

The Role of Market Orientation in Linking Customer Knowledge, Networking, and Culture to Product Innovation and Success in Batam's F&B Industry

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Original Article

ABSTRACT

Article History

Received : January 27, 2025

Accepted : June 28, 2025

Published : 01 July, 2025

Keyword:

Customer Knowledge,
Networking, Cultural Knowledge,
Market Orientation, Product
Innovation, New Product
Success

Introduction; MSMEs face serious challenges in facing the industrial revolution 4.0 and the era of society 5.0, where there are changes in tastes, trends and increasingly competitive business competition. This condition requires MSMEs to continue to innovate even though data shows that not all MSMEs have transformed and innovated. This study aims to analyze the influence of customer knowledge, networking and cultural knowledge on product innovation and new product success with market orientation as an intervening. **Methods;** The research methodology uses a survey technique on 281 respondents of food & beverage MSME actors in Batam City, and the collected data is processed using SmartPLS software version 3.0. **Result;** The results of the study indicate that there is a significant positive influence of customer knowledge, networking and cultural knowledge variables on product innovation and new product success, and market orientation can mediate the relationship. **Conclusion;** The results of this study can be a reference for MSME actors in running their businesses to remain competitive in the era of globalization.

Cite This Article: Yuwono, W., Fortuna, E., & Suprpto, Y. (2025). The role of market orientation in linking customer knowledge, networking, and culture to product innovation and success in Batam's F&B industry. *Sketsa Bisnis*, 12(1), 46–63. <https://doi.org/10.35891/jsb.v12i01.6143>

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1. Introduction

The era of globalization, marked by the onset of the Industrial Revolution 4.0 and Society 5.0, compels MSMEs to adapt and transform. This shift influences changes in consumer preferences, emerging trends, and intensifies business competition (Nendi, 2025). To remain competitive, products must continuously undergo innovation in response to market trends (Ghelber, 2019; Yuwono et al., 2024). However, MSMEs face significant challenges in innovation, particularly in integrating digital technologies into their operations—only 12% have been successful in doing so (Istamarina et al., 2025). In the process of product innovation, market orientation is essential as it places consumer needs and desires at the center of business activities (Saleh et al., 2021). Based on these conditions and the observed low levels of innovation among MSMEs, it is necessary to analyze the variables that influence product innovation and new product success within this sector.

Innovation consists of product, process, marketing, and organizational innovation (Cassol et al., 2016; Yuwono, 2021). In the current context, sales systems that were initially conducted offline have shifted to online platforms (Arischa & Pudjihastuti, 2023), requiring both product and service innovations for companies to remain competitive and adaptable to changing environments (Sentoso et al., 2024). In launching new products, businesses rely on customer knowledge and market orientation aligned with their target market. Furthermore, business actors must innovate by expanding their networks to collaborate with partners in related sectors, such as logistics service providers and e-commerce platforms, to ensure operational continuity and competitiveness. However, many MSMEs face challenges or failures in building such networks (Ghazzani, 2015), even though, according to Kurniawan et al. (2020), networking is a strategic approach for meeting market orientation and business targets.

Innovation encompasses product, process, marketing, and organizational innovations. In the current context, sales systems that were previously conducted offline have shifted to online platforms, thereby requiring innovation in both products and services to enable companies to remain competitive and adapt to environmental changes. In the development of new products, companies often launch products based on customer knowledge and market orientation that aligns with their target markets. Moreover, business actors must also innovate by expanding their networks and collaborating with partners in other business sectors—such as partnering with logistics providers and utilizing e-commerce platforms—to ensure business continuity and competitiveness. However, many micro, small, and medium enterprises (MSMEs) still face obstacles or failures in establishing such networks (Ghazzani, 2015), despite the fact that, as emphasized by Kurniawan et al. (2020), networking is a strategic approach for companies to meet the market orientation of their target business segments.

Effective innovation involves transforming business operations through market orientation strategies, starting from customer knowledge to identify market opportunities that align with current trends and customer expectations. A clear target market and the formulation of appropriate strategies are essential; however, many companies tend to overlook this aspect (Barus et al., 2023). On the other hand, cultural knowledge also influences market orientation, highlighting the importance for companies to pay attention to cultural differences in various business contexts (Billore & Billore, 2020).

