
The Influence of Market Orientation and Product Innovation on the Competitiveness of "Mie Jebew" MSMEs at the Situbondo Car-Free Day

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) are one of the key pillars of regional economies, as they play a significant role in creating employment opportunities, increasing community income, and promoting local economic growth. Competitiveness is a crucial factor in ensuring the sustainability of MSMEs amid increasingly intense market competition. This study aims to examine the influence of market orientation and product innovation on the competitiveness of Mie Jebew MSMEs at the Car Free Day (CFD) market in Situbondo. This research employed a quantitative approach using a survey method. The population consisted of 117 consumers, and the sample size was determined using the Slovin formula, resulting in 53 respondents selected from the population. The results of the *t*-test indicate that the calculated *t*-value for the market orientation variable was 3.907, which is greater than the *t*-table value of 2.000, while the product innovation variable obtained a calculated *t*-value of 2.189, also exceeding the *t*-table value of 2.000, with significance values ($p < 0.05$), indicating that both variables significantly affect competitiveness. The *F*-test results also demonstrate that market orientation (Sig. = 0.000 < 0.05) and product innovation (Sig. = 0.033 < 0.05) simultaneously have a positive and significant effect on competitiveness. Furthermore, the adjusted coefficient of determination (Adjusted R Square) was 0.467, indicating that 46.7% of the variance in competitiveness can be explained by market orientation and product innovation, while the remaining 53.3% is influenced by other factors not examined in this study.

Keywords: Market Orientation, Product Innovation, Competitiveness, MSMEs

INTRODUCTION

The Micro, Small, and Medium Enterprises (MSMEs) constitute one of the most important sectors of the Indonesian economy. MSMEs are productive economic activities owned by individuals or business entities that meet the criteria for micro, small, and medium-sized enterprises based on net asset ownership. MSMEs serve as a vital pillar of the national economy due to their significant role in driving economic development and improving public welfare (Salman et al., 2022). Across various regions, MSMEs have demonstrated resilience during periods of economic instability, making them widely recognized as the backbone of Indonesia's economy. The development of MSMEs in Indonesia has shown substantial growth over the years, with an increasing number of people establishing small businesses as an alternative means of generating income and improving their standard of living. MSMEs operate in diverse sectors, including culinary businesses, handicrafts, trade, and services. This diversity reflects the considerable potential of MSMEs to expand and make meaningful contributions to both regional and national economic growth. Despite their enormous potential, MSMEs continue to face several challenges, including limited access to capital, inadequate product innovation, and increasingly intense market competition. Therefore, effective business management is essential to enhance their competitiveness and strengthen their position within the economy.

Competitiveness is a crucial factor in ensuring the sustainability of MSMEs amid increasingly intense market competition. According to the Indonesian Minister of National Education, competitiveness refers to the ability to achieve better, faster, or more meaningful outcomes. MSMEs with strong competitiveness are better able to retain customers, increase sales, and adapt to changes in the business environment, particularly in the highly competitive culinary sector. According to Porter's Competitive Strategy Theory (1998), as cited in Abdussamad et al. (2024), industry competitiveness is determined by five competitive forces: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and rivalry among existing competitors. The competitiveness of MSMEs is also greatly influenced by their ability to understand market dynamics, differentiate their products, and continuously improve product quality (Antoni et al., 2025). In this regard, two strategies commonly employed to strengthen competitiveness are market orientation and product innovation.

Market orientation is a customer-centered product development approach that incorporates market research to identify consumer needs. Information regarding customers' current conditions and future preferences should be disseminated across different organizational units to ensure that all stakeholders collaborate effectively in satisfying customer needs (Rahayu et al., 2025). MSME owners with strong market orientation tend to be more responsive to changes in consumer preferences and are better able to adjust their products accordingly. Furthermore, market orientation also involves monitoring competitors' activities. As market competition intensifies, MSME owners are required to continuously improve and innovate to ensure that their products remain attractive to consumers. By understanding competitors' strategies, business owners can identify opportunities to develop superior products or provide more satisfying services. Therefore,

market orientation extends beyond merely selling products; it emphasizes a comprehensive understanding of market conditions and customer expectations.

