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The Influence of Market Orientation, Product Innovation, Digital Marketing, and Brand Equity on Business Performance in Creative Startups

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ABSTRACT

This study investigates the influence of market orientation, product innovation, digital marketing, and brand equity on business performance in creative startups in Indonesia. Utilizing a quantitative research approach, data were collected from 250 founders and managers of startups across various creative sectors. Respondents completed a structured questionnaire using a 5-point Likert scale. The data were analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS 3.0). The results reveal that all four variables—market orientation, product innovation, digital marketing, and brand equity—have a significant and positive effect on business performance. Among them, brand equity emerged as the strongest predictor. The model explained 67.1% of the variance in business performance, with all constructs demonstrating good reliability, validity, and predictive relevance. These findings underscore the strategic importance of customer orientation, innovation, digital engagement, and brand strength in enhancing startup performance in Indonesia's growing creative economy.

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1. INTRODUCTION

The rise of the digital economy and the rapid development of creative industries have transformed the business landscape in Indonesia, giving birth to a wave of creative startups that contribute significantly to economic growth and innovation. These startups, often led by young entrepreneurs, thrive on the synergy between creativity, technology, and market responsiveness. However, sustaining business performance amidst dynamic consumer behavior and intense competition remains a major challenge. To address this, strategic attention must be given to several key factors, including market orientation, product innovation, digital marketing, and brand equity. Market adaptability is a critical factor for startup success, as it allows businesses to respond effectively to changing consumer demands and market conditions [1], while understanding customer needs and preferences helps tailor offerings to enhance satisfaction and loyalty [2]. Innovation is also essential for maintaining competitiveness in the creative industry; startups must continuously develop new products and services to meet evolving market demands [1],

with digitalization playing a key role by enabling technology-driven product development and operational efficiency [3]. In parallel, utilizing digital platforms such as e-commerce and social media is vital for promoting creative products and engaging with consumers [3], and effective digital marketing strategies can expand market reach and improve brand visibility, which are crucial for startup growth [2]. Finally, building strong brand equity can differentiate startups in a crowded market, fostering customer trust and loyalty [2], and a well-defined value proposition combined with consistent brand messaging forms the backbone of a successful brand strategy [2].

Market orientation refers to a company's ability to understand and respond to customer needs and market trends, and in a fast-changing environment, startups must adopt a proactive market orientation to remain competitive and relevant. Product innovation, on the other hand, is essential for differentiation and delivering unique value to customers; it not only drives customer satisfaction but also fosters brand loyalty and long-term profitability. The synergy between market orientation and product innovation is critical for startups to thrive, as their integration enhances competitive edge, customer satisfaction, and sustainable growth. Market orientation comprises key components such as customer and competitor orientation and interfunctional coordination, which are vital for capturing market dynamics and aligning internal processes accordingly [4]. This strategic approach places the customer at the core of business operations to ensure effectiveness across departments [5]. Meanwhile, product innovation enables firms to create distinctive value, fueling loyalty and competitive differentiation [6]. Innovation orientation empowers businesses to proactively shape their external environment and alter comparative advantages for strategic benefit [7]. When combined, market orientation and innovation support a deeper understanding of both customer behavior and competitive forces, contributing to improved organizational performance [7]. Moreover, a strong market orientation supported by higher-order learning processes facilitates radical innovation, a necessity for maintaining relevance in dynamic markets [8]. Tools such as the ICON measurement scale evaluate how firms align with strategic archetypes that blend market and innovation orientations, which is especially impactful in turbulent business environments [7]. Ultimately, organizations that emphasize generative learning and pursue continuous radical innovation are better equipped to sustain long-term competitive advantages [8].

The digital revolution has brought digital marketing to the forefront as a cost-effective and powerful tool for customer acquisition, engagement, and retention, especially for startups seeking to build strong connections with target audiences, gain real-time insights, and expand their market reach. By leveraging digital channels such as social media, SEO, and content marketing, startups can significantly enhance brand equity—comprising brand awareness, perceived quality, and customer loyalty—which in turn helps differentiate their offerings and improve overall business performance. Social media platforms like Instagram, Facebook, and LinkedIn play a crucial role in increasing brand visibility and fostering customer trust [9], while tools such as SEO and content marketing enable startups to overcome geographical barriers and reach broader audiences [10]. Direct engagement through online channels further strengthens relationships and builds brand awareness [10]. Additionally, digital marketing proves more cost-effective than traditional advertising, allowing startups to optimize limited resources and use data-driven insights to target audiences more precisely [11]. However, startups must also navigate challenges like budget limitations, lack of technical expertise, and intense competition when implementing digital strategies [9]. Therefore, continuous innovation and strategic integration of digital marketing are essential for achieving growth and success in today's dynamic and digitally-driven environment [12].