Previous studies have investigated market orientation from various perspectives. For instance, (Wahyuni et al., 2023) identified a significant influence of customer relationship management on market orientation. Other studies have focused on internal organizational

factors such as top management pressure, risk-taking attitudes, interdepartmental alignment and relationships, formalization, decentralization, and reward systems (Nurcholis, 2018). Additionally, Billore & Billore (2020) examined the role of customer knowledge, networking, and cultural knowledge in shaping market orientation, while other researchers explored the effect of market orientation on innovation (Saputra & Zhangrinto, 2024) and new product success (Herman & Suyono, 2023). However, these studies tend to be partial in nature. Therefore, this study aims to develop a new model that examines the influence of customer knowledge, networking, and cultural knowledge on innovation and new product success, with market orientation serving as a mediating variable.

This study adopts the open innovation theoretical approach. Unlike the closed innovation theory, which focuses on developing innovations solely through internal company resources, open innovation involves managing knowledge across organizational boundaries (Orlova, 2020). Under the open innovation framework, firms leverage external ideas from customers, partners, and even competitors. To achieve innovation performance and new product success, this study incorporates variables such as customer knowledge, networking, cultural knowledge, and market orientation. This approach has not been widely explored in depth, particularly within the SME sector in developing countries such as Indonesia, which is characterized by unique market conditions, limited resources, and varying levels of technological adoption. The relevance of this research lies in its emphasis on external collaboration and local cultural understanding as innovative strategies that are both practical and applicable for SMEs.

2. Theoretical Framework

Product innovation is one of the key solutions for companies to meet evolving consumer demands, helping them address challenges that arise from changing customer expectations (Ghelber 2019). The process of managing product innovation issues can be divided into two types: first, the development or improvement of existing products within the company; and second, the creation of entirely new products that were previously unavailable, designed to meet consumer demands. In fulfilling customer needs through product innovation, several supporting factors can play a role, with market orientation identified as a critical factor (Aydin, 2020). According to Billore & Billore (2020), strengthening a market orientation approach requires attention to three key elements: customer knowledge, networking, and cultural knowledge.

Billore & Billore (2020) state that market orientation is one of the approaches that can help companies find solutions to problems arising from specific changes in customer demand. Customer knowledge has a significant positive influence on market orientation, as it supports decision-making and the selection of appropriate target markets for the products to be offered. Customer orientation is a core component within a company, aimed at meeting customer needs in line with their demands. However, to establish an effective market orientation, customer knowledge is required to enhance the accuracy and relevance of customer targeting.

According to a study by Usman et al. (2020), which examined the influence of customer knowledge competence on market orientation, a significant positive effect was found. This is because the activity of seeking knowledge about customers can help a company establish an appropriate market orientation and enables the company to develop its products based on customer knowledge from the targeted market. Furthermore, interaction between sellers and

customers contributes to enhancing knowledge. Knowledge then generates information that can be applied to the offered products and subsequently distributed according to market orientation based on the acquired insights (Lin et al. (2012).

H1. There is a significant influence of customer knowledge on market orientation

Billore & Billore (2020) investigated the relationship between networking and market orientation and found a significantly positive effect. Networking plays an essential role in a firm's operational functions, strengthening its market orientation in determining effective marketing strategies and offers. A well-established network enables firms to collaborate with other businesses and innovate. Kurniawan et al., (2021) also emphasized the link between market orientation and networking, noting that market orientation requires information regarding customer needs and preferences, which can be obtained through established networks that help build relationships and expand sources of customer knowledge. Kurniawan et al. (2020) found a significant positive relationship between networking and market orientation, stating that networks serve as a medium for companies to gather customer-related information. This is further supported by Sulhan et al., (2022), who argued that detailed knowledge about customers and their preferences can be acquired through strong networks via regular information exchange.

H2. There is a significant influence of networking on market orientation

Billore & Billore (2020) state that there is a significant positive relationship between cultural knowledge and market orientation, as a company that possesses an understanding of the culture and social dynamics of its target market gains a competitive advantage in implementing market orientation strategies. The researchers also emphasize that customer orientation is fundamentally rooted in cultural values, and they outline six key values essential for consequential organizational transformation: respect and empathy, motivational factors, commitment, trust, collaboration, and openness.