On the other hand, product innovation is another critical element in enhancing competitiveness. Product innovation refers to a company's efforts to improve existing products or develop new ones to create added value for both customers and the company (Azhari & Ali, 2024). The primary objective of product innovation is to meet market demand while creating a competitive advantage. According to Komang et al. (2022), product innovation has a significant impact on competitiveness, enabling MSMEs to generate greater profits while improving employee welfare. Through product innovation, business owners can increase the value of their offerings by improving product quality, creating more attractive designs, developing more practical packaging, or adjusting product taste and functionality to meet consumer preferences. By introducing distinctive products with unique advantages, businesses can attract greater consumer interest. Moreover, product innovation helps maintain customer loyalty while simultaneously attracting new customers.

Based on observations conducted during the weekly Car Free Day (CFD) public event, the researcher found that competition among MSMEs is extremely intense. Various challenges were identified, including limited access to technology, insufficient capital, and inadequate knowledge of market orientation, all of which contribute to declining sales. These problems are further exacerbated by fluctuations in the prices of key raw materials, such as wheat flour used in producing Mie Jebew. Additionally, the continued reliance on traditional production methods makes Mie Jebew MSMEs less responsive to emerging market trends. The lack of product innovation has also reduced their competitiveness compared to instant noodle products that offer greater innovation and affordability. These challenges motivated the researcher to further investigate how improvements in market orientation and product innovation can strengthen the competitiveness of Mie Jebew MSMEs.

Although numerous studies have examined the relationship between market orientation, product innovation, and competitiveness, the findings remain inconsistent. Several studies have reported that market orientation has a positive influence on competitiveness, such as the findings of Juminawati and Harsono (2024). Similarly, Karaev (2023) concluded that market orientation positively influences a firm's innovativeness. However, these findings contradict the study conducted by Tannyago (2025), which reported that market orientation does not have a significant effect on competitiveness. Given these inconsistent findings, this study seeks to further examine the influence of market orientation and product innovation on competitiveness by focusing on Mie Jebew MSMEs as the research object.

REVIEW OF LITERATURE

Market Orientation

Market orientation is a business management process as well as a business philosophy. It represents the values and beliefs that guide individuals in interpreting

organizational performance according to established standards. A company's philosophy, reflected in its values, beliefs, behaviors, and organizational practices, shapes market orientation as a set of activities and behaviors aimed at achieving superior business performance.

Market orientation is a strategic mindset that prioritizes understanding and satisfying market and customer needs. It is regarded as an organizational culture that emphasizes customer focus, competitor awareness, and interfunctional coordination. For example, in the creative industry, market orientation is essential for enabling MSMEs to adapt to changes in consumer behavior and identify emerging market trends, thereby attracting a larger customer base (Juminawati & Harsono, 2024).

According to Anggraini (2025), market orientation is a measure of organizational behavior and activities that reflect the implementation of the marketing concept. It is considered essential for business sustainability, particularly in response to increasing global competition and changing customer needs. Companies must continuously analyze market conditions by understanding customers' preferences and expectations. In addition, they should monitor competitors by identifying their strengths and weaknesses to enhance customer commitment, create customer value, understand customer needs, achieve customer satisfaction, measure customer satisfaction, and improve after-sales services.

Product Innovation

According to Anderson et al. (2023), innovation is the ability to perceive and approach things differently from conventional ways of thinking, often referred to as *thinking outside the box*. Innovation is the process of implementing new ideas and developing new products (Lorensa & Hidayah, 2022). Ederson et al. (2023) concluded that innovation represents a company's ability to apply creativity in solving problems and identifying opportunities to improve business performance.

The introduction of various new products enables companies to attract greater consumer interest and encourages customers to choose their products, ultimately leading to improved business performance (Muhammad, Rida, & Etty, 2020). Based on these perspectives, product innovation can be defined as the application of new ideas to goods or services that are introduced to the market in order to satisfy consumer needs and preferences while contributing to economic growth.

