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A Model for Improving MSME Competitiveness and Performance: The Impact of Digital Marketing, Product Innovation, and Market Orientation in The Creative Industry Sector in Southwest Sumba Regency

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Abstract: The existence of creativity-based MSMEs has significant potential for creating jobs, encouraging innovation and entrepreneurship, increasing regional income, strengthening local cultural identity, and contributing to overall economic growth through the utilization of human resources and creative ideas. The increasing number of MSMEs operating in the creative industry sector inevitably creates increasingly fierce competition. MSMEs must be able to improve their competitiveness and business performance through product innovation, marketing digitalization, and effective market orientation. The purpose of this study is to develop a model for improving the competitiveness and performance of MSMEs in the creative industry sector in Southwest Sumba Regency, East Nusa Tenggara, through three main constructs: digital marketing, product innovation, and market orientation. Data analysis was conducted using descriptive qualitative methods by systematically compiling data/information obtained from field research in the form of interviews, field notes, and documentation. The data was organized into categories to facilitate analysis. The research informants consisted of creative industry business actors, local government officials, and digital marketing practitioners. The research results show that the creative industry in Southwest Sumba Regency has superior potential, especially in the craft sub-sector (woven fabrics, handicrafts, and jewelry made from beads and metal), which combines local cultural values with commercial aesthetics. However, business actors face challenges in expanding markets, improving product quality, and adopting effective digital marketing strategies. Adopting digital marketing and product innovation, combined with a strong market orientation, can improve the competitiveness and performance of MSMEs in Southwest Sumba Regency.

Keywords: Competitiveness, MSME Performance, Digital Marketing, Product Innovation, Market Orientation, Creative Industry

INTRODUCTION

Current economic development is entering a new paradigm, shifting from a resource-based economy to a knowledge- and creativity-based economy. According to the Ministry of Trade of the Republic of Indonesia (2009), the creative industry is an industry that derives from the use of individual creativity, skills, and talents to produce specific products with the aim of creating prosperity and employment. The creative economy can take the form of employment or an industry focused on the production and distribution of regional cultural goods or services. The creative industry in Indonesia is growing. According to data from the 2020 OPUS Creative Economy Report, the creative economy sub-sector contributed IDR 1,211 trillion to the national Gross Domestic Product (GDP).

The existence of creativity-based MSMEs (Micro, Small, and Medium Enterprises) holds significant potential for creating jobs, encouraging innovation and entrepreneurship, increasing regional income, strengthening local cultural identity, and contributing to overall economic growth through the utilization of human resources and creative ideas. The increasing number of MSMEs operating in the creative industry sector inevitably creates increasingly fierce competition. MSMEs must be able to improve their competitiveness and business performance through product innovation, marketing digitalization, and effective market orientation.

The current digitalization trend cannot be ignored, especially for MSMEs in the creative industry sector. This presents both an opportunity and a barrier to ensuring their competitiveness and business sustainability in both domestic and international markets. The primary goal of digital transformation is to acquire new market data and employ a more data-driven approach, creating opportunities to gain new competitive advantages by reorienting business models. This encourages businesses to continuously innovate to maintain and enhance their competitiveness. All aspects of business operations benefit from the digital era, from how they interact with customers to implementing effective business strategies. Consumer behavior is undergoing significant changes, particularly in technology (Fatkhah and Chasanah 2024).

For micro, small, and medium enterprises (MSMEs) to thrive in the modern digital economy, technological innovation is crucial. This innovation includes the implementation of new technologies, product development focused on the needs of digital consumers, and the transformation of business processes to be more efficient and responsive. This aligns with Ernawati's (2022) opinion, which states that business innovation is crucial in today's digital era as an effort to increase the competitiveness and growth of Micro, Small, and Medium Enterprises (MSMEs).

To encourage innovation and improve business performance, enhancing the knowledge, competencies, and skills of MSMEs in the industrial sector is key. Innovation plays a role in helping a business achieve progress and improve its performance. Improving individual and team capabilities within MSMEs is likely to lead to the discovery of new solutions, the use of new technologies, and adaptation to market and technological changes (Sinambela et al., 2021). Furthermore, to increase the competitiveness and performance of MSMEs, a corporate culture is needed that implements the marketing concept of market orientation (Sefianti et al., 2020), which has been viewed by several experts as a factor that can influence a company's efforts to improve its performance. Market orientation is a measure of behavior and activities that reflect the implementation of the marketing concept. Market orientation serves as a source of inspiration for companies to implement innovative methods and is a source of competitive advantage in improving marketing performance (Tjiptono & Chandra, 2017).

