

THE ROLE OF PRODUCT INNOVATION IN MEDIATING THE EFFECT OF MARKET ORIENTATION ON MARKETING PERFORMANCE AMONG HAND ACCESSORY MSMES IN GIANYAR REGENCY

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Abstract

This study aims to analyze the role of product innovation in mediating the influence of market orientation on marketing performance among hand accessories MSMEs in Gianyar Regency. The method employs a quantitative causal design with a purposive sampling technique involving 50 artisans, analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The results indicate that both market orientation and product innovation positively and significantly impact marketing performance, with product innovation serving as a strong partial mediator. Theoretically, these findings strengthen the Resource-Based View (RBV) paradigm in small businesses by proving product innovation acts as a dynamic capability that forms a competitive advantage from market insights. Practically, the study concludes that understanding consumer trends will not optimally boost profit without creative product execution. MSME owners are advised to actively enhance market sensitivity and routinely refresh visual designs, model variations, and material quality to maintain profitability amidst intense competition in Gianyar's creative industry.

Keywords: Market Orientation, Product Innovation, Marketing Performance

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) in Bali Province play a strategic role in driving regional economic growth and preserving local culture (Dinas Koperasi dan UKM Provinsi Bali, 2023). Gianyar Regency occupies a strategic position as it has the largest population of business units in Bali, serving as the heart of the creative economy and the artistic center of tourism (Putra & Dewi, 2023). Amidst fierce competition in this craft center, the hand accessory craft subsector has emerged as one of the most dynamic subsectors due to its ability to blend traditional artistic values with modern global market trends (Saraswati & Santika, 2019; Sunarya, 2022).

Despite possessing high aesthetic potential, market phenomena present fierce competitive challenges among business actors. Real profitability data from several accessory craft outlets in Gianyar shows an unstable pattern of net profit fluctuations,