The indicators of product innovation adopted in this study include product development activities, the number of new products created, and the company's leadership in introducing new products (Muhammad, Rida, & Etty, 2020).

Competitiveness

Competitiveness refers to the ability of a company, industry, or country to achieve superior performance in producing, marketing, and offering various goods and services compared to its competitors. According to Masman (2023), competitiveness is an important indicator of business development and represents one of the key strengths or competitive advantages generated from the effective utilization of available resources. Strong competitiveness enables businesses to sustain their market position, respond effectively to competitive pressures, and achieve long-term growth.

RESEARCH METHOD

This study employed a quantitative research approach. Quantitative research is a type of research characterized by a systematic, well-planned, and clearly structured process, beginning with problem formulation and extending to the development of the research design. The study used a purposive sampling technique, which is a non-probability sampling method. In this technique, the researcher deliberately selected respondents based on specific criteria that were relevant to the objectives of the study. The research instrument was evaluated through several testing procedures, including validity testing, reliability testing, hypothesis testing, and correlation and coefficient of determination analyses.

RESULTS AND DISCUSSION

To examine the influence of market orientation and product innovation on competitiveness, several statistical analyses were conducted, including validity testing, reliability testing, and multiple linear regression analysis.

Validity Test

The validity test was conducted to evaluate the accuracy and consistency of the research instrument (questionnaire). An item was considered valid if the calculated correlation coefficient (r-count) was greater than the critical value (r-table). The study involved 53 respondents, resulting in a degree of freedom (df) of 51 (53 – 2). At a significance level of 0.05, the r-table value was 0.276.

Table 1.

Validity Test Results for the Market Orientation Variable (X₁)

Item	Item Correlation (r-count)	r-table	Remark
1	0.624	0.276	Valid
2	0.791	0.276	Valid
3	0.914	0.276	Valid
4	0.826	0.276	Valid
5	0.843	0.276	Valid
6	0.868	0.276	Valid

Source: Processed SPSS Output.

The results indicate that all questionnaire items measuring market orientation have r-count values greater than the r-table value (0.276). Therefore, all items are considered valid.

Table 2.

Validity Test Results for the Product Innovation Variable (X₂)

Item	Item Correlation (r-count)	r-table	Remark
1	0.708	0.276	Valid
2	0.862	0.276	Valid
3	0.747	0.276	Valid

4	0.749	0.276	Valid
5	0.374	0.276	Valid
6	0.387	0.276	Valid

The findings show that all items measuring product innovation have r-count values exceeding the r-table value, indicating that every questionnaire item is valid.

Table 3.

Validity Test Results for the Competitiveness Variable (Y)

Item	Item Correlation (r-count)	r-table	Remark
1	0.868	0.276	Valid
2	0.792	0.276	Valid
3	0.863	0.276	Valid
4	0.814	0.276	Valid
5	0.858	0.276	Valid
6	0.807	0.276	Valid

Similarly, all questionnaire items measuring competitiveness have r-count values greater than the r-table value, confirming that all items are valid.

Reliability Test

The reliability test was conducted to determine the internal consistency of the questionnaire used to measure each research variable. A variable is considered reliable if its Cronbach's Alpha value exceeds 0.60.

Table 4.

Reliability Test Results

No.	Variable	Cronbach's Alpha	Threshold	Remark
1	Market Orientation	0.897	0.60	Reliable
2	Product Innovation	0.643	0.60	Reliable
3	Competitiveness	0.910	0.60	Reliable

Source: Processed SPSS Output.

As shown in Table 4, the Cronbach's Alpha values for market orientation (0.897), product innovation (0.643), and competitiveness (0.910) are all above the minimum threshold of 0.60. Therefore, the questionnaire used in this study is considered reliable.

Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the influence of the independent variables, namely market orientation (X_1) and product innovation (X_2), on the dependent variable, competitiveness (Y). The results of the multiple linear regression analysis are presented in Table 5.