Other research conducted by H. Li et al., (2021) shows a significant positive relationship between cultural knowledge and market orientation strategy. Cultural knowledge is essential for shaping understanding and learning about the social culture of the target market, thereby facilitating the implementation of market orientation. Similarly, Poulouva et al., (2024) state that companies that adopt cultural aspects in their market orientation activities and possess sufficient knowledge of market culture can enhance the competitive advantage of their offered products

H3. There is a significant positive influence of cultural knowledge on market orientation.

Market orientation has a significant positive influence on product innovation (Saputra & Zhangrinto, 2024). Market orientation serves as a critical source of knowledge for companies, encompassing insights about customers and competitors, with the aim of supporting the product innovation process to meet customer needs and deliver superior customer value (Castro Silva et al., 2025). Aydin (2020) demonstrated a significant positive influence of market orientation on product innovation. Market orientation opens up opportunities for companies to understand the targeted market and identify customer needs more effectively. This finding is also supported by Anisa & Mustofa, (2021), who stated that the concept of market orientation involves the utilization of market intelligence and information to gain competitive advantage and foster positive effects on innovation and change.

H4. There is a significant influence of market orientation on product innovation

(Borah et al., 2023) concluded that market orientation has an impact on new product success, a finding also supported by Saputra & Zhangrinto (2024). Companies must pay close attention to market orientation in order to understand customer demands and preferences, and prioritize customer satisfaction. According to a study by Herman & Suyono, (2023), market orientation has a significant positive influence on new product success. The process by which companies acquire knowledge about customer preferences can be facilitated through market orientation, which in turn contributes to the success of new products. Similarly, Webb et al., (2025) emphasized that the key to the success of a new product—one that yields long-term profitability—is when the voice of the customer is heard and responded to by the company through the development of products that meet their needs.

H5. There is a Significant Relationship Between Market Orientation and New Product Success

Research conducted by Webb et al., (2025) on product innovation with market orientation as a mediating variable showed a significant positive result, as market orientation strengthens customer knowledge, which is then implemented in product innovation activities. Aydin (2020) stated that market orientation consists, among others, of customer orientation. Customer orientation contains specific information about customers and creates superior value for the company, which then serves as a reference point for product innovation. This is supported by (Fikri et al., 2022), who argued that customer knowledge serves as raw material and enhances competitiveness in a company's innovation activities.

Heriqbaldi et al., (2025) stated that in enhancing innovation, the role of market orientation is to monitor the market and direct learning toward customer knowledge. Similar findings were also revealed in the study conducted by Du et al., (2022), which emphasized that in innovation activities, information about customers must be transformed into knowledge to support the innovation process. The researchers also asserted that there is a significant relationship between customer information, market orientation, and the innovation process.

H6. There is a significant influence of customer knowledge on product innovation, with market orientation acting as a mediating variable.

Webb et al., (2025) stated that market orientation has a significant moderating effect on new product success. When market orientation becomes an embedded practice within a company, the innovation process is carried out by specifically identifying customer needs based on customer knowledge. Similarly, the study conducted by O'Cass & Heirati (2015) concluded that companies with strong market orientation—including comprehensive customer knowledge—are more likely to advance in marketing efforts and significantly influence new product success.

Kurniawan et al. (2021) stated that when a company prioritizes market orientation in the product development process, it will be able to produce innovative and superior products. This is Migdadi, (2021) highlighted that knowledge—especially customer knowledge—can serve as a source of competitive advantage and should be considered a key element in innovation strategies.

H7. There is a significant relationship between customer knowledge and new product success, with market orientation serving as a mediating variable

Networking is a critical strategic asset that enables firms to access diverse information, strengthen market understanding, and support innovation activities. Recent studies emphasize the important role of networking in enhancing market orientation and facilitating the success of new product development. M. Yin & Li, (2024) found that proactive and responsive market orientations act as key antecedents to open innovation, particularly when supported by information and communication technology (ICT) capabilities that enhance external collaboration and information flow. Their findings suggest that effective networking allows firms to integrate market knowledge into innovation strategies, making them more adaptive to changing customer needs. Supporting this, Reck et al., (2022) highlight that well-managed internal and external network relationships serve as enablers of innovation, where structured network practices contribute to knowledge combination and superior product performance. These studies underline that networks are not merely conduits of information but are essential infrastructures for innovation, offering firms the capacity to develop market-oriented solutions that increase the likelihood of new product success.