While these factors have been studied independently in various business contexts,

limited research has examined their combined impact on business performance specifically within creative startups in Indonesia. This study aims to fill that gap by empirically investigating the influence of market orientation, product innovation, digital marketing, and brand equity on business performance in the Indonesian creative startup sector.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Market Orientation and Business Performance

Market orientation is a strategic approach that focuses on understanding and responding to customer needs, making it highly relevant for creative startups in dynamic markets. It involves collecting market intelligence, coordinating across functions, and maintaining a customer-centric mindset, all of which enhance firm performance. Market-oriented firms are better positioned to deliver customer value and achieve competitive success by aligning products with market demands [13]. Studies have shown a positive link between market orientation and business performance, particularly through improved responsiveness in uncertain environments [14], [15]. This approach supports growth by creating superior value [15], though its effectiveness can vary depending on strategy and environmental conditions [14]. A key distinction lies between 'market driven' firms, which respond to existing needs, and 'market shaping' firms, which actively influence market preferences [16]. Despite its benefits, inconsistencies in defining and implementing market orientation remain, suggesting the need for further research to fully understand its impact and application [17]

H1: Market orientation has a positive and significant effect on business performance.

2.2 Product Innovation and Business Performance

Product innovation is a critical component for startups, functioning as both a catalyst for growth and a tool for survival in increasingly competitive markets. It involves creating new or significantly improved goods or services to address emerging customer needs and shifting market demands. Rooted in Schumpeterian theory, innovation is recognized as a fundamental driver of entrepreneurship and economic development—particularly pertinent for creative startups whose success often depends on offering novelty and uniqueness [18]. Product innovation enhances market value, attracts new customer segments, and strengthens brand perception, thereby playing a central role in improving overall performance. In an experience-driven economy, where customer satisfaction is paramount, product innovation is essential for firm growth and competitive differentiation [19]. It requires a structured management framework that spans conceptualization to commercialization [20] and integrates various innovation types to remain aligned with strategic objectives and agile in the face of market fluctuations [21]. By materializing a company's value proposition through both tangible and intangible assets, product innovation becomes a core element of the business model and a source of sustainable advantage [22]. Nevertheless, its implementation is fraught with challenges, including rapidly changing consumer preferences, fierce competition, and uncertainty in predicting future trends [20]. Thus, effective product innovation demands a disciplined, agile approach often led by small, empowered teams capable of representing broader organizational interests while adapting swiftly to dynamic environments [19].

H2: Product innovation has a positive and significant effect on business performance.

2.3 Digital Marketing and Business Performance

Digital marketing is a powerful and cost-effective tool for startups to boost brand visibility, engage customers, and drive business growth. Through platforms like social media, content marketing, and SEO, startups can overcome geographical barriers and reach wider audiences—essential for scaling operations. These strategies enable personalized and real-time engagement with target markets, strengthening customer relationships and loyalty [10]. Online channels such as search engines and email marketing further expand reach and brand awareness [23], while tools like SEO and PPC allow startups to optimize limited resources and improve conversion rates with minimal costs [10], [11]. Additionally, real-time interaction and data analytics help refine marketing strategies, improve performance, and support informed decision-making [10], [11].

H3: Digital marketing has a positive and significant effect on business performance.

2.4 Brand Equity and Business Performance

Brand equity is a vital asset for creative startups, as it strongly shapes customer perceptions, preferences, and loyalty, ultimately influencing overall firm performance. Aaker's model—comprising brand awareness, brand associations, perceived quality, and brand loyalty—is widely adopted in branding literature and supported by empirical findings. Brand awareness plays a foundational role by ensuring consumers can recognize and recall the brand, which is essential in the purchasing process; for instance, in the case of Oppo smartphones, brand awareness was shown to significantly contribute to brand equity [24]. Brand associations, or the mental connections consumers form with a brand, help create a favorable and distinctive brand image, thereby enhancing brand equity [25]. Perceived quality, representing a consumer's judgment of a product's overall excellence, generally strengthens brand equity, though context-specific variations exist—as shown in the Oppo study, where perceived quality had a negative impact [24]. Brand loyalty, often viewed as the core of brand equity, drives repeat purchases and positive word-of-mouth; this was evident in the ACE Hardware Indonesia case, where loyalty significantly influenced customer decisions [24], [26]. For creative startups operating in consumer-driven, innovation-centric markets, cultivating strong brand equity provides a strategic edge by increasing customer retention, pricing power, and long-term competitiveness.