The creative industry in Southwest Sumba Regency, East Nusa Tenggara Province, has significant potential, particularly in the craft subsector (woven fabrics, handicrafts, and beaded and metal jewelry), which combines local cultural values with commercial aesthetics. However, MSMEs in the creative industry sector in Southwest Sumba Regency face various challenges in expanding their market reach, improving product quality, and adopting effective digital marketing strategies and product innovation. Adopting digital marketing, product innovation,

combined with a strong market orientation, will increase the competitiveness and performance of MSMEs in the creative industry sector (Agustina, et al., 2023).

Although Sumbanese woven fabric is renowned internationally, not all weavers benefit from its value. Sumbanese woven fabric should be highly valued due to the difficult and time-consuming production process and the use of natural dyes. However, weavers often fail to maximize the benefits of their products. Likewise, crafts and jewelry from Southwest Sumba are still less competitive than those from its neighboring district, East Sumba, which is more competitive in terms of products, digital media utilization, and market orientation. The presence of middlemen actually helps artisans market their products. However, due to limited funds, woven fabrics, crafts, and jewelry are often purchased at low prices or simply consigned to the market. When living expenses increase or traditional events require funds, woven fabrics, crafts, and jewelry are often sold below fair prices (Ade et al., 2024).

In addition to sales issues dominated by the strong buyer power of middlemen, another challenge faced by weavers is the lack of creativity in their woven motifs and colors, resulting in low consumer demand. This limitation can be addressed by creating new creations without neglecting the distinctive motifs and characteristics of Sumbanese weaving.

METHOD

This study requires two types of data: primary and secondary data. Primary data is data obtained directly from primary sources through in-depth interviews related to the aspects studied, in accordance with the research problem and objectives. Primary data sources consist of stakeholders, namely the Department of Industry and Trade, the Department of Tourism and Creative Economy, and MSMEs in the creative industry sector in Southwest Sumba Regency. This study also requires quantitative data related to data on business actors in the creative economy sector in Southwest Sumba Regency.

The data required for this study will be collected through in-depth interviews, observation, and documentation. Interviews are needed to explore stakeholders' perceptions regarding the potential, competitiveness, and performance of MSMEs in the creative industry. Observations are needed to observe the behavior of MSMEs in marketing their businesses (Agustian et al., 2020). Documentation serves as a medium to strengthen the visual aspect of field observations. The instruments used include a list of interview questions, cameras/videos, and observation guides. However, in qualitative research, humans/researchers are the primary instruments in data/information collection activities (Sugiyono, 2018).

Data analysis was conducted using descriptive qualitative methods by systematically compiling the data/information obtained from field research, including interview results, field notes, and documentation. The data was organized into categories to facilitate the analysis process.

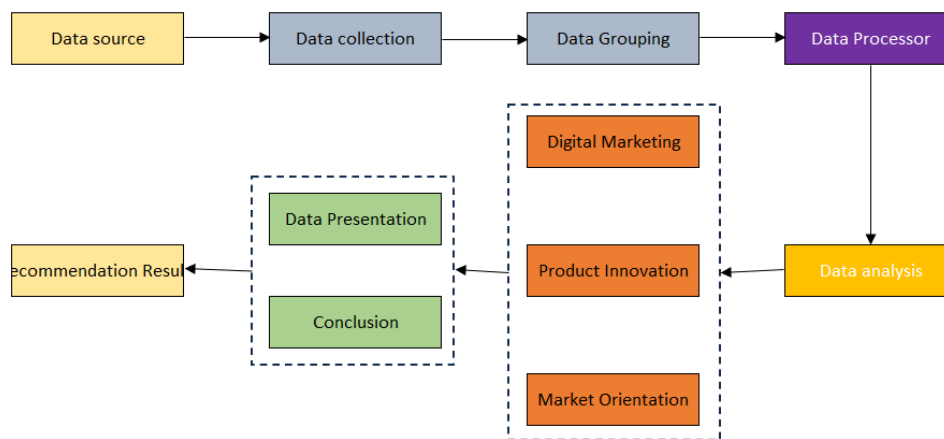
1) Qualitative Data Analysis

The qualitative analysis model used in this study is the one proposed by Milles and Huberman (1992), which states that qualitative analysis is a series of three simultaneous activities:

