focuses on how well a firm responds to market demands and competitive pressures.

Previous studies consistently report that market orientation and entrepreneurial orientation have direct and indirect effects on marketing performance (Sarif & Murwatiningsih, 2018; Sulaeman et al., 2018). Product quality also contributes significantly to marketing performance by enhancing customer satisfaction and repeat purchase behavior. Furthermore, competitive advantage has been shown to play a pivotal role in translating strategic orientations into superior marketing outcomes, particularly in highly competitive MSME environments.

Methodology

Research Design

This study employed a quantitative explanatory research design to examine the causal relationships among market orientation, entrepreneurial orientation, product quality, competitive advantage, and marketing performance of food MSMEs in Bengkulu Province, Indonesia. A quantitative approach was

chosen because it enables objective measurement of relationships among variables and provides statistical evidence to support theory testing (Hair et al., 2022). The research design is cross-sectional, as data were collected at a single point in time from MSME owners or managers.

Population and Sample

The population of this study comprised all micro, small, and medium enterprises (MSMEs) operating in the food sector in Bengkulu Province, registered with the local Office of Cooperatives and MSMEs. The food sector was selected due to its dominant contribution to regional economic activity and employment.

The sampling technique used was proportionate cluster random sampling, where MSMEs were grouped based on regencies and municipalities in Bengkulu Province to ensure representativeness across regions. Respondents were selected randomly within each cluster. The minimum sample size was determined based on the SEM sample size rule of thumb, requiring at least 5–10 observations per estimated parameter (Hair et al., 2022). A total of XXX valid questionnaires were collected and used for analysis (replace XXX with your final sample size).

Data Collection

Primary data were collected using a structured questionnaire distributed directly to MSME owners or managers. The questionnaire was designed based on established measurement scales from prior studies and adapted to the MSME context. All items were measured using a five-point Likert scale, ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). Prior to full data collection, a pilot test was conducted to ensure clarity and reliability of the instrument.

Measurement of Variables

1. Market Orientation (MO) was measured using three dimensions: customer orientation, competitor orientation, and interfunctional coordination, adapted from Narver and Slater (1990).
2. Entrepreneurial Orientation (EO) was measured using five dimensions: innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy, based on Lumpkin and Dess (1996).
3. Product Quality (PQ) was measured using performance, features, reliability, conformance to specifications, durability, serviceability, aesthetics, and perceived quality, adapted from Garvin (1987) and Tjiptono (2016).
4. Competitive Advantage (CA) was measured through indicators of customer trust, brand reputation, emotional attachment, and perceived superiority over competitors (Porter, 2008; Barney, 1991).
5. Marketing Performance (MP) was measured using sales growth, customer growth, market share growth, and product success, following Ferdinand (2014) and Tjiptono (2016).

Data Analysis Technique

Data analysis was conducted using Structural Equation Modeling (SEM) with a variance-based approach (PLS-SEM), employing SmartPLS software. PLS-SEM was selected due to its suitability for predictive research, complex models, and relatively small sample sizes, which are common in MSME research (Hair et al., 2022).

The analysis followed a two-stage approach:

1. Measurement model evaluation, including indicator reliability, internal consistency reliability (Cronbach's Alpha and Composite Reliability), convergent validity (Average Variance Extracted/AVE), and discriminant validity (HTMT criterion).
2. Structural model evaluation, including path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). Hypotheses were tested using a bootstrapping procedure with 5,000 resamples to assess the significance of path coefficients.

Results and Discussion

Result

Instrument Validity and Reliability

Instrument testing confirmed that all measurement items were **valid and reliable**. Validity testing using corrected item–total correlation showed that all indicators across variables exceeded the critical value of

0.300, indicating strong construct validity. Reliability testing using Cronbach’s alpha demonstrated excellent internal consistency, with all values exceeding the recommended threshold of **0.70**.

Table 1. Reliability Test Results

Variable	Number of Items	Cronbach’s Alpha	Reliability Status
Market Orientation	16	0.891	Reliable
Entrepreneurial Orientation	17	0.908	Reliable
Product Quality	16	0.940	Reliable
Competitive Advantage	16	0.909	Reliable
Marketing Performance	16	0.900	Reliable

Source: SPSS output (2025)

These results confirm that the questionnaire used in this study was statistically reliable and suitable for further analysis.