H8. There is a significant relationship between networking and product innovation, mediated by market orientation.

Networking is a fundamental enabler of new product success, as it facilitates collaboration, access to critical market information, and the mobilization of resources needed during product development and launch. Establishing strong relationships with buyers, suppliers, and other stakeholders helps firms adapt to market dynamics and minimize uncertainty. Saunila et al., (2021) found that buyer–supplier relationship capabilities positively influence innovation performance, highlighting how well-managed networks support the success of new products in competitive environments. Complementing this, Zhang et al., (2024) revealed that firms engaging in strategic network expansion—particularly through indirect referrals—gain access to more reliable and diverse partners, which enhances their ability to scale and deliver new products successfully. These findings affirm that networking is not merely a support function but a strategic necessity for ensuring the long-term viability and success of new product initiatives., which serve as a means for buyers to receive signals about the potential of newly launched products from partner networks. This finding is consistent with the results of the study by Laage-Hellman et al. (2021).

H9. There is a significant relationship between networking and new product success, with market orientation serving as a mediating variable.

Berraies (2020) stated that the application of creative ideas in innovation activities can be derived from cultural intelligence. Ratasuk & Charoensukmongkol (2020) also found that cross-cultural teams are more likely to generate innovative ideas. Therefore, when a company possesses sufficient knowledge of the target market's culture, innovation activities are more likely to be carried out effectively. These findings suggest that cultural knowledge has a significant influence on product innovation.

This statement is supported by the study of Duan et al. (2021), which found that cultural distance can hinder innovation activities. In other words, when a company possesses knowledge of the target market's culture, it is more likely to produce innovative outcomes that are well-received by the intended audience. Cultural networks are essential to support the

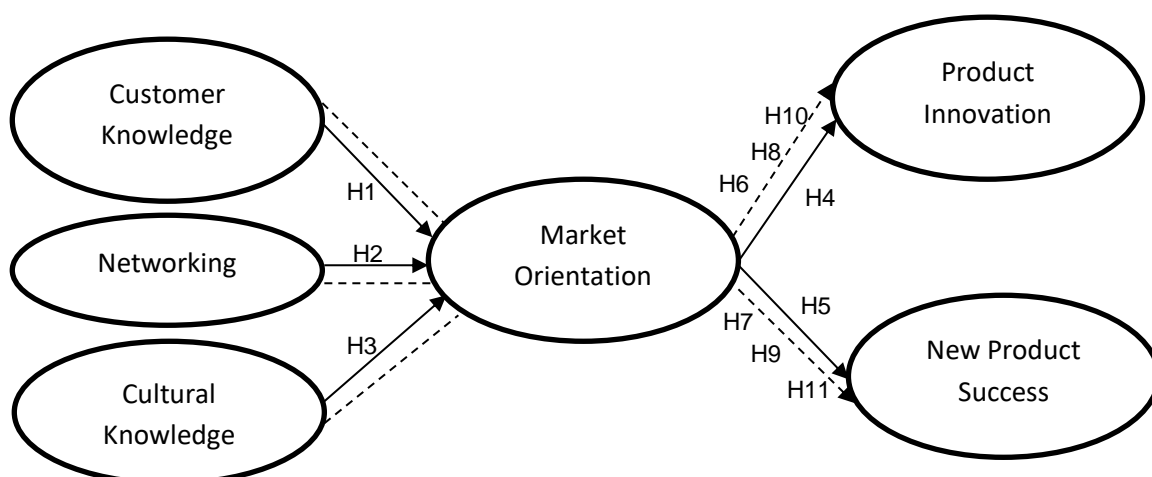
learning of cultural knowledge and are thus considered a key factor in innovation activities (Ceci et al. 2020). Shafi (2020) also emphasized that cultural identity can be preserved by a company through market innovation by aligning product attributes with the cultural expectations of the target market.

