

**ANALYSIS OF MARKET ORIENTATION, PRODUCT INNOVATION, MARKETING STRATEGY TOWARDS LOYALTY IN MEDIATION OF PURCHASE DECISIONS OF UMKM FURNITURE PRODUCTS UD. SUMBER BAROKAH**

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**ABSTRACT**

This study aims to determine Analysis of Market Orientation, Product Innovation, Marketing Strategy on Loyalty in the Mediating of Purchasing Decisions of UMKM Furniture Products UD Sumber Barokah. This study uses a quantitative research type using the Partial Least Square (PLS-SEM) analysis method. The respondents used in this study are from the population, namely all UD Sumber Barokah customers during September 2024 to November 2024 and the sample determination was carried out using the Simple Random Sampling Technique with the Slovin formula which resulted in 125 respondents of UD Sumber Barokah customers. The results of this study show that Market Orientation has a positive and significant effect on Loyalty. Product Innovation has a positive and significant effect on Loyalty. Marketing Strategy has a positive and significant effect on Loyalty. Market Orientation has a positive and significant effect on Purchasing Decisions. Product Innovation has a positive and significant effect on Purchasing Decisions. Marketing Strategy has a positive and significant effect on Purchasing Decisions. Loyalty does not have a positive and significant effect on Purchasing Decisions.

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**INTRODUCTION**

MSMEs play an important role in the Indonesian economy, especially in the creative industry sector such as furniture. However, to remain competitive in a dynamic market, MSMEs need to understand consumer behavior, adjust market orientation, innovate in products, and develop effective marketing strategies. UD Sumber Barokah as one of the furniture MSMEs faces challenges in facing competition and changes in consumer preferences. This study is important to analyze how market orientation, product innovation, and marketing strategies can influence consumer purchasing decisions, so that this MSME can continue to grow and compete.

This business activity is one of the most important activities in human life today, namely in increasing the turnover of the economy and also as a way to support the cost of living, business activities are a Business activity is a place to create and produce raw materials up to the marketing process, this business activity is very helpful for human life because in every process of making its products, labor is needed in it. This is because there is a connection between one human being and another who need each other so that this business activity is very beneficial for fellow humans and the country's economy.

Market orientation is a strategic mindset in which an organization prioritizes understanding and meeting market and customer needs. Narver and Slater (2020) define market orientation as an organizational culture that emphasizes customer focus, competitor awareness, and cross-functional coordination. In the context of MSMEs in the creative industry, market orientation is very important to adapt to changing consumer preferences, identify emerging trends, and foster customer loyalty Medhika et al., (2019); Satyawati, (2019); Wiwoho, (2019)

Product innovation is the cornerstone of competitiveness in the creative industries, where uniqueness and novelty often drive consumer interest. Burri & Schär, (2020); Korniienko, (2023) emphasize the importance of open innovation, and suggest that SMEs can enhance their innovative capabilities by collaborating with external partners. In the creative sector, this can involve partnerships with artists, designers and other industry stakeholders. The works of Schumpeter et al., (2020) underline the role of innovation in economic development.

An effective marketing strategy is essential for SMEs to build and maintain a strong market presence. Marketing strategy as a plan that integrates an organization's marketing objectives into a cohesive whole. In the context of creative SMEs, the strategy must be tailored to the unique characteristics of the industry, taking into account the visual and experiential nature of creative products.

The era of free trade makes every furniture company face competition from competitors demanding an entrepreneur to always pay attention to the needs and desires of consumers by providing more satisfying services than those provided by competitors. Therefore, UD Sumber Barokah pays attention to what consumers need in order to attract consumer buying interest and have products that they sell can attract consumer satisfaction in order to win the competition with similar business actors.

This study offers a more comprehensive approach in viewing the interaction between market orientation, product innovation, and marketing strategy in the context of MSMEs in the creative industry sector. By integrating an understanding of open innovation, experiential marketing, and purchasing decisions influenced by emotional aspects, this study makes a significant contribution to the development of more adaptive, creative, and consumer-oriented MSME business strategies. From the description above, the researcher took the title "Analysis of Market Orientation, Product Innovation, Marketing Strategy on Loyalty in the Mediation of Purchasing Decisions of MSME Furniture Products at Ud. Sumber Barokah.