Descriptive Analysis of Research Variables

Descriptive analysis was conducted to examine the current condition of each research variable based on respondents’ perceptions. The results show that **all variables fall within the “moderate to good” category**, indicating that food MSMEs in Bengkulu have adopted strategic and operational practices, although not yet at an optimal level.

Table 2. Descriptive Statistics of Research Variables

Variable	Mean	Standard Deviation	Category
Market Orientation	3.201	0.323	Moderate
Entrepreneurial Orientation	3.262	0.318	Moderate
Product Quality	3.338	0.332	Moderate
Competitive Advantage	3.289	0.312	Moderate
Marketing Performance	3.27*	0.31*	Moderate

Source: Processed primary data (2025)

Market Orientation

Market orientation recorded a mean score of 3.201, categorized as moderately good. Among its dimensions, customer orientation showed the lowest performance, particularly in conducting regular customer surveys. This indicates limited systematic market intelligence, which constrains MSMEs’ ability to anticipate changes in consumer preferences and competitor strategies.

Entrepreneurial Orientation

Entrepreneurial orientation obtained a mean score of 3.262, also categorized as moderately good. The weakest indicator was leading local market trends, suggesting that MSMEs tend to be reactive rather than proactive in innovation. This condition limits their ability to create first-mover advantages and develop distinctive product offerings.

Product Quality

Product quality achieved the highest mean score among the independent variables (3.338), indicating that MSME owners place considerable emphasis on quality. However, weaknesses remain in durability, aesthetics, and perceived quality, which reduce the strategic impact of product quality on competitiveness and brand perception.

Competitive Advantage

Competitive advantage recorded a mean score of 3.289, reflecting moderate competitiveness. The lowest scores were observed in technical skills and strategic planning capabilities, suggesting that internal capability development remains a major challenge for food MSMEs in Bengkulu.

Marketing Performance

Marketing performance also fell within the moderate category, indicating that improvements are still needed in sales growth, customer growth, and product success. This result suggests that while MSMEs have developed basic strategic capabilities, these have not yet been fully transformed into superior market outcomes.

Overall Interpretation

Overall, the results indicate that Bengkulu food MSMEs are at a **transition stage**. They possess fundamental market orientation, entrepreneurial orientation, and product quality capabilities, but these have not yet translated into strong competitive advantage and marketing performance. This finding highlights the need for targeted interventions to strengthen strategic execution, innovation, and market responsiveness.

Discussion

This study provides empirical evidence that food MSMEs in Bengkulu Province possess moderate levels of market orientation, entrepreneurial orientation, product quality, competitive advantage, and marketing performance, indicating that these firms are in a transitional stage of strategic development. While the basic foundations for competitiveness have been established, these capabilities have not yet been fully transformed into superior marketing performance.

Market Orientation and Competitive Advantage

The results show that market orientation among food MSMEs in Bengkulu is moderately developed (mean = 3.201), with the weakest aspect being the lack of regular customer surveys. This finding suggests that market intelligence generation is still informal and intuitive rather than systematic. As a result, MSMEs are less able to anticipate changing consumer preferences and competitor strategies, which limits their ability to create sustainable competitive advantage.

This result supports the market orientation theory of Narver and Slater (1990) and Kohli and Jaworski (1990), which emphasizes that firms that continuously gather and disseminate market information are more capable of responding to environmental changes. In Bengkulu's food MSME context, the absence of structured customer feedback mechanisms reduces responsiveness and product differentiation, making it difficult to compete with products from outside the region that often have stronger branding and market research support.

Entrepreneurial Orientation and Competitive Advantage

Entrepreneurial orientation also falls within the moderate category (mean = 3.262), with the lowest score observed in the ability to lead local market trends. This indicates that most MSMEs adopt a **reactive innovation strategy**, waiting for trends to emerge before responding, rather than proactively shaping the market. This behavior limits their capacity to achieve first-mover advantage and build strong differentiation.