H4: Brand equity has a positive and significant effect on business performance.

3. RESEARCH METHODS

3.1 Research Design

This study adopts a quantitative research design to investigate the influence of market orientation, product innovation, digital marketing, and brand equity on business performance in creative startups in Indonesia. A causal-explanatory approach is employed to examine the direct relationships among the constructs using statistical analysis.

3.2 Population and Sample

The target population includes owners, co-founders, managers, and decision-makers of creative startups operating in various subsectors such as fashion, design, media, digital content, and crafts in Indonesia. These startups are typically characterized by innovation, creativity, and the intensive use of technology or intellectual capital.

A non-probability purposive sampling technique was used to select respondents who possess knowledge and decision-making authority within the startups. The sample size consisted of 250 respondents, considered adequate for SEM-PLS analysis based on the recommendation by Hair et al. (2019) for

complex models with multiple constructs and indicators.

3.3 Data Collection

Data were collected through an online structured questionnaire distributed via email, social media, and startup communities. Prior to distribution, the questionnaire was pre-tested with 15 respondents to ensure clarity, reliability, and validity. The final questionnaire consisted of demographic questions and measurement items for each construct, all assessed using a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).

3.4 Variable Measurement

Each variable was measured using indicators adapted from validated scales in previous research. Market Orientation (MO) was adapted from Narver and Slater (1990), assessed through items reflecting customer orientation, competitor orientation, and inter-functional coordination. Product Innovation (PI) followed the framework of Calantone et al. (2002), capturing aspects of novelty, uniqueness, and technological advancement of new products. Digital Marketing (DM) was measured using indicators derived from Chaffey and Ellis-Chadwick (2019), focusing on digital engagement, platform utilization, and content effectiveness. Brand Equity (BE) was based on the models of Aaker (1991) and Yoo et al. (2000), encompassing brand awareness, perceived quality, brand associations, and brand loyalty. Lastly, Business Performance (BP) employed subjective performance metrics from Wiklund and Shepherd (2005), including growth in revenue, customer satisfaction, market share, and profitability.

3.5 Data Analysis Technique

Data analysis was conducted using Structural Equation Modeling with Partial Least Squares (SEM-PLS) through the SmartPLS 3.0 software, which is suitable for predictive modeling and theory development, particularly in exploratory research with a moderate sample size. The analysis comprised two main stages. The first stage was the evaluation of the Measurement Model (Outer Model), which aimed to assess construct reliability and validity, including indicator reliability (loading > 0.7), internal consistency reliability (Cronbach's alpha and composite reliability > 0.7), convergent validity (Average Variance Extracted or AVE > 0.5), and discriminant validity using the Fornell-Larcker criterion and HTMT ratio. The second stage involved the Structural Model (Inner Model) evaluation, which tested the hypotheses by examining path coefficients (β), t-statistics ($t > 1.96$ for 5% significance), p-values ($p < 0.05$), R^2 values to determine the model's explanatory power, and effect sizes (f^2) to assess practical significance.

4. RESULTS AND DISCUSSION

4.1 Demographic Profile of Respondents

The demographic profile of the respondents provides a comprehensive overview of the creative startup actors who participated in this study, with a total of 250 valid responses collected from various regions across Indonesia. In terms of gender distribution, the respondents showed a relatively balanced composition, with 145 males (58%) and 105 females (42%), indicating inclusivity within the creative startup landscape. Age-wise, the majority were within the productive and entrepreneurial age range, consisting of 65 respondents under 25 years (26%), 120 aged 25–35 years (48%), 52 aged 36–45 years (21%), and 13 respondents over 45 years (5%). Regarding educational background, most participants were well-educated, with 30 respondents (12%) having completed high school or equivalent, 160 (64%) holding undergraduate degrees, and 60 (24%) having postgraduate qualifications.