Table 5.
Results of Multiple Linear Regression Analysis

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	7,412	3,009		2,463	,017
	X1	,533	,137	,495	3,907	,000
	X2	,228	,104	,227	2,189	<,033

a. Dependent Variable: Y

Source: SPSS Output

The multiple linear regression equation obtained in this study is as follows:

$$Y = 7,412 + 0,533X_1 + 0,228X_2 + e$$

Based on the regression equation above, the following conclusions can be drawn:

1. The constant value is 7.412, indicating that when all independent variables remain constant, the predicted value of the competitiveness variable is 7.412.
2. The market orientation (X_1) variable has a regression coefficient of 0.533, indicating that for every one-unit increase in market orientation, competitiveness is predicted to increase by 0.533 units, assuming that the other independent variable (X_2) remains constant.
3. The product innovation (X_2) variable has a regression coefficient of 0.228, indicating that every one-unit increase in product innovation is predicted to increase competitiveness by 0.228 units, assuming the other independent variable remains constant.

Correlation Coefficient Analysis (r)

The correlation coefficient analysis (r) was conducted to determine the strength of the relationship between the independent variables and the dependent variable. The SPSS output for the correlation coefficient is presented in the Model Summary table below.

Table 6.
Correlation Coefficient Analysis Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,698 ^a	,487	,467	2,059

a. Predictors: (Constant), X2, X1

Source: SPSS Output

Based on the SPSS calculation results above, it can be concluded that the correlation coefficient (R) is 0.698, indicating a strong positive relationship between market orientation and product innovation and competitiveness. The study involved 53 respondents. The critical value of r-table was calculated using a degree of freedom (df) of $53 - 2 = 51$ with a

significance level of $\alpha = 0.05$, resulting in an r-table value of 0.276. Since the calculated correlation coefficient (r-count = 0.698) is greater than the r-table value (0.276), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This indicates that market orientation and product innovation have a significant relationship with competitiveness, and the correlation can be classified as strong.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) was used to measure the proportion of variance in the dependent variable that can be explained by the independent variables. The SPSS output for the coefficient of determination is presented in Table 6.

Based on the SPSS results shown in Table 6, the coefficient of determination (R^2) is 0.487, indicating that 48.7% of the variation in competitiveness can be explained by market orientation and product innovation. The remaining 51.3% is explained by other factors that were not included in this study.

Simultaneous Significance Test (F-test)

The F-test was conducted to determine whether the independent variables included in the regression model simultaneously have a significant effect on the dependent variable.

The hypotheses for the F-test are as follows:

H_0 : Market orientation and product innovation do not simultaneously affect competitiveness.

H_a : Market orientation and product innovation simultaneously affect competitiveness.

The decision criterion for the test is as follows: if the significance value (Sig.) is less than $\alpha = 0.05$, then the null hypothesis (H_0) is rejected. The results of the simultaneous F-test conducted in this study are presented below.

Table 7.
Results of the Simultaneous F-test
ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	135,497	2	67,748	18,427	<,000 ^b
	Residual	183,824	50	3,676		
	Total	319,321	52			

a. Dependent Variable: Y

a. Predictors: (Constant), X2, X1

Source: SPSS Output

Based on the SPSS output presented above, it can be concluded that the calculated F-value (F-count) is 18.427 with a significance value (Sig.) of 0.000. Since the significance value (0.000) is less than 0.05, the null hypothesis (H_0) is rejected. Therefore, the alternative hypothesis (H_a) is accepted, indicating that market orientation and product innovation simultaneously have a positive and significant effect on competitiveness.

Partial Significance Test (t-test)

The t-test was conducted to examine the partial effect of each independent variable on the dependent variable. The decision criterion for the t-test is as follows: if the significance value (Sig.) is less than $\alpha = 0.05$, then the null hypothesis (H_0) is rejected.

The results of the partial t-test conducted in this study are presented below.

Table 8.
Results of the Partial t-test

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	7,412	3,009		2,463	,017
	X1	,533	,137	,495	3,907	,000
	X2	,228	,104	,227	2,189	<,033

Hypothesis 1 Conclusion

Based on the SPSS output, the calculated t-value for the market orientation variable was 3.907, while the t-table value was 2.000. Since the calculated t-value (3.907) is greater than the t-table value (2.000), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. Therefore, it can be concluded that market orientation has a positive and significant partial effect on competitiveness.