H10. There is a significant relationship between cultural knowledge and product innovation, with market orientation serving as a mediating variable.

Cultural knowledge plays a vital role in enhancing the success of new product development, particularly when firms operate in culturally diverse or international markets. Understanding the values, norms, and expectations of the target market enables companies to tailor products that resonate with local preferences, thereby reducing the risk of misalignment. A recent study by Cortes & Ooi, (2023) found that cultural intelligence significantly strengthens the relationship between innovation and competitive advantage, emphasizing that organizations with deep cultural understanding are better positioned to develop relevant and successful products.

Similarly, (Muzammel et al., 2024) highlighted the importance of cultural alignment in product development, stating that designing solutions based on local cultural contexts improves the clarity and effectiveness of product requirements. These findings affirm that cultural knowledge is not only a differentiating factor but also a strategic capability that helps firms identify customer needs more precisely and enhance the long-term success of new products.. When cultural knowledge is implemented in the development of new products, it forms a consumer perception that the company is attentive to market culture. This statement is supported by Yin & Phillips (2020), who found that culturally relevant products hold unique value in the eyes of customers and can provide satisfaction when aligned with appropriate market orientation. Duan et al. (2021) stated that cultural knowledge can be implemented in the development of new products by making adjustments or modifications according to the target market's culture.

H11. There is a significant relationship between cultural knowledge and new product success, with market orientation acting as a mediating variable.



Source: (Kurniawan et al., 2021; Billore & Billore 2020; Muzammel et al., 2024; Zhang et al., 2024)

Figure 1. Research Model

3. Methods

This study is a descriptive analysis research, with culinary MSME actors as the research subjects. The sample size was determined using a non-probability sampling method with the criteria being MSME owners operating in the food and beverage industry in Batam City, who have remained active during the pandemic up to 2025 or have been in operation for at least three years, and whose businesses were still running at the time of the survey. The researcher applied the 1:10 parameter ratio, meaning that 10 respondents represent each indicator (Sarstedt et al., 2021). With a total of 25 indicators used in this study, a minimum of 250 respondents was required. In this research, data were collected from 281 respondents. A 5-point Likert scale was used to evaluate each indicator: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. The collected data were processed using the Partial Least Squares (PLS) statistical method with first-order measurement. The indicators used in this study are as follows:

Table 1. Variable Indicators

Variable	Indicators	Source
Customer Knowledge	1. It is beneficial for a business to understand customer desires.	Wang (2015)
	2. Customer knowledge helps business owners identify customer types.	
	3. Customer knowledge facilitates the determination of appropriate marketing strategies.	
	4. Customer knowledge helps in tailoring strategies for different customer segments.	
Networking	1. A business should have partners aligned with its market orientation.	Kurniawan et al. (2020)
	2. Business partners must contribute to operational activities.	
	3. Businesses should receive support from their partners.	
	4. Business partners should be able to share resources when needed.	
Cultural Knowledge	1. Awareness of cultural knowledge is important for customer segmentation.	Ratasuk & Charoensukmongko I (2020)
	2. Understanding norms and culture of the target market is crucial for product innovation.	
	3. Knowledge of cultural values helps in identifying the right target market.	
	4. Adjusting products based on customer cultural knowledge is essential.	
Market Orientation	1. In developing new products, customer desires should be prioritized.	Aydin (2020)
	2. Understanding customer needs must be continuously strengthened.	
	3. A business must understand knowledge about new customers.	
	4. Business strategies are applied based on customer knowledge.	
	5. Business owners continuously update their knowledge about customer desires.	
Product Innovation	1. A business is considered innovative if it frequently introduces new products.	Aydin (2020)
	2. A business is deemed successful in innovation if it is the first to launch new products in the market.	
	3. An innovative business quickly launches new products to the market.	
	4. Good innovation means developing high-quality new products.	

Variable	Indicators	Source
New Product Success	5. A business is innovative when it uses new products to penetrate the market.	Wong & Tong (2012), Blais et al., (2023)
	1. A new product is considered successful if it generates more revenue than competitors.	
	2. A new product is successful if it is more profitable than competing products.	
	3. A new product is successful if it generates greater profit than the previous products.	