The startup sector distribution revealed diverse representation across Indonesia's creative economy. The largest segments included fashion and design (75 respondents or 30%), digital content and

multimedia (55 respondents or 22%), crafts and handmade products (45 respondents or 18%), advertising and creative services (40 respondents or 16%), and other subsectors such as culinary, gaming, and performing arts (35 respondents or 14%). The startups also varied in terms of business maturity: 85 respondents (34%) had operated for less than 2 years, 103 (41%) for 2 to 5 years, and 62 (25%) for more than 5 years. In terms of organizational roles, participants predominantly held strategic or leadership positions, including 133 founders or co-founders (53%), 80 managers or team leaders (32%), and 37 in other executive roles such as marketing heads or innovation leads (15%), ensuring that the responses reflected insights from key decision-makers within the startups.

4.2 Measurement Model (Outer Model) Evaluation

The purpose of the outer model evaluation is to assess the validity and reliability of the measurement indicators used in the study, which is crucial for ensuring that the constructs are measured accurately. This evaluation involves four key criteria: (1) indicator reliability, examined through loading factors where values above 0.700 indicate acceptable reliability; (2) internal consistency reliability, measured using Cronbach's Alpha (CA) and Composite Reliability (CR), both of which should exceed 0.700 to confirm consistency across items; (3) convergent validity, assessed using Average Variance Extracted (AVE), which should be greater than 0.500 to confirm that the indicators sufficiently represent the construct; and (4) discriminant validity, tested using both the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio to ensure that each construct is distinct from the others. In this study, all retained indicators demonstrated sufficient outer loadings above 0.700, supporting the indicator reliability requirement.

Table 1. Outer Loadings, CA, CR, and AVE for Each Construct

Construct	Indicator Code	Loading Factor	CA	CR	AVE
Market Orientation	MO1	0.833	0.812	0.877	0.642
	MO2	0.812			
	MO3	0.712			
	MO4	0.768			
Product Innovation	PI1	0.847	0.836	0.891	0.671
	PI2	0.815			
	PI3	0.728			
	PI4	0.779			
Digital Marketing	DM1	0.820	0.807	0.873	0.598
	DM2	0.801			
	DM3	0.701			
	DM4	0.745			
Brand Equity	BE1	0.854	0.855	0.902	0.699
	BE2	0.841			
	BE3	0.730			
	BE4	0.779			
Business Performance	BP1	0.865	0.832	0.890	0.684
	BP2	0.833			
	BP3	0.744			
	BP4	0.769			

Source: Results processing data by author's (2025)

The results of the outer model evaluation show that all constructs in this study—Market Orientation, Product Innovation, Digital Marketing, Brand Equity, and Business Performance—meet the recommended validity and reliability

criteria in SEM-PLS analysis. All indicators across the five constructs have loading factors above 0.700, ranging from 0.701 to 0.865, indicating strong individual indicator reliability. This suggests that each item is highly correlated with its corresponding latent construct, as seen in indicators such as MO1 (0.833) and BP1 (0.865), which significantly contribute to explaining Market Orientation and Business Performance, respectively. Internal consistency was also confirmed using Cronbach's Alpha (CA) and Composite Reliability (CR), where all constructs reported CA values above 0.80 and CR values above 0.87, demonstrating strong internal consistency and reliability. Notably, Brand Equity (CR = 0.902) and Product Innovation (CR = 0.891) showed the highest reliability scores, indicating excellent coherence among their indicators. Furthermore, the Average Variance Extracted (AVE) for all constructs exceeded the 0.50 threshold, meaning that more than 50% of the variance in indicators is captured by their respective constructs. Strong convergent validity was particularly evident in Brand Equity (AVE = 0.699) and Business Performance (AVE = 0.684), confirming that the indicators consistently reflect the intended conceptual dimensions.

This criterion compares the square root of the AVE with the correlations between constructs. The square root of AVE for each construct should be greater than its correlation with any other construct.