## **RESEARCH METHODS**

The form of research method used in this study is quantitative research method. Data analysis technique using SME-PLS 3 with data analysis method used is Outer Model Convergent Validity Test, Discriminant Validity, Reliability Test. Inner Model Determination Coefficient (R-Square), Path Coefficient, Hypothesis Test, Mediation Test. The population in this study used pure positive sampling technique obtained as many as 182 consumers and using the slovin formula obtained the following sample values:

$$n = \frac{182}{1 + 182 \cdot (0,05)^2}$$

$$n = \frac{182}{1 + 182 \cdot 0,0025}$$

$$n = \frac{182}{1 + 0,455}$$

$$n = \frac{182}{1,455}$$

$$n \approx 125$$

So, the sample used in this study was 125 customers from a total population of 182 customers.

**RESULTS AND DISCUSSION**

Measurement Model (Outer Model)

**Convergent Validity**

Researchers have carried out data processing with SEM-PLS. The data processing based on 5 variables with a total of 125 questions is as follows:

**Table 1. Convergent Validity Test**

<b>Variables</b>	<b>Indicator</b>	<b>Loading Factor</b>	<b>Rule of Thumb</b>	<b>Conclusion</b>
Market Orientation (X1)	X1.1	0.871	0.700	Valid
	X1.2	0.942	0.700	Valid
	X1.3	0.848	0.700	Valid
	X1.4	0.828	0.700	Valid
	X1.5	0.835	0.700	Valid
Product Innovation (X2)	X2.1	0.756	0.700	Valid
	X2.2	0.777	0.700	Valid
	X2.3	0.866	0.700	Valid
	X2.4	0.887	0.700	Valid
Marketing Strategy (X3)	X3.1	0.772	0.700	Valid
	X3.2	0.869	0.700	Valid
	X3.3	0.881	0.700	Valid
	X3.4	0.915	0.700	Valid
	X3.5	0.891	0.700	Valid
	X3.6	0.724	0.700	Valid
Loyalty(Y)	Y1.1	0.804	0.700	Valid
	Y1.2	0.743	0.700	Valid
	Y1.3	0.743	0.700	Valid
	Y1.4	0.806	0.700	Valid
Buying decision (Z)	Z1.1	0.867	0.700	Valid
	Z1.2	0.791	0.700	Valid
	Z1.3	0.861	0.700	Valid
	Z1.4	0.722	0.700	Valid
	Z1.5	0.730	0.700	Valid
	Z1.6	0.719	0.700	Valid

*Data source processed, SmartPls 2025*

Based on the results of the validity test above, after eliminating invalid items, valid indicator items have been produced, namely those that meet the criteria  $> 0.700$  as in the results of the factor loading table calculation above.

### ***Discriminant Validity***

Discriminant validity is tested to check whether two factors are sufficiently dissimilar to each other. The results of the validity test looking at the Discriminant Validity value are as follows:

**Table 2. Cross Loading**

	<b>MARKET ORIENTATION</b>	<b>PRODUCT INNOVATION</b>	<b>MARKETING STRATEGY</b>	<b>LOYALTY</b>	<b>BUYING DECISION</b>
<b>X1.1</b>	0.889	0.683	0.681	0.686	0.713
<b>X1.2</b>	0.944	0.759	0.774	0.755	0.768
<b>X1.3</b>	0.875	0.612	0.734	0.640	0.689
<b>X1.4</b>	0.828	0.671	0.677	0.807	0.558
<b>X1.5</b>	0.813	0.568	0.653	0.706	0.595
<b>X2.1</b>	0.744	0.814	0.665	0.752	0.697
<b>X2.2</b>	0.412	0.703	0.536	0.521	0.477
<b>X2.3</b>	0.672	0.880	0.803	0.809	0.744
<b>X2.4</b>	0.625	0.879	0.806	0.824	0.720
<b>X3.1</b>	0.581	0.692	0.776	0.772	0.658
<b>X3.2</b>	0.660	0.695	0.855	0.762	0.643
<b>X3.3</b>	0.653	0.645	0.855	0.707	0.722
<b>X3.4</b>	0.767	0.711	0.914	0.790	0.734
<b>X3.5</b>	0.807	0.808	0.927	0.808	0.797
<b>X3.6</b>	0.672	0.880	0.803	0.809	0.744
<b>Y1.1</b>	0.534	0.602	0.689	0.786	0.591
<b>Y1.2</b>	0.828	0.671	0.677	0.807	0.558
<b>Y1.3</b>	0.672	0.880	0.803	0.809	0.744
<b>Y1.4</b>	0.589	0.668	0.697	0.778	0.701
<b>Z1.1</b>	0.749	0.763	0.811	0.752	0.858
<b>Z1.2</b>	0.696	0.637	0.780	0.775	0.778
<b>Z1.3</b>	0.667	0.669	0.666	0.703	0.849
<b>Z1.4</b>	0.469	0.584	0.551	0.536	0.745
<b>Z1.5</b>	0.474	0.604	0.551	0.551	0.755
<b>Z1.6</b>	0.513	0.597	0.565	0.537	0.770