- a. **Data Reduction.** Data reduction is a form of analysis that sharpens, classifies, directs, discards unnecessary information, and organizes data in such a way that final conclusions can be drawn and verified.
- b. **Data Presentation.** Data presentation in qualitative research is part of the analysis process because it involves considering presentation models that facilitate understanding of data/information presented in various formats, such as brief descriptions, matrices, charts, graphs, and networks. The choice of presentation model is analytical, considering how to facilitate understanding.

c. Drawing Conclusions/Verification. Drawing conclusions as the next step relates to the nature of qualitative research, where the analysis process begins during data collection in the field. Researchers must begin to explore the meaning of the results of observations, interviews, focus group discussions, or other presented data. However, at this stage, conclusions are still loose and open, with a skeptical attitude and ongoing verification until a solid conclusion is reached. The conclusions presented are credible.

This research is a descriptive analytical study, so to obtain as much data as possible, various techniques were systematically arranged to achieve perfect data collection results. The author conducted this research using a descriptive study because it aligns with the nature of the problem and the research objectives. The descriptive analytical method aims to describe or provide an overview of a research object through samples or collected data and draw generally applicable conclusions. The descriptive method was chosen because the research relates to ongoing events and current conditions. The descriptive method is a method for examining the status of a group of people, a subject, a set of conditions, a system of thought, or a class of events in the present. The purpose of this descriptive research is to systematically describe, illustrate, or depict the relationships between the phenomena being investigated. The following is a research framework that outlines the research flow to facilitate the research process:



RESULTS AND DISCUSSION

Southwest Sumba Regency is known as a region with strong potential for handicrafts and ikat weaving. Secondary data from the Statistics Indonesia (BPS) of Southwest Sumba Regency in 2023 indicates that Southwest Sumba has cultural and handicraft potential, including handicrafts such as weaving, beaded and metal jewelry, and woven crafts.

Some handicrafts with significant potential for development include the following:

1. Tenun Ikat

Southwest Sumba woven fabrics have distinctive patterns with static and simple motifs such as stripes, geometric shapes, flowers, and plants. Southwest Sumba has three types of woven fabrics: Ikat (Makete), Songket (Lambaleko), and Embroidery (Humbi/Lumbi). Three major ethnic groups still actively weave: the Loura, Kodi, and Wewewa. These three ethnic groups have distinctly different patterns and motifs. The Kodi woven fabrics tend to be black, while the Loura woven fabrics tend to be colorful. The distinctive motifs of Southwest Sumba weaving use the Mamuli pattern and motif, which symbolize fertility and purity. The distinctive feature of Southwest Sumba woven fabrics is that they are woven with natural materials such as spun cotton and natural dyes.

2. Weaving

In Southwest Sumba Regency, weaving crafts generally utilize pandanus and bamboo fibers. In Kodi Village, the community also uses Wora bark and Kahu (Agarwood) wood to create weavings. The diverse woven crafts produced include products made from pandanus and bamboo fibers for everyday use, such as mats, betel nut bags, tissue holders, chairs and tables, lamp decorations, plate hangers, and more.

3. Beaded and Metal Jewelry

In addition to weaving and weaving, the people of Southwest Sumba Regency also create various jewelry products from beads and metal. These include Anahida (natural stone beaded bracelets and necklaces), Mamuli (earrings/pendants made of metal or stone), and other brass metal jewelry used for jewelry.

Research results indicate that the creative industry in Southwest Sumba Regency has superior potential, particularly in the craft sub-sector (woven fabrics, handicrafts, and bead and metal jewelry), which combines local cultural values with commercial aesthetics. However, businesses face challenges in expanding markets, improving product quality, and adopting effective digital marketing strategies. Adopting digital marketing and product innovation, combined with a strong market orientation, can improve the competitiveness and performance of MSMEs in Southwest Sumba Regency.

The creative industry in Southwest Sumba Regency still lags behind the potential and development of the creative industry in East Sumba Regency. Southwest Sumba, as a region with significant tourism potential, needs support by improving the competitiveness and performance of MSMEs in the creative industry sector, which are the main pillars of tourism, which will boost the economy.