Table 2. Fornell-Lacker

Construct	MO	PI	DM	BE	BP
Market Orientation	0.801				
Product Innovation	0.452	0.819			
Digital Marketing	0.398	0.425	0.773		
Brand Equity	0.431	0.487	0.446	0.836	
Business Performance	0.493	0.524	0.475	0.561	0.827

Source: Results processing data by author's (2025)

4.3 Measurement Model (Outer Model) Evaluation

All diagonal values (√AVE, in bold) exceed the corresponding inter-construct correlations, confirming discriminant validity across all constructs. Each construct is empirically distinct from the others. Market Orientation (√AVE = 0.801) and Product Innovation (√AVE = 0.819) show their highest correlations with Business Performance (0.493 and 0.524 respectively), yet both remain below their √AVE, indicating conceptual separation. Digital Marketing (√AVE = 0.773) shows moderate correlations with Brand Equity (0.446) and Business Performance (0.475), while Brand Equity (√AVE = 0.836) has its highest correlation with Business Performance (0.561), still below the threshold. Business Performance (√AVE = 0.827), as the dependent construct, is meaningfully linked to all independent constructs, particularly Brand Equity and Product Innovation, but remains clearly distinct within the model.

All HTMT values were found to be below the conservative threshold of 0.90, further supporting discriminant validity.

Table 3. HTMT

Construct Pair	HTMT Value
Market Orientation – Product Innovation	0.573
Market Orientation – Digital Marketing	0.508
Market Orientation – Brand Equity	0.537
Market Orientation – Business Performance	0.612

Construct Pair	HTMT Value
Product Innovation – Digital Marketing	0.581
Product Innovation – Brand Equity	0.614
Product Innovation – Business Performance	0.659
Digital Marketing – Brand Equity	0.582
Digital Marketing – Business Performance	0.621
Brand Equity – Business Performance	0.702

Source: Results processing data by author's (2025)

HTMT (Heterotrait-Monotrait) ratio is one of the most recommended methods for assessing discriminant validity due to its sensitivity in detecting high correlations between constructs. An HTMT value below 0.90—or more conservatively, below 0.85—indicates that constructs are empirically distinct. Based on the table, all construct pairs show HTMT values below 0.85, even well under the conservative threshold. The highest value is observed between Brand Equity and Business Performance (0.702), which, while indicating a strong theoretical and empirical relationship, still confirms that the constructs are statistically distinct. Other pairs such as Market Orientation–Product Innovation (0.573), Product Innovation–Digital Marketing (0.581), and Digital Marketing–Brand Equity (0.582) show moderate values, reflecting reasonable strategic connections among constructs in the creative startup context without significant overlap.

4.4 Structural Model (Inner Model) Evaluation

The structural model evaluation (inner model) aims to assess the relationships between the latent constructs as proposed in the research hypotheses. This evaluation involves analyzing the path coefficients, t-statistics, p-values, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). The analysis was conducted using SmartPLS 3.0.

a. Collinearity Assessment (VIF)

Before evaluating the structural paths, multicollinearity was tested using Variance Inflation Factor (VIF) values. VIF values below 5 indicate no critical multicollinearity issue.

Table 4. VIF

Construct	VIF
Market Orientation → Business Performance	2.013
Product Innovation → Business Performance	2.197
Digital Marketing → Business Performance	1.894
Brand Equity → Business Performance	2.328

Source: Results processing data by author's (2025)

All VIF values are below the threshold of 5.0, indicating that multicollinearity is not a concern.

b. Hypothesis Testing

The hypothesis testing results, including original sample (OS), t-statistics, and p-values, are shown in the table below.

Table 5. Hypothesis Testing

	Relationship	Original Sample (OS)	t-Statistic	p-Value	Conclusion
H1	Market Orientation → Business Performance	0.292	4.013	0.000	Supported
H2	Product Innovation → Business Performance	0.336	4.528	0.000	Supported
H3	Digital Marketing → Business Performance	0.263	3.679	0.000	Supported

	Relationship	Original Sample (OS)	t-Statistic	p-Value	Conclusion
H4	Brand Equity → Business Performance	0.359	5.147	0.000	Supported

Source: Results processing data by author's (2025)