Hypothesis 2 Conclusion

The calculated t-value for the product innovation variable was 2.189, while the t-table value was 2.000. Since the calculated t-value (2.189) is greater than the t-table value (2.000), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. Therefore, it can be concluded that product innovation has a positive and significant partial effect on competitiveness.

The Effect of Market Orientation and Product Innovation on Competitiveness

Based on the SPSS results, the correlation coefficient (R) is 0.698, indicating a strong positive relationship between market orientation and product innovation and competitiveness. The study involved 53 respondents. The critical value of r-table was calculated using a degree of freedom (df) of 51 ($53 - 2$) at a significance level of $\alpha = 0.05$, resulting in an r-table value of 0.276. Since the calculated correlation coefficient (0.698) is greater than the r-table value (0.276), the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This finding indicates that market orientation and product innovation are significantly associated with competitiveness, and the strength of the relationship is classified as high.

Furthermore, based on the results presented in Table 7, the calculated F-value is 18.427 with a significance value of 0.000. Since the significance value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. Therefore,

it can be concluded that market orientation and product innovation simultaneously have a positive and significant effect on competitiveness.

The findings of this study demonstrate that market orientation and product innovation jointly have a positive relationship with competitiveness. Based on the t-test results, market orientation exerts a stronger influence on competitiveness than product innovation. These findings are consistent with the study conducted by Anjani Ningrum (2018), which found that market orientation and product innovation have a positive and significant effect on marketing performance. Similar findings were reported by Sari (2013), who concluded that market orientation and product creativity contribute significantly to improving marketing performance. Likewise, Satjta (2017) and Astiti and Novarini (2019) emphasized that the combination of creativity and product innovation directly enhances a company's marketing effectiveness.

The Effect of Market Orientation on Competitiveness

The market orientation (X_1) variable has a regression coefficient of 0.533, indicating that a one-unit increase in market orientation is predicted to increase competitiveness by 0.533 units, assuming that the other independent variable (product innovation) remains constant.

The SPSS output shows that the calculated t-value for market orientation is 3.907, which is greater than the t-table value of 2.000. Therefore, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This result indicates that market orientation has a positive and significant partial effect on competitiveness.

These findings are supported by previous studies conducted by Zuliasanti et al. (2020), Winarso et al. (2020), and Riswanto et al. (2020), all of which concluded that market orientation directly improves the effectiveness of MSMEs' marketing strategies.

The Effect of Product Innovation on Competitiveness

The product innovation (X_2) variable has a regression coefficient of 0.228, indicating that a one-unit increase in product innovation is predicted to increase competitiveness by 0.228 units, assuming that the other independent variable remains constant.

The calculated t-value for product innovation is 2.189, which exceeds the t-table value of 2.000. Therefore, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted. This result indicates that product innovation has a positive and significant partial effect on competitiveness.

The findings of this study are consistent with those reported by Mandasari (2020), Puspitasari (2015), and Sulaeman (2018), who found that product innovation has a positive and significant influence on marketing performance.

CONCLUSION

Based on the findings of this study, it can be concluded that market orientation and product innovation simultaneously and partially have a positive and significant effect on the competitiveness of MSMEs. Furthermore, the responses of Micro, Small, and Medium

Enterprise (MSME) owners regarding the variables of market orientation, product innovation, and competitiveness indicate positive perceptions. The responses toward the market orientation variable fall within the high category. This is reflected in the highest score obtained for the interfunctional coordination indicator, suggesting that MSME owners have been able to effectively establish collaboration and synergy among different functions or business units in managing their operations. However, the competitor orientation indicator received the lowest score, indicating that greater attention should be given to monitoring competitors' activities and strategies. Meanwhile, the responses to the product innovation variable are classified as very high. The highest score was recorded for the product quality indicator, demonstrating that MSME owners place strong emphasis on maintaining the quality of their products. In contrast, the product features indicator received the lowest score, suggesting that the development of distinctive product features or unique product characteristics has not yet become a primary focus of their innovation efforts.

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