Based on data obtained from various sources and field observations, the creative industry sector in Southwest Sumba Regency, particularly for ikat weaving, woven crafts, and jewelry, is underdeveloped and under-demanded by the market. The lack of more diverse and unique product innovations and the lack of digital literacy through promotion and the use of digital marketing are some of the factors that support the low competitiveness of creative industry products in Southwest Sumba. Southwest Sumba woven works have a static feel and limited colors when compared to East Sumba woven fabrics which are more diverse in terms of both patterns and colors. East Sumba's qualified woven commodities and crafts result in a better economic cycle than West Sumba. Although Pasola ceremonies are often held in Southwest Sumba and many tourists visit, the crafts and woven products are less developed and in demand by the market.

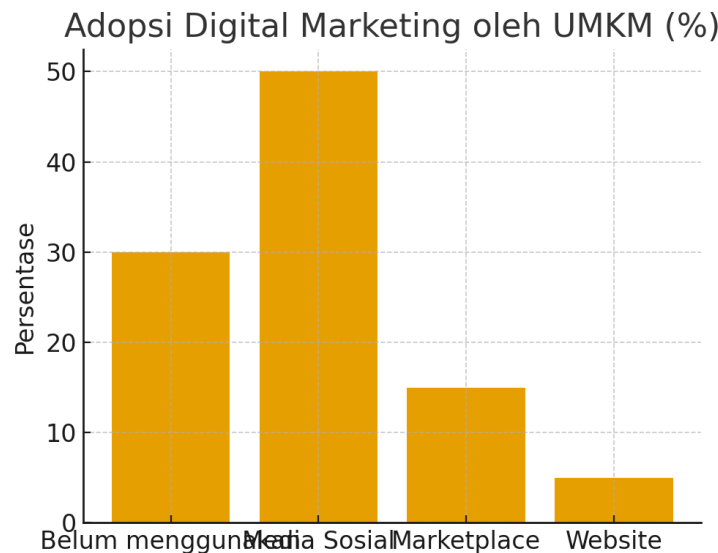
Table 4.1 Aspects of Competitiveness of the Creative Industry Sector in Southwest Sumba

Aspect	Strengths	Weaknesses	Opportunities
Human Resources:	High creativity	Lack of management training	Capacity building
Capital	Government support	Limited business capital	Access to microcredit
Technology	Starting to use social media	Low digital literacy	Digital marketing training
Market	Unique cultural products	Limited reach	Online market expansion

Besides the lack of product innovation, other challenges facing the creative industry sector in Southwest Sumba include limited digital infrastructure, low motivation and literacy, particularly regarding digital technology, and a lack of government support for implementing

digital marketing to expand market reach nationally and globally. Most creative industry players in Southwest Sumba still market their products conventionally. Interviews with business owners revealed that limited internet access and the knowledge and skills to adopt digital marketing are key challenges. Furthermore, limited funding for managing financial administration and bookkeeping digitally is also a concern.

Figure 4.1 Adoption of Digital Marketing by MSMEs in Southwest Sumba



Based on the figure above, it can be seen that digital marketing adoption by MSMEs in the creative industry sector in Southwest Sumba is still limited. Observations and interviews conducted during the research process indicate that MSMEs in the creative industry sector in Southwest Sumba use a variety of marketing methods. Many creative entrepreneurs still use traditional marketing methods, selling their products and services directly to the market, but some have also adopted the latest marketing trends, namely marketing through social media, marketplaces, and websites.

Interviews with government officials revealed that the Tourism and Creative Economy Office has conducted minimal data on the number of creative businesses that have adopted digital marketing as a marketing tool. Therefore, definitive data on the number of digital-based creative businesses cannot be presented. The search for creative businesses that have used digital marketing was conducted through direct interviews with the businesses and through social media searches, particularly Facebook, which is the most popular platform for digital marketing of woven products, crafts, and jewelry.

In terms of market orientation, creative businesses in Southwest Sumba are not yet fully aware of how to respond to market needs and desires by creating products that meet consumer needs and tastes. Woven products, in particular, lack creativity and innovation in the use of color and patterns, and have not yet diversified their woven fabrics into ready-to-wear goods such as clothing, bags, shoes, and other products that better align with current market trends and consumer needs. Business owners believe that the motifs and patterns of woven fabrics are cultural characteristics and, if changed, would diminish the essence of the fabric itself. Furthermore, because the target market is still limited to local communities who only use woven fabrics for traditional and religious ceremonies, they feel no need to innovate.