4. Results and Discussion

4.1 Demographic Profile of Respondents

Table 2. Results of Reability and Validity Analysis

Category	Subcategory	Percentage (%)
Gender	Male	45.9%
	Female	54.1%
Age	< 20 years	32.4%
	20–35 years	67.3%
Education	Primary/Junior High School (SD/SMP)	9.2%
	Senior High School (SMA/Equivalent)	27.8%
	Diploma/Bachelor/Master/Doctorate	63.0%
Monthly Income	< Rp 3,000,000	3.9%
	Rp 3,000,000 – Rp 4,150,930	46.6%
	> Rp 4,150,930	49.5%

Source: Researcher's Data Analysis, 2025

Table 2 presents the demographic profile of the respondents in this study. The majority of respondents were female (54.1%), while males accounted for 45.9%. Most respondents were aged between 20 and 35 years (67.3%), with 32.4% under the age of 20. In terms of education, the largest proportion held a Diploma, Bachelor's, Master's, or Doctoral degree (63.0%), followed by high school graduates (27.8%) and primary/junior high school education (9.2%). Regarding monthly income, 49.5% earned above Rp 4,150,930, 46.6% earned between Rp 3,000,000 and Rp 4,150,930, while only 3.9% earned below Rp 3,000,000.

4.2 Outer Model

Convergent validity testing is assessed based on the output value of the outer loading. An indicator is considered valid if it has an outer loading value greater than 0.6. If the value is below 0.6, the indicator should be removed, and the data must be reprocessed accordingly (Ghozali & Latan, 2015). The following are the results of the outer loading test:

Table 3. Outer Loadings Test Result

Variabel	Outer Loadings	Description
<i>Customer Knowledge 1</i>	0.754	Valid
<i>Customer Knowledge 2</i>	0.763	Valid
<i>Customer Knowledge 3</i>	0.820	Valid
<i>Customer Knowledge 4</i>	0.805	Valid
<i>Networking 1</i>	0.794	Valid

Variabel	Outer Loadings	Description
<i>Networking 2</i>	0.725	Valid
<i>Networking 3</i>	0.674	Valid
<i>Networking 4</i>	0.779	Valid
<i>Cultural Knowledge 1</i>	0.842	Valid
<i>Cultural Knowledge 2</i>	0.849	Valid
<i>Cultural Knowledge 3</i>	0.687	Valid
<i>Market Orientation 1</i>	0.737	Valid
<i>Market Orientation 2</i>	0.747	Valid
<i>Market Orientation 3</i>	0.743	Valid
<i>Market Orientation 4</i>	0.743	Valid
<i>Market Orientation 5</i>	0.758	Valid
<i>Product Innovation 1</i>	0.933	Valid
<i>Product Innovation 3</i>	0.604	Valid
<i>Product Innovation 4</i>	0.929	Valid
<i>New Product Success 1</i>	0.799	Valid
<i>New Product Success 2</i>	0.819	Valid
<i>New Product Success 3</i>	0.771	Valid

Source: Researcher's Data Analysis, 2025

Table 4 Average Variance Extracted

Variabel	AVE	Description
<i>Customer Knowledge</i>	0.618	Valid
<i>Networking</i>	0.555	Valid
<i>Cultural Knowledge</i>	0.634	Valid
<i>Market Orientation</i>	0.556	Valid
<i>Product Innovation</i>	0.700	Valid
<i>New Product Success</i>	0.635	Valid

Source: Researcher's Data Analysis, 2025

All indicators in Table 3 have outer loading values above 0.6, indicating that each indicator is valid and contributes significantly to its respective construct. Additionally, Table 4 shows that all Average Variance Extracted (AVE) values exceed 0.5, confirming that each variable has met the criteria for convergent validity.