*Data source processed, Smartpls 2025*

In addition to using the Convergent Validity value, researchers also use the AVE value to test validity. For AVE value  $> 0.5$ . The validation results on the AVE value are as follows:

### ***Reliability Test***

Reliability test on the outer model by conducting an Internal Consistency Reliability test by looking at the composite reliability and cronbach alpha values. The results of the reliability test by looking at the composite reliability and cronbach alpha values are as follows:

**Table 3. Reliability Test**

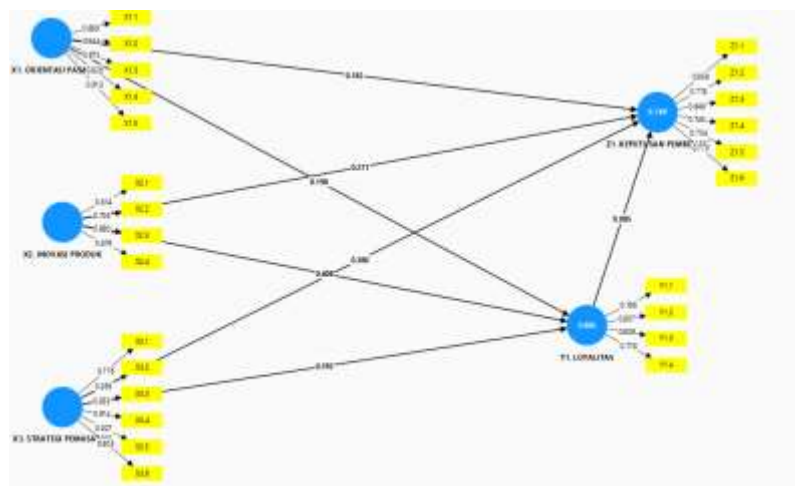
Variables	Cronbach's Alpha	Rule of Thumb	Conclusion
Market Orientation (X1)	0.916	0.500	Reliable
Product Innovation (X2)	0.841	0.500	Reliable
Marketing Strategy (X3)	0.918	0.500	Reliable
Loyalty (Y)	0.778	0.500	Reliable
Purchase Decision (Z)	0.877	0.500	Reliable

*Data source processed, Smartpls 2025*

The cross loading value can be seen by comparing the Cronbach's Alpha value on each variable with the correlation between variables. The square root of a good Cronbach's Alpha value is 0.05 or greater as in the results of table 3 above which states that all variable constructs.

**Structural Model (Inner Model)**

The inner model is a model structure used to estimate causal relationships between latent variables.



**Figure 1. Structural Model Source:**  
*Data processed by SmartPLS 2025*

**R-Square**

The interpretation of R Square in PLS SEM is the same as the interpretation in general regression which means the ability of the variable. The R-Square result shows a good indication of 0.67(Musyaffi et al., 2021). The results of R-Square are as follows:

**Table 4. R-Square Value**

Variables	R Square	R-Square Adjusted
loyalty (Y)	0.886	0.883
Purchase Decision (Z)	0.749	0.738

*Data source processed, Smartpls 2025*

Based on the test table above, it shows the R Square and R Square Adjusted numbers that have a joint influence on the variables in this study. The independent variable against the dependent variable in this study has an R Square value of 0.886 and an R Square Adjusted value of 0.883. While the independent variable against the mediating variable in this study has an R Square value of 0.749 and an R Square Adjusted value of 0.738. This can be said to have a strong relationship and influence.