Woven craft and jewelry products also face similar challenges. The lack of product innovation and creative ideas in creating attractive jewelry that meets consumer needs means Southwest Sumba's handicrafts and weaving are less competitive locally, nationally, and even globally. Product limitations and diversification, as well as ineffective marketing strategies, are

major obstacles to maximizing the potential of crafts and jewelry to meet market needs and tastes.

Based on an in-depth and comprehensive analysis of the internal and external environment of creative MSMEs in Southwest Sumba, a strategic model for increasing the competitiveness of MSMEs in Southwest Sumba Regency was formulated through 3 (three) main components, namely:

Digital Marketing

The use of digital technology allows businesses to enhance their professionalism and reach a wider market than traditional marketing methods. Digital marketing strategies for MSMEs in the creative industry can be implemented in various ways, including:

1. Optimizing the use of digital media such as social media, marketplaces, and websites to market their products. MSMEs can expand their market reach and build relationships with customers through branding and promotional strategies through digital platforms like Instagram, Facebook, and WhatsApp to build a strong and visually appealing brand and promote their products. Additionally, businesses can utilize marketplaces like TikTok, Shopee, Tokopedia, and others to reach more consumers throughout Indonesia and abroad.
2. Utilizing websites can also be an option for marketing products and providing comprehensive product information available 24/7, facilitating MSME product transactions. Through digital strategies, businesses can create engaging and high-quality marketing content, such as creative product photos and videos.
3. Southwest Sumba's weaving, crafts, and jewelry, which have high cultural value, can utilize storytelling strategies to promote products through videos that convey the cultural values contained within the product. This can build emotional connections with customers and differentiate them from competitors. Additionally, other digital marketing tools can be utilized, such as Google Ads, Google Shopping, My Business, and so on.

Product Innovation

Product innovation plays a crucial role in enhancing the competitiveness of MSMEs in the creative industry sector. Creativity is essential for creative industry players to discover original and unique ideas, which are crucial for achieving competitive advantage. Findings by Bashor and Chamdan (2017) revealed that creativity has a significant impact on competitive advantage. Innovation is crucial for the creative industry to win the competition and acquire new customers (Hana, 2023).

In the context of MSMEs in the creative industry sector in Southwest Sumba, several product innovation strategies can be implemented to improve business performance and competitiveness, such as:

1. Market research to understand consumer needs and tastes so that products are relevant and in demand.
2. Product diversification by developing existing products, changing designs, and adding new functions to enhance their utility, such as creating woven clothing, bags, and shoes, and developing rattan crafts into more modern products, such as furniture, bags, home decor, and value-added recycled products.
3. Adapting product innovation to emerging market trends

Product innovation to enhance the competitiveness and performance of creative businesses in Southwest Sumba will increase competitive advantage, product appeal, and consumer loyalty. Product innovation can also increase efficiency, reducing production costs and the ability to respond quickly and intelligently to market needs.

Market Orientation

According to Albort et al., (2016), a market orientation strategy helps companies obtain critical information about market needs and trends, thereby improving decision-making capabilities and tailoring their offerings. When operating in the creative industry, entrepreneurs in Southwest Sumba Regency can implement various effective market orientation strategies in the following ways:

1. Conducting in-depth market research and analysis to gather information on consumer preferences, desires, and tastes, and conducting competitor analysis to identify strengths and weaknesses.
2. Adapting products to focus on the needs and desires that are more relevant to the target market.
3. Developing quality products through product innovation.
4. Utilizing digital technology for marketing and market reach.
5. Building strong customer relationships by fostering loyalty.

CONCLUSION

Based on the research results and discussion, the following conclusions can be drawn:

1. The competitiveness and performance of MSMEs in the creative industry sector in Southwest Sumba have significant potential, particularly in the craft sub-sector (woven fabrics, handicrafts, and beaded and metal jewelry), which combines local cultural values with commercial aesthetics. However, businesses face challenges in expanding their markets, improving product quality, and adopting effective digital marketing strategies.
2. The market orientation, sustainable product innovation, and digital marketing strategies implemented by businesses in the creative industry sector in Southwest Sumba have not yet optimally strengthened and improved the competitiveness and performance of MSMEs in the creative industry sector.
3. Based on an in-depth and comprehensive analysis of the internal and external environments of creative MSMEs in Southwest Sumba, a strategic model for increasing the competitiveness of MSMEs in Southwest Sumba Regency is formulated through three main components: digital marketing, product innovation, and sustainable product orientation.

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