

## Research Article

# The Influence of Market Orientation on Marketing Performance of Small and Medium Enterprises in Lamongan District

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## Abstract.

This research aims to analyze the influence of market orientation on innovation capability and marketing performance, as well as examine the mediating role of innovation capability in the relationship between market orientation and marketing performance. The results of this quantitative research show that market orientation contributes to marketing performance and the formation of innovation capabilities, and that innovation capabilities of SMEs are reflected in attractive and safe products. This research contributes to an understanding the dynamics of market orientation, innovation, and marketing performance in SMEs in the context of Lamongan Regency. Managerial implications and policy recommendations are outlined based on research findings, with the hope of providing guidance for SMEs and related parties on improving marketing performance. These findings support the theory that market orientation can improve marketing performance with innovation capabilities. The practical implication of this research is that SMEs can strengthen their market orientation to increase product innovation.

**Keywords:** market orientation, innovation capability, marketing performance

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## 1. Introduction

The current competition in the business world requires business people, both those with large and small scale businesses, to act quickly in facing competition [1]. Marketing performance is the spearhead of measuring success in business competition. According to Alrubaiee [2] and James [3], marketing performance is a benchmark for work results obtained from marketing activities in a company. Kotler and Keller [4], Marketing operations are essential for organizations, regardless of whether they are in the goods or services industry, in order to sustain the profitability of their firm. Navarone [5], stated that marketing performance is the result achieved by a company where the products marketed are in accordance with market demand.

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According to Runyan [6], marketing performance may be judged using three indicators: firm effectiveness, sales growth, and profitability. According to Miller [7], marketing success indicators include market outcomes, consumer assessments, customer behavior, and financial outcomes. The study measures three marketing performance metrics: revenue growth, customer growth, and product success [8]. The effectiveness of marketing performance is ascertained through the creation of commodities that cater to the needs and desires of the market.

Market orientation is a conceptual approach that prioritizes the creation of significant value for consumers. Market orientation enables firms to develop plans and ways for comprehending the market [9]. Market orientation enhances comprehension of the business environment, enabling companies to effectively fulfill client requirements [10]. Companies that prioritize market orientation will exhibit superior performance in comprehending their clients and competitors [11]. Implementing a market-oriented approach will foster stronger customer relationships, leading to enhanced sales performance, growth, market share, and profits [12].

Studies have shown that marketing performance can be affected by a focus on the market [13-19]. While some studies have shown that a focus on the market boosts marketing effectiveness, others have come to the opposite conclusion [20,21].

Different studies have looked at how market orientation affects marketing success, but there are still differences between them (research gaps), which means that more research is needed. High competitive conditions require continuous innovation so that marketing performance is sustainable. Innovation capability can be defined as improvements in technology and methods or better ways of doing things [22]. According to [23], innovation capability is the ability of small and medium-sized firms (SMEs) to effectively and efficiently use resources to produce additional value, leading in the development of new wealth. Innovation capability refers to the ability to generate ideas and transform them into tangible outcomes, such as new products, improved processes, and enhanced customer service [24].

Previous empirical investigations Afriyie [25], Utomo [26], Bil [27], and Hiong [28], found that innovation capabilities had a beneficial influence on marketing performance. Different studies conducted by Dalimunthe [29] found that innovative capabilities had no effect on marketing performance.

The innovation capacity of SMEs is determined by their market orientation. Organizations that adopt a market orientation strategy are more inclined to develop groundbreaking products due to their cognizance of consumer preferences and competitive developments. This is due to the fact that market orientation can significantly and positively affect innovation [30]. According to the findings of research by Suliyanto [31], Sutapa [32], and Huhtala [33], market orientation positively affects innovation capability. These researchers also identified innovation capability as a mediating variable, as did Riswanto [34], Abdul Halim [35], and Dalimunthe [29].