All hypothesized paths in the structural model are positive and statistically significant at the 5% level, confirming the support for all four proposed hypotheses. For H1 (Market Orientation to Business Performance), the OS of 0.292 and t-statistic of 4.013 indicate a significant positive effect, suggesting that a higher level of market orientation—such as understanding customer needs and being responsive to market changes—enhances business performance. This aligns with the theory that market insight forms the foundation for value creation and competitive advantage, particularly in dynamic creative industries. H2 (Product Innovation to Business Performance) is supported by a OS of 0.336 and t-statistic of 4.528, emphasizing that innovation in product design, functionality, and user experience contributes positively to startup performance, in line with literature highlighting innovation as a key driver of competitiveness and business sustainability. H3 (Digital Marketing to Business Performance) also shows a significant effect (OS = 0.263; t = 3.679), indicating that digital marketing strategies—such as social media, digital content, SEO, and online advertising—effectively enhance customer reach, brand visibility, and ultimately business outcomes, which is particularly relevant for creative startups relying on digital platforms. Lastly, H4 (Brand Equity to Business Performance) reveals the strongest impact (OS = 0.359; t = 5.147), demonstrating that strong brand equity—encompassing perceived quality, brand awareness, customer loyalty, and brand associations—is a critical factor in driving business success, customer retention, profitability, and long-term survival in competitive markets.

c. Coefficient of Determination (R^2)

The R^2 value represents the proportion of variance in the endogenous variable, in this case Business Performance, that is explained by the exogenous variables. The analysis shows that Business Performance has an R^2 value of 0.671, meaning that 67.1% of its variance can be explained by the combined influence of Market Orientation, Product Innovation, Digital Marketing, and Brand Equity. Based on the criteria proposed by Hair et al. (2019), this value is considered substantial in the context of social science research, indicating a strong explanatory power of the model.

d. Effect Size (f^2)

The effect size (f^2) is used to assess the relative contribution of each exogenous construct to the R^2 value of the endogenous construct, providing insight into how much each predictor variable influences the outcome. According to commonly accepted guidelines, an f^2 value of 0.02 indicates a small effect, 0.15 a medium effect, and 0.35 a large effect. This metric helps to evaluate not just whether a relationship is significant, but also the magnitude of its practical impact within the structural model.

Table 6. Effect Size

Relationship	f^2 Value	Interpretation
Market Orientation → Business Performance	0.105	Small to Medium Effect
Product Innovation → Business Performance	0.148	Medium Effect

Relationship	f^2 Value	Interpretation
Digital Marketing → Business Performance	0.096	Small to Medium Effect
Brand Equity → Business Performance	0.165	Medium Effect

Source: Results processing data by author's (2025)

The effect size (f^2) analysis provides further insight into the relative influence of each exogenous variable on business performance. Market Orientation shows a small to medium effect ($f^2 = 0.105$), indicating that while understanding customer needs and being responsive to market changes contributes to performance, its influence is complementary rather than dominant. Product Innovation demonstrates a medium effect ($f^2 = 0.148$), highlighting its substantial role in enhancing business outcomes through novel and differentiated products, which is especially vital in the creative industry. Digital Marketing has a small to medium effect ($f^2 = 0.096$), suggesting that although digital strategies are important—particularly for startups relying heavily on online channels—their impact is somewhat less than that of innovation or brand strength. Brand Equity exhibits the highest and medium-level effect ($f^2 = 0.165$), confirming its critical importance in driving business performance. A strong brand fosters positive perception, customer loyalty, and competitive advantage, making it a key strategic asset for startups seeking long-term growth and sustainability.

e. Predictive Relevance (Q^2)

Using the blindfolding procedure, the Q^2 value was calculated to assess the predictive relevance of the structural model. A Q^2 value greater than 0 signifies that the model has predictive capability for the endogenous construct. In this study, the Q^2 value for Business Performance is 0.412, indicating strong predictive relevance. This suggests that the exogenous variables—Market Orientation, Product Innovation, Digital Marketing, and Brand Equity—collectively provide substantial predictive power for explaining variations in business performance within the context of creative startups.

4.5 Discussion

a. Market Orientation and Business Performance

The positive and significant relationship between market orientation and business performance demonstrates that creative startups prioritizing customer understanding and responsiveness are more likely to achieve superior performance outcomes. This finding is consistent with the foundational research of Narver and Slater (1990), as well as Jaworski and Kohli (1993), which underscores the critical roles of customer focus, competitor awareness, and inter-functional coordination in driving organizational success. Customer orientation, in particular, entails identifying and addressing both stated and latent customer needs, allowing firms to generate value and increase satisfaction in fast-changing markets such as Indonesia's creative sector [27], [28]. Equally important is competitor orientation, which equips firms with insights to anticipate market shifts and refine strategies, as demonstrated in export ventures by Indonesian firms [27], [29].

Inter-functional coordination, the third pillar of market orientation, refers to the collaboration across departments to