Table 5. Composite Reliability

Variabel	Composite Reliability	Description
<i>Customer Knowledge</i>	0.866	Reliable
<i>Networking</i>	0.832	Reliable
<i>Cultural Knowledge</i>	0.837	Reliable
<i>Market Orientation</i>	0.862	Reliable
<i>Product Innovation</i>	0.871	Reliable
<i>New Product Success</i>	0.839	Reliable

Source: Researcher's Data Analysis, 2025

Table 5 demonstrates that all variables have composite reliability values greater than 0.7, indicating that each construct is reliable and meets the internal consistency criteria (Rakhmawati et al., 2020)

4.3 Inner Model

4.3.1 Direct Effect

Table 6. Hasil Uji Path Coefficients

Variabels	T-Statistics
<i>Customer Knowledge- Market Orientation</i>	3.776
<i>Networking - Market Orientation</i>	9.134
<i>Cultural Knowledge - Market Orientation</i>	3.126
<i>Market Orientation - Product Innovation</i>	26.840
<i>Market Orientation -New Product Success</i>	41.199

Source: Researcher's Data Analysis, 2025

H.1 Customer knowledge has a significant positive effect on market orientation.

Customer knowledge has a direct and significantly positive influence on market orientation. This finding is consistent with previous studies by Billore & Billore (2020), Park et al. (2018), Lin et al. (2012), and Usman et al. (2020). Understanding customers plays a crucial role in decision-making processes related to market selection and the development of effective market strategies. Customer knowledge is considered essential for identifying customer problems and needs, thereby enabling companies to implement accurate customer-oriented approaches.

H.2 Networking has a significant positive effect on market orientation.

Networking has a direct and significantly positive effect on market orientation, in line with research conducted by Billore & Billore (2020), Neneh (2018), Kurniawan et al. (2020), and Liu et al. (2019). This hypothesis suggests that networking is vital in strengthening marketing strategies and identifying appropriate target markets. Networks serve as important sources of information that companies can use to obtain market knowledge, which supports the implementation of market orientation activities.

H.3 Cultural knowledge has a significant positive effect on market orientation.

Cultural knowledge has a direct and significantly positive impact on market orientation. Products that are aligned with the cultural values of the target market are more likely to be well-received. This result is supported by previous research from Ghauri & Rosendo (2016), Goswami et al. (2020), and Kamin & Anker (2014). This hypothesis implies that cultural knowledge is crucial in determining target markets. With sufficient understanding of customers' cultural backgrounds, companies can more effectively implement market orientation and align their products with the cultural expectations of their intended audiences.

H.4 Market orientation has a significant positive effect on product innovation

Market orientation has a direct and significantly positive effect on product innovation, consistent with the findings of Alhakimi & Mahmoud (2020), Usman et al. (2020), Yu et al. (2016), and Aydin (2020). Market orientation enables companies to monitor market dynamics. Given that customer demands frequently change, businesses must continuously update their market orientation. These changes necessitate adjustments to the products offered, thereby requiring continuous innovation.

H.5 Market orientation has a significant positive effect on new product success

Market orientation has a direct and significantly positive effect on the success of new products. This result aligns with the studies conducted by Jiang et al. (2019), Leng et al.

(2015), Wong & Stenley (2012), and Wong & Tong (2012). Market orientation helps companies stay attuned to customer preferences, allowing them to develop new products that better satisfy customer needs and desires, ultimately contributing to the success of those products.

4.3.2 Indirect Effect

Table 7. Indirect Effect

Path Indirect	T-Statistics
<i>Customer Knowledge- Market Orientation- Product Innovation</i>	3.768
<i>Customer Knowledge- Market Orientation- New Product Success</i>	3.692
<i>Networking- Market Orientation- Product Innovation</i>	3.002
<i>Networking- Market Orientation- New Product Success</i>	3.152
<i>Cultural Knowledge- Market Orientation- Product Innovation</i>	9.937
<i>Cultural Knowledge- Market Orientation- New Product Success</i>	8,909

Source: Researcher's Data Analysis, 2025

H.6 Customer knowledge has a significant positive effect on product innovation through market orientation as a mediating variable

Customer knowledge has an indirect but significantly positive effect on product innovation through market orientation as a mediator. Understanding customer needs enables companies to conduct proper market segmentation and targeting, which in turn facilitates product innovation aligned with customer expectations and desired changes. This indirect effect is supported by prior studies conducted by Alhakimi & Mahmoud (2020) Alhakimi & Mahmoud (2020), and Aydin (2020).