The relevance of marketing performance research to field phenomena, particularly Small and Medium Enterprises (SMEs), is substantial. As the primary providers of high-quality small and medium-sized enterprise (SME) products as business units, districts and cities must be capable of generating optimal marketing performance. Consequently, there is a pressing need to expedite the utilization of local economic resources and the sustainable implementation of value-added products [36]. The number of SMEs in East Java (Jatim) reached 9.78 million with the largest number in micro businesses reaching 9.13 million. The number of SMEs is able to absorb 13.8 million workers and contribute to Gross Regional Domestic Product (GRDP) during 2021 to 2022 reaching 57.25 percent.

As in other areas, the SMEs sector in Lamongan Regency has become the main source of livelihood since the Covid-19 pandemic, so the opportunity for SMEs development in Lamongan Regency has become strategic. One of the development priorities in the RPJPD (Regional Long Term Development Plan) for Lamongan Regency for 2005-2025 is to develop and increase the competitiveness of SMEs, which play an important role as drivers of the local economic life of Lamongan Regency residents. This is proven by the ability of SMEs to equalize people's economic levels and provide employment opportunities [37].

The number of SMEs dominates the economy of Lamongan Regency, based on data from the Department of Cooperatives and SMEs, the number of entrepreneurs in Lamongan Regency which is divided into 27 sub-districts is 228,676 business actors which are divided into 8,077 types of SMEs, 348 types of medium businesses and 254,205 micro business actors. Moreover, Lamongan Regency is an export supporting district in East Java. Lamongan Regency Government continues to make various efforts to leverage its economy, including by providing support to SMEs so that their products are able to compete on the international stage. One of the superior innovative products is exported. is a food and beverage SMEs product.

The phenomena faced by SMEs in Lamongan Regency is that they face various internal and external obstacles covering various aspects. The research findings of [38] state that several obstacles experienced by SMEs in Lamongan Regency include: difficulty marketing the products they produce, the ability to innovate and use technology is still low, for example the lack of human resource capabilities in the field of technology for its operation and marketing. difficulty in absorbing competent workforce, lack of common standards or references in formulating and determining business development plans, weak ability to compete in the market. Lack of readiness to accelerate and adapt to external environmental challenges is a major obstacle in winning competition in the market.

A study on SMEs' marketing performance would be interesting given the challenges that SMEs in Lamongan Regency are facing. The study's focus, which is on small and medium-sized firms in Lamongan Regency, stems from [39]'s argument that, among the multiple challenges encountered by SMEs, marketing is one of the most important for their survival, revival, and growth. As a result, the primary focus of this research is on how SMEs' marketing performance is influenced by their market orientation and moderated by their ability to innovate.

## 2. Literature Review

### 2.1. Marketing performance

Marketing performance refers to the evaluation of the success and accomplishments of marketing efforts for specific products or services. Consumers' comprehension of the product contributes to its value development. Marketing performance, as defined by James [3], is a quantitative assessment of a company's success in executing its marketing efforts. Ferdinand [40], asserted that marketing success serves as a metric for evaluating the effectiveness of the company's executed plan. The organization consistently focuses on achieving strong marketing and financial performance.

Tanoko [41], stated that marketing performance can be evaluated using three key indicators: firm effectiveness, sales growth, and profitability. According to Miller [7], marketing performance indicators can be observed through market outcomes, customer evaluations, consumer behavior, and financial outcomes. The user employs three marketing performance indicators, specifically revenue growth, customer growth, and product success [8]. The marketing performance is distinguished by robust sales growth

in comparison to past years and surpassing competitors' growth rates. Additionally, it exhibits an expanded market share in comparison to previous years [42]. Afsharghasemi [43], declared that attaining corporate success depends on marketing performance. This is because market strategies that focus on consumers, markets, and financial institutions are being implemented. Studies on marketing performance concentrate on metrics like market share, revenue growth, and market development.

## 2.2. Market orientation

Market orientation enhances comprehension of the business environment, enabling organizations to effectively fulfill client needs [10]. Companies that prioritize market orientation will exhibit superior performance in comprehending their clients and competition [11]. Implementing a market-oriented approach will result in stronger customer interactions, leading to enhanced sales performance, growth, market share, and profits [12].

Rong [44], It is imperative for firms to ensure that their approach cannot be surpassed by competitors in producing novel and superior ideas to meet the demands and wishes of consumers. In order to remain competitive, market-oriented organizations should have a competitive advantage, the capacity to identify market preferences and demands, and the capability to adjust to shifting market demands [45].

Market orientation serves as a cohesive factor that aligns the efforts and performance of individuals and departments, resulting in enhanced overall performance. Therefore, a higher degree of market orientation in a corporation leads to improved performance [46]. The study conducted by Liu [47], Spulber [48], found that market orientation may be assessed using three indicators: competition orientation, customer orientation, and coordination between functions.

## 2.3. Innovation capabilities

Innovation capability, which is one of the key factors that propels successful businesses in the market, is described as the capacity to generate, accept, and use new concepts, procedures, goods, or services [49]. A multifaceted concept, innovation capability emphasizes the importance of innovation for the overall growth of the business rather than only emphasizing new goods [50].

According to Rademakers [50], innovation entails developing new ideas and information to capitalize on market opportunities. Product innovation capability is defined by [51] as the aptitude to generate novel products through the application of updated knowledge or technology. In an extremely competitive and potentially saturated industry, the capacity to generate novel concepts is vital. Innovation is one of the most crucial aspects of being successful in company in the twenty-first century. Companies must come up with innovative concepts to compete and flourish in today's global market.

Small and medium-sized enterprises (SMEs) must exhibit creativity in order to expand, according to Kotler and Keller [4]. Small and medium-sized enterprises (SMEs) are compelled to devise innovative strategies due to the intense competition in the market. In light of this, small and medium-sized enterprises (SMEs) must have the capacity to experiment with novel approaches to remain competitive. There are various types of innovation, including process innovation, business innovation, group innovation, and product innovation [52]. Some of the things that the study Atalay [53] found that are signs of innovation are new product and process changes. It's best to use process innovation, result innovation, and product innovation all at the same time. Innovation is measured by ways to find new ways to make things, do things, and market those things (as stated in [53]).

### 3. Hypothesis Development

Market orientation enables firms to develop plans and ways for comprehending the market [9]. Market orientation enhances comprehension of the business environment, enabling companies to effectively fulfill client demands [10]. Companies that prioritize market orientation will exhibit superior performance in comprehending their clients and competition [11]. Implementing a market-oriented approach will lead to stronger customer interactions, resulting in enhanced sales performance, growth, market share, and profits [12]. Prior study conducted by Handoyo [13], Putri [14], Rokhman [16], Devara [17], Hussein [18], and Manambing [19] has provided empirical data demonstrating that market orientation has a beneficial impact on marketing performance. Given the presented line of reasoning and the links between variables that have been elucidated, the following hypothesis can be developed for this research:

$H_1$  : Market orientation has a significant effect on marketing performance

SMEs' ability to innovate is determined by their market orientation. Companies who practice market orientation and generate innovative products do so because they understand what consumers require and what competitors are doing. Market orientation can have a positive and significant impact on innovation creation [30]. Research conducted by Suliyanto [31], Sutapa [32], and Huhtala [33], revealed that market orientation had a beneficial influence on innovative capacity. Based on the train of thought and variable correlations that have been explained, the following hypothesis can be developed in this study:

H<sub>2</sub> : Market orientation has a significant effect on innovation capability

Hodgetts [22] and Thornhill [23] say that innovation capability is the small and medium-sized businesses' (SMEs) ability to use their resources successfully and efficiently to create new wealth. Innovation capability is the skill of coming up with new ideas and putting them into action, such as by creating new goods, processes, or better customer service. The number 24 is enclosed by square brackets. Prior empirical study by Afriyie [25], Utomo [26], Bil [27], and Hiong [28], repeatedly shown that innovation capabilities improve marketing effectiveness. Based on the train of thought and variable correlations that have been explained, the following hypothesis can be developed in this study:

H<sub>3</sub> : Innovation capability has a significant effect on marketing performance

According to Kotler and Keller [4], SMEs innovation is not only a critical factor in the success of SMEs development. SMEs must innovate in order to compete in the market. Research conducted by Suliyanto [31], Sutapa [32], and Huhtala [33], revealed that market orientation had a beneficial influence on innovative capacity. Meanwhile, prior empirical research conducted by Afriyie [25], Utomo [26], Bil [27], and Hiong [28], revealed that innovation capabilities have a beneficial influence on marketing performance. Based on the line of thought and explained variable correlations, the following hypothesis can be developed in this study.

H<sub>4</sub> : Innovation capability mediates the effect of market orientation on marketing performance

## 4. Methods

The 182 business actors who own or operate SMEs in the food and beverage industry in Lamongan Regency make up the research sample. Saturated sampling, which

comprises picking a random subset of the population, was used in this investigation. Consequently, 182 business actors made up the sample size for this study. Table 1 displays the operational definitions of the study's variables. We used a five-point Likert scale to record the participants' responses, where 1 signifies strong disagreement and 5 indicates considerable agreement.

TABLE 1: Operational matrix of research variables.

No	Variable	Indicator	Source
1	Market Orientation	Competitor orientation	Narver & Slater [46], Liu <i>et al.</i> , [47], Rhee, <i>et al.</i> , Zhang & Duan.
		Customer orientation	
		Coordination between functions	
2	Innovation capabilities	Product innovation	Radenakers, Kemp <i>et al</i> [52], Lesakova [51] and Murat Atalay [53]
		Process innovation	
		Marketing innovation	
3	Marketing performance	Sales growth	Saeko <i>et al.</i> [42], Ferdinand, [8] and Runyan <i>et al.</i> [6]
		Customer growth	
		Market share growth	

The research sample consists of 182 business actors who own or operate small and medium-sized food and beverage businesses (SMEs) in Lamongan Regency. The sampling strategy utilized in this study is a saturated technique, which involves picking all individuals from the population as samples. As a result, this study had a sample size of 182 business actors. Table 1 provides operational definitions for the variables utilized in this investigation. The participants' replies were recorded on a five-point Likert scale, with 1 representing serious disagreement and 5 indicating strong agreement.

## 5. Results

### 5.1. Respondent characteristics

The description of respondents in this study is related to the individual description or demographics of food and beverage SMEs in Lamongan Regency. Characteristics



based on gender, education and length of business establishment can be identified as follows:

TABLE 2: Description of individuals (respondents).

Individual characteristics	Number	%
<b>By Gender</b>		
Man	38	20,88%
Woman	144	79,12%
<b>Based on Education</b>		
Elementary school	3	1,65%
Junior high school	45	24,73%
Senior high school	67	36,81%
Diploma	18	9,89%
Bachelor	43	23,63%
Masters	6	3,30%
<b>Length of Business Establishment (Years)</b>		
< 5	47	25,82%
6 – 10	106	58,24%
11 – 15	29	15,93%

Based on Table 2, it can be explained that the characteristics of respondents in terms of gender show that 79.12% of respondents who are food and beverage SMEs in Lamongan Regency are dominated by women, with the highest level of education being high school at 36.81%, and 58.24% has 6 to 10 years of experience as a food and beverage SMEs.

## 5.2. Instrument testing

The results of testing the validity and reliability of the instrument can be seen in Table 3 below:

Based on validity and reliability testing, every question item was shown to be both valid and reliable. This conclusion was reached because they both met the requirements of the reliability test, which required a Cronbach's alpha value of 0.6 or higher, and the validity testing criteria, which explicitly required the Pearson product moment correlation coefficient ( $r$ ) to be more than or equal to 0.3.

TABLE 3: Item validity and reliability test results.