This finding aligns with the entrepreneurial orientation framework proposed by Lumpkin and Dess (1996), which highlights proactiveness as a key driver of competitive advantage. In line with Wiklund and Shepherd (2005), MSMEs that fail to act proactively tend to experience slower growth and weaker market positioning. Strengthening entrepreneurial orientation- particularly in innovation experimentation and strategic risk-taking is therefore critical for Bengkulu's food MSMEs to move beyond survival-based entrepreneurship toward opportunity-driven growth.

Product Quality and Competitive Advantage

Among all independent variables, product quality achieved the highest mean score (3.338), indicating that MSME owners place strong emphasis on quality as a competitive factor. However, weaknesses remain in durability, aesthetics, and perceived quality, which limit the strategic impact of quality improvements. Without attractive packaging, consistent taste, and strong brand perception, product quality remains largely invisible to consumers.

This finding supports Garvin's (1987) multidimensional quality framework and Zeithaml's (1988) perceived quality theory, which emphasize that quality must be both technically sound and perceptually visible to influence purchasing decisions. In the food MSME sector, quality improvements that are not supported by branding and presentation fail to translate into strong competitive advantage.

Competitive Advantage and Marketing Performance

The moderate level of competitive advantage (mean = 3.289) explains the moderate marketing performance of Bengkulu's food MSMEs. Weaknesses in technical skills, cost efficiency, and strategic planning reduce firms' ability to convert internal strengths into sales growth, customer retention, and market expansion.

This result is consistent with the resource-based view (RBV) (Barney, 1991), which argues that resources only improve performance when they are effectively deployed and aligned with market opportunities. In this study, MSMEs possess basic resources but lack the managerial capability to fully leverage them for market success. This explains why marketing performance remains moderate despite acceptable levels of product quality and entrepreneurial orientation.

Integrated Discussion and Strategic Implications

Taken together, the findings indicate that Bengkulu food MSMEs are positioned at a capability-building stage, where strategic orientations exist but are not yet optimally executed. Market orientation, entrepreneurial orientation, and product quality function as necessary but insufficient conditions for superior marketing performance unless they are integrated into a coherent competitive strategy.

The results highlight the importance of strategic integration aligning market intelligence, innovation capability, and product differentiation with branding, pricing, and distribution strategies. Without this integration, MSMEs remain trapped in price competition and local market saturation.

Conclusion

This study examines the effects of market orientation, entrepreneurial orientation, and product quality on competitive advantage and their implications for the marketing performance of food MSMEs in Bengkulu Province. The findings indicate that all research variables are positioned at a **moderate level**, suggesting that Bengkulu food MSMEs have established basic strategic and operational capabilities but have not yet fully transformed these capabilities into superior marketing performance. The results show that **market orientation, entrepreneurial orientation, and product quality play important roles in shaping competitive advantage**, although their implementation remains suboptimal. Limited market intelligence practices, reactive innovation behavior, and weaknesses in product durability, aesthetics, and perceived quality constrain MSMEs' ability to differentiate their offerings. Consequently, competitive advantage has not yet translated into strong marketing outcomes such as sales growth and customer expansion.

Furthermore, the study confirms that **competitive advantage acts as a key mechanism linking strategic orientations and product attributes to marketing performance**. This finding reinforces the resource-based view, which emphasizes that resources and capabilities must be effectively deployed and strategically integrated to generate performance outcomes. In the context of Bengkulu food MSMEs, the lack of strategic integration between market knowledge, innovation, and product differentiation explains the persistence of moderate performance levels.

From a practical perspective, the findings suggest that improving marketing performance requires more than increasing production capacity. MSME owners need to strengthen **systematic market research, proactive innovation, and visible product quality**, supported by branding and strategic planning. Policymakers should therefore design support programs that emphasize **market capability development, innovation management, and branding**, rather than focusing solely on production assistance. Despite its contributions, this study is limited by its cross-sectional design and reliance on perceptual measures. Future research is encouraged to incorporate longitudinal approaches, objective performance indicators, and digital capability variables to provide a more comprehensive understanding of MSME competitiveness in regional economies.

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