H.7 Customer knowledge has a significant positive effect on new product success through market orientation as a mediating variable

Customer knowledge also has an indirect and significantly positive impact on the success of new products through the mediation of market orientation. By understanding what customers want and need, businesses can accurately orient their marketing strategies toward the appropriate target market. Effective targeting increases the likelihood of a successful product launch. This finding is supported by studies from Kurniawan et al. (2021), and Migdadi (2021).

H.8 Networking has a significant positive effect on product innovation through market orientation as a mediating variable.

Networking has an indirect but significantly positive effect on product innovation, mediated by market orientation. Networking plays a crucial role in providing information for businesses and influences operational processes, including how products are produced and delivered to customers in alignment with market orientation. The flow of information from networks supports entrepreneurs in identifying necessary innovations. This result is consistent with previous research Saunila et al., (2021), Zhang et al., (2024) and Laage-Hellman et al. (2021)

H.9 Networking has a significant positive effect on new product success through market orientation as a mediating variable.

Networking also has an indirect and significantly positive impact on new product success via market orientation. Strong networks assist in the product launch process by providing insights into customer preferences and helping determine appropriate marketing channels based on market orientation. This leads to better-targeted distribution strategies and increases the likelihood of successful new product introductions. Supporting studies include, and Laage-Hellman et al. (2021).

H.10 Cultural knowledge has a significant positive effect on product innovation through market orientation as a mediating variable.

Cultural knowledge has an indirect but significantly positive effect on product innovation through market orientation as a mediating variable. In targeting new markets for product innovation, knowledge of the target market's culture is one of the essential factors, as products that are innovated based on the cultural characteristics of the target market are more likely to be accepted by that market. This hypothesis is supported by research from Duan et al. (2021).

H.11 Cultural knowledge has a significant positive effect on new product success through market orientation as a mediating variable.

The results of the indirect effect test indicate that cultural knowledge has an indirect but significantly positive effect on product innovation through market orientation as a mediating variable. Companies that possess knowledge of the culture of the targeted market within their market orientation can implement this knowledge in the development of their new products, making the products more easily accepted by the target market and potentially influencing the success of the new product launch. This finding is supported by studies from Duan et al. (2021).

4.4 Goodness of Fit

The Goodness of Fit indicates the overall assessment of the model by calculating the square root of the average value of the Average Variance Extracted (AVE) multiplied by the average R Square value. The criteria used to evaluate the Goodness of Fit are as follows: a value ≥ 0.10 is considered weak, ≥ 0.25 is considered moderate, and ≥ 0.36 is considered strong.

Table 8. Hasil GoF

Communality	Rata-rata R Square	GoF	Conclusion
0.616	0.677	0.645	<i>Large</i>

Source: Researcher's Data Analysis, 2025

Based on the Goodness of Fit (GoF) calculation, the model yielded a GoF value of 0.645, which indicates a high level of overall model fitness. According to Akyüz & Durmuş, (2022), a GoF value above 0.36 is considered strong and reflects a robust structural model in Partial Least Squares Structural Equation Modeling (PLS-SEM). Therefore, the result confirms that the model used in this study meets the criteria for strong predictive accuracy and model adequacy.

5. Conclusion

Based on the results of the analysis conducted, this study concludes that customer knowledge, networking, and cultural knowledge have a significant influence on market orientation. Furthermore, market orientation has been proven to play a crucial role in driving product innovation and the success of new products. In addition to its direct effects, this study

also finds that market orientation significantly mediates the relationship between customer knowledge, networking, and cultural knowledge with both product innovation and new product success. Thus, market orientation serves as a key factor that bridges customer insights, business relationships, and cultural understanding in fostering innovation and ensuring the success of new products in the market.

In order to maintain competitiveness and sustainability, MSMEs must continuously innovate. In terms of new product development, understanding consumer needs is essential. Therefore, businesses must not only acquire but also absorb customer knowledge through various means such as customer knowledge processes, networking, and cultural knowledge. These efforts will influence market orientation, product innovation, and ultimately, new product success. For future research, it is recommended to conduct qualitative studies to further explore and gain deeper insights, especially considering that MSMEs are the backbone of the national economy.

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