**Mediation Test  
 Path Coefficient**

This study contains a mediation test on the variables. And it can also be seen if the P Values on the Specific Indirect Effect > 0.05 are Negative and vice versa. The results of the mediation test are as follows:

**Table 5. Path Coefficient Results**

	<b>Original sample (O)</b>	<b>Sample mean (M)</b>	<b>Standard deviation (STDEV)</b>	<b>T statistic ( O/STDEV )</b>	<b>P values</b>
<b>X1. MARKET ORIENTATION -&gt; Y1. LOYALTY</b>	0.198	0.197	0.069	2,884	0.002
<b>X1. MARKET ORIENTATION -&gt; Z1. PURCHASE DECISION</b>	0.182	0.170	0.092	2,372	0.010
<b>X2. PRODUCT INNOVATION -&gt; Y1. LOYALTY</b>	0.408	0.412	0.107	3.803	0.000
<b>X2. PRODUCT INNOVATION -&gt; Z1. PURCHASE DECISION</b>	0.271	0.265	0.175	2,440	0.008
<b>X3. MARKETING STRATEGY -&gt; Y1. LOYALTY</b>	0.392	0.392	0.101	3,870	0.000
<b>X3. MARKETING STRATEGY -&gt; Z1. BUYING DECISION</b>	0.380	0.380	0.135	3.166	0.001
<b>Y1. LOYALTY -&gt; Z1. PURCHASE DECISION</b>	0.085	0.102	0.198	0.430	<b>0.334</b>

*Data source processed, Smartpls 2025*

Based on the analysis results in the path coefficients table, it can be concluded that, first, the Market Orientation variable has a positive and significant influence on Loyalty, indicated by a T-statistic value of 2,884 and a P-value of 0.002 ( $P < 0.05$ ). In addition, Market Orientation also has a positive and significant influence on Purchasing Decisions, with a T-statistic value of 2,372 and a P-value of 0.010 ( $P < 0.05$ ). This finding indicates that the stronger the market orientation of a company, the greater the level of customer loyalty and their tendency to make purchases.

Second, the Product Innovation variable shows a positive and significant influence on Loyalty ( $T = 3.803$ ;  $P = 0.000$ ) and Purchase Decision ( $T = 2.440$ ;  $P = 0.008$ ). This shows that innovative efforts in product development can increase consumer emotional attachment and encourage purchase interest.

Third, the Marketing Strategy variable significantly has a positive influence on Loyalty ( $T = 3.870$ ;  $P = 0.000$ ) and Purchasing Decisions ( $T = 3.166$ ;  $P = 0.001$ ). This means that the right marketing strategy can strengthen customer loyalty while encouraging their decisions in purchasing products.

On the other hand, the Loyalty Strategy variable does not show a significant influence on Purchasing Decisions, indicated by the T-statistic value of 0.430 and the P-value of 0.334 ( $P > 0.05$ ). This indicates that the loyalty strategy currently implemented is not yet effective in influencing purchasing decisions, so further evaluation of its components is needed in order to provide more optimal results.

### Hypothesis Testing

Significance testing was performed with t-statistic values ( $>1.64$ ) and p-values ( $<0.05$ ) based on bootstrapping from SmartPLS. The test results are as follows:

- **H1:**Market Orientation → Loyalty: significant ( $t = 2.884$ ;  $p = 0.002$ )
- **H2:**Product Innovation → Loyalty: significant ( $t = 3.803$ ;  $p = 0.000$ )
- **H3:**Marketing Strategy → Loyalty: significant ( $t = 3.870$ ;  $p = 0.000$ )
- **H4:**Market Orientation → Purchase Decision: significant ( $t = 2.372$ ;  $p = 0.010$ )
- **H5:**Product Innovation → Purchase Decision: significant ( $t = 2.440$ ;  $p = 0.008$ )
- **H6:**Marketing Strategy → Purchase Decision: significant ( $t = 3.166$ ;  $p = 0.001$ )
- **H7:**Loyalty → Purchase Decision: not significant ( $t = 0.430$ ;  $p = 0.334$ )

## DISCUSSION

### Market Orientation (X1) towards Loyalty (Y)

The results of the study show that the market orientation conditions that are very supportive of increasing loyalty are at a percentage of 40-50%, where the product has a match with customer needs, the service provided is very concerned with customer satisfaction, and the products offered are superior to competitors, but 3-4% do not support the business. This shows that the market orientation variable has an influence on loyalty.

### Product Innovation (X2) on Loyalty (Y)

The results of the study show that the condition of product innovation that is very supportive of increasing loyalty is at a percentage of 40-60%, where businesses often introduce new products that are interesting to customers, the products offered always follow models or trends and this business creates unique and different products from competitors and has product innovation, only 1-7% disagree regarding the condition of product innovation on increasing loyalty. This shows that the product innovation variable has an influence on loyalty.