Variable	Items	Correlation		Coefficient	
		<i>r<sub>Count</sub></i>	Status	alpha	status
Market orientation	X1.1.1	0,688	Valid	0,909	Reliable
	X1.1.2	0,680	Valid		
	X1.2.1	0,859	Valid		
	X1.2.2	0,604	Valid		
	X1.2.3	0,709	Valid		
	X1.2.4	0,678	Valid		
	X1.2.5	0,761	Valid		
	X1.2.6	0,734	Valid		
	X1.2.7	0,797	Valid		
	X1.2.8	0,667	Valid		
	X1.2.9	0,600	Valid		
	X1.3.1	0,526	Valid		
	X1.3.2	0,550	Valid		
	X1.3.3	0,566	Valid		
X1.3.4	0,571	Valid			
Innovation Capability	Y1.1.1	0,741	Valid	0,906	Reliable
	Y1.1.2	0,767	Valid		
	Y1.1.3	0,545	Valid		
	Y1.2.1	0,860	Valid		
	Y1.2.2	0,554	Valid		
	Y1.2.3	0,735	Valid		
	Y1.2.4	0,746	Valid		
	Y1.3.1	0,835	Valid		
	Y1.3.2	0,765	Valid		
	Y1.3.3	0,847	Valid		
Y1.3.4	0,531	Valid			
Marketing performance	Y2.1.1	0,838	Valid	0,908	Reliable
	Y2.1.2	0,791	Valid		
	Y2.1.3	0,733	Valid		
	Y2.2.1	0,783	Valid		
	Y2.2.2	0,790	Valid		
	Y2.3.1	0,808	Valid		
	Y2.3.2	0,795	Valid		
	Y2.3.3	0,773	Valid		

### 5.3. SEM analysis results

Figure 1 below displays the test findings obtained by the application of structural equation modeling (SEM).

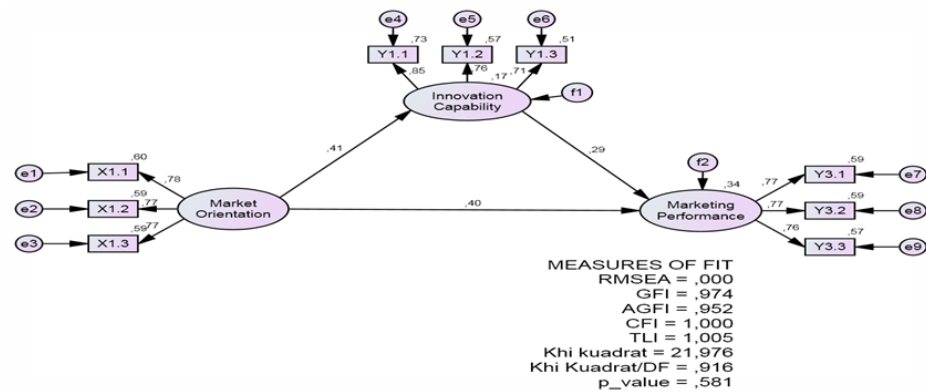


Figure 1: Path diagram of SEM analysis result.

According to the evaluation of the proposed model, the total evaluation value is higher than the crucial threshold. As a result, the model can be classified as appropriate and suitable for adoption, allowing for more research and discussion.

### 5.4. Hypothesis testing results

By calculating the Critical ratio (Cr) from the Weight regression output data, we can test the premise that entrepreneurial and market orientations have a direct impact on marketing performance. If the p-value is less than the 5% significance level, then the study hypothesis can be considered valid. Table 4 displays the outcomes of the hypothesis testing procedure.

TABLE 4: Results of regression weight analysis.

Correlation				C.r.	p-value	
Market orientation	->	-	->	Marketing performance	4,000	0,000
Market orientation	->	-	->	Innovation Capability	4,373	0,000
Innovation Capability	->	-	->	Marketing performance	3,128	0,002
Market orientation	->	Innovation Capability	->	Marketing performance	2,537	0,011

Hypothesis 1. Market orientation directly has a significant effect on Marketing Performance

Market orientation and marketing performance are strongly correlated with each other (Cr = 4.000), indicating a strong positive relationship between the two variables. The

statistical significance of the observed link is shown by a p-value of 0.000. The hypothesis that market orientation and marketing performance are directly and significantly related can be accepted since the obtained p-value is less than the preset significance level ( $\alpha = 5\%$ ). Marketing performance can be improved by improving market orientation, as shown by this finding.

Hypothesis 2. Market orientation directly has a significant effect on innovation capability

A p-value of 0.000 and a correlation coefficient (Cr) of 4.373 indicate a statistically significant relationship between innovation capability and market orientation. Considering that the p-value is less than the pre-established significance criterion of  $\alpha = 5\%$ , it is logical to accept the premise that market orientation and innovation skills are directly and significantly related. This finding suggests that a company's ability to innovate may be enhanced with a stronger emphasis on the market.

Hypothesis 3. Innovation capability directly has a significant effect on marketing performance

A p-value of 0.002 and a correlation coefficient (Cr) of 3.128 indicate a statistically significant association between innovation capability and marketing performance. The theory that innovation ability significantly affects marketing performance can be accepted because the p-value is less than the predefined level of statistical significance ( $\alpha = 5\%$ ). This finding shows that marketing performance may be improved with a higher capacity for creativity.

Hypothesis 4. Innovation capability mediates the effect of market orientation on marketing performance

An analysis of the relationship between innovation capability and marketing success as a mediator of market orientation produced a p-value of 0.011 and a Cr value of 2.537. The p-value is less than the predetermined significance level of  $\alpha = 5\%$ , therefore supporting the hypothesis that innovation capability mediates the link between market orientation and marketing success. This finding demonstrates that a more market-centric approach can improve innovation abilities, which in turn enhance marketing effectiveness.

## 6. Discussion

## 6.1. The influence of market orientation on marketing performance

According to the research, a small or medium-sized enterprise's (SME's) marketing performance is significantly impacted by its market orientation. This means that a SME in the food and beverage industry with a competitor orientation will be able to out-perform its rivals by coming up with innovative, high-quality products and quickly adapting to changes in pricing. Sales are increasing year over year, which is in line with sales expectations, thanks to an increasing number of purchasers. Customer growth is increasingly becoming known, with customers often actively visiting social media. Then market share growth by being able to achieve market share and also being able to meet market share targets so that market share increases by using minimum resources.

This approach aligns with the theoretical research proposed by Narver [46] that market orientation serves as a cohesive factor in individual and departmental endeavors and achievements, resulting in enhanced performance. Consequently, a company's performance improves as its level of market orientation increases. Companies that prioritize market orientation will exhibit superior performance in comprehending their clients and competition [11]. Implementing a market-oriented approach will lead to stronger customer interactions, resulting in enhanced sales performance, growth, market share, and profits [12]. According to Rong [44], businesses need to make sure they can't be beaten by rivals when it comes to coming up with innovative and better ideas to fulfill customers' needs and dreams. Companies with an eye on the market need to be competitive, perceptive of customer tastes, and flexible enough to respond to shifts in demand [45]. This study's findings that market orientation affects marketing performance are supported by earlier empirical investigations that came to similar conclusions [13-19].

## 6.2. The influence of market orientation on innovation capability

The study's findings demonstrate that SMEs with a market orientation can develop innovative capabilities. This means that SMEs in the food and beverage industry with a competitor orientation can anticipate their rivals' moves by developing distinctive, superior products and can react to their price changes. These actions ultimately benefit the Product innovation with distinctive and secure product packaging allows SMEs to offer a wide range of new options for their products.

The results of this study align with the research conducted by Rong [44], which asserts that organizations must ensure that their approach cannot be surpassed by competitors

in generating novel and superior innovations to meet consumers' requirements and aspirations. Companies that carry out market orientation and create innovative products because this company understands what consumers need and what competitors are doing, the market orientation carried out by the company can influence the creation of innovation [30]. The results of this research support 17 and Huhtala [33], Sutapa [32] and Riswanto [34], which states that market orientation has an influence on innovation capabilities.

### **6.3. The influence of innovation capability on marketing performance**

The results of the research prove the innovation capabilities of SMEs district with product innovation, namely unique and safe product packaging so that products can appear with a variety of new choices, which have a significant effect on marketing performance with sales growth such as the increasing number of buyers and product sales that meet sales targets and experience an increase every year. Customer growth is increasingly becoming known, with customers often actively visiting social media. Then market share growth by being able to achieve market share and also being able to meet market share targets so that market share increases by using minimum resources.

Innovation aptitude pertains to the capacity to devise more efficient methods of conducting tasks or to introduce technological and procedural advancements [21]. According to the sources cited in Hodgetts [22] and Thornhill [23], innovation capability pertains to the capacity of small and medium-sized enterprises (SMEs) to generate additional wealth and value through resource modification and expansion. The capacity to innovate entails the generation of concepts and their subsequent conversion into concrete results, including but not limited to novel products, enhanced operational processes, or improved customer support. The value 24 is delimited within square brackets.

The results of this study support the deductions made in Afriyie [25], Utomo [26], Bil [27], and Hiong [28] about the beneficial influence of innovative capabilities on marketing productivity. Regarding the connection between marketing performance and innovative capabilities, Dalimunthe [29] revealed contradictory results.

#### **6.4. The influence of market orientation on the marketing performance of Small and Medium Enterprises in Lamongan Regency through innovation capabilities as a mediator**

The study's findings show that the market orientation of SMEs in the food and beverage industry affects their marketing performance; hence, the competitive orientation of these SMEs is important. SMEs beat competitors by creating unique, high-quality items and responding quickly to pricing changes made by competitors. This is achieved through product innovation, specifically the use of secure and one-of-a-kind packaging, which enables the product to be showcased alongside an assortment of intriguing new options. Moreover, this strategy appears to enhance marketing performance, as evidenced by the product's consistent annual sales growth in line with sales targets and an expanding customer base. The phenomenon of customer growth is gaining recognition, as consumers are progressively engaging in social media activities. Subsequently, market share expansion is realized through the attainment of market share and the fulfillment of market share objectives, thereby requiring fewest resources. The results of this study corroborate the conclusion of Huhtala [33], that the marketing performance of SMEs is influenced by market orientation, with innovation capabilities serving as a mediator.

### **7. Conclusion**

The market orientation of SMEs is able to improve their marketing performance, which means that competitor orientation can anticipate competitors by creating unique, high-quality products and can respond to price changes made by competitors, with product sales that are in line with sales targets, more and more products buyers, so that sales growth increases every year. Customer growth is also increasing with the number of customers increasing and customers also often actively visiting SMEs products on social media. because the role of SMEs is market-oriented which is demonstrated by customer orientation.

The market orientation of SMEs can create innovation capabilities, which means that competitor orientation can anticipate competitors by creating unique, high-quality products and can respond to price changes made by competitors, and is apparently able to increase the innovation capabilities of SMEs, namely innovation. SMEs products

with unique and safe product packaging so that products can appear with a variety of new choices that can make customers even more interested.

The innovation capabilities of SMEs are able to improve marketing performance with innovation capabilities which are reflected in product innovation, with the resulting products being displayed as attractive, with unique and safe packaging capable of improving marketing performance, which is reflected in sales growth indicators such as product sales. According to the sales target, more and more buyers are buying the product and sales growth is increasing every year.

The market orientation of SMEs is able to improve their marketing performance, which means that competitor orientation can anticipate competitors by creating unique, high-quality products and can respond to price changes made by competitors, through innovation the resulting products are displayed in an attractive, unique packaging and it's safe with product sales that are in line with sales targets, more and more buyers of products, so that sales growth increases every year.

The objective of the Lamongan Regency Cooperatives and SMEs Service is to aid SMEs in expanding their markets and enhancing their marketing performance through the provision of financial incentives and support for business development. This is achieved through entrepreneurship training, technical assistance, and information and promotion centers dedicated to small and medium-sized enterprises in the food and beverage industry. By establishing such centers, business actors can more efficiently and broadly market their products via digital platforms. It is anticipated that future investigations will expand upon this study by incorporating supplementary variables that can fortify the impact of market orientation on marketing performance.

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