### Marketing Strategy (X3) towards Loyalty (Y)

The results of the study show that the marketing strategy conditions that strongly support increasing loyalty are at a percentage of 40-50%, where the business adjusts the marketing strategy according to the product life cycle stage, the business has a strong market position compared to competitors and the strategy carried out increases product competitiveness. This shows that the marketing strategy variable has an influence on loyalty.

### Market Orientation (X1) towards Purchasing Decision (Z)

The results of the Market Orientation variable (X1) on Purchasing Decisions (Z) show that the T-Statistic value =  $2.372 > 1.65$  and the P-Value value is  $0.010 < 0.05$ . This means that  $H_0$  is accepted and  $H_4$  is rejected, which means that Market Orientation (X1) has a positive and significant effect on Purchasing Decisions (Z). This study is in line with research conducted by (Rahmi et al., 2024) which explains that Market Orientation influences Purchasing Decisions. Thus  $H_1$  is accepted and  $H_0$  is rejected. Partially, Market Orientation has a positive and significant effect on purchasing decisions on MSME products.

### Product Innovation (X2) on Purchasing Decisions (Z)

The results of the Product Innovation variable (X2) on Purchasing Decisions (Z) are that the T-Statistic value =  $2.440 > 1.65$  and the P-Value value is  $0.008 < 0.05$ . This means that  $H_0$  is rejected and  $H_5$  is accepted, which means that Product Innovation (X2) has a positive and significant effect on Purchasing Decisions (Z). This study is in line with research conducted by (Putri, 2020) which explains that the Product Innovation Variable has a positive and significant effect on consumer purchasing decisions.

**Marketing Strategy (X3) on Purchasing Decisions (Z)**

The results of the Marketing Strategy variable (X3) on Purchasing Decisions (Z) are that the T-Statistic value =  $3.166 > 1.65$  and the P-Value value is  $0.001 < 0.05$ . This means that H0 is rejected and H6 is accepted, which means that Marketing Strategy (X3) has a positive and significant influence on Purchasing Decisions (Z). This study is in line with research (Effendi et al., 2022) which explains that marketing strategy has a positive and significant influence on Purchasing Decisions.

**Loyalty (Y) to Purchase Decision (Z)**

The results of the Loyalty variable (Y) on Purchasing Decisions (Z) are that the T-Statistic value =  $0.430 < 1.65$  and the P-Value value is  $0.334 > 0.05$ . This means that H0 is rejected and H7 is accepted, which means that Marketing Strategy (X3) has a negative and insignificant effect on Purchasing Decisions (Z). This study is in line with research conducted by (Purba et al., 2021)

**CONCLUSION**

The results obtained through the implementation of the research are that there are indicators that influence each variable, so it can be concluded as follows:

1. The research explains that H0 is accepted and H1 is accepted, namely that there is an influence of Market Orientation (X1) on Loyalty (Y) which is proven by the T-Statistic value =  $2.884 > 1.65$  and the P-Value value is  $0.002 > 0.05$ .
2. The research explains that H0 is rejected and H2 is accepted, namely that there is an influence of Product Innovation (X2) on Loyalty (Y) as evidenced by the T-Statistic value =  $3.803 > 1.65$  and the P-Value value is  $0.000 < 0.05$ .
3. The research explains that H0 is rejected and H3 is accepted, namely that there is an influence of Marketing Strategy (X3) on Loyalty (Y) as evidenced by the T-Statistic value =  $3.870 > 1.65$  and the P-Value value is  $0.000 < 0.05$ .
4. The research explains that H0 is accepted and H4 is accepted, namely that there is an influence of Market Orientation (X1) on Purchasing Decisions (Z) which is proven by the T-Statistic value =  $2.372 > 1.65$  and the P-Value value is  $0.010 > 0.05$ .
5. The research explains that H0 is rejected and H5 is accepted, namely that there is an influence of Product Innovation (X2) on Purchasing Decisions (Z) as evidenced by the T-Statistic value =  $2.440 > 1.65$  and the P-Value value is  $0.008 < 0.05$ .
6. The research explains that H0 is accepted and H6 is accepted, namely that there is an influence of Marketing Strategy (X3) on Purchasing Decisions (Z) which is proven by the T-Statistic value =  $3.166 < 1.65$  and the P-Value value is  $0.001 > 0.05$ .
7. The research explains that H0 is accepted and H7 is rejected, namely that there is no influence of Loyalty (Y) on Purchasing Decisions (Z) as evidenced by the T-Statistic value =  $0.430 < 1.65$  and the P-Value value is  $0.334 > 0.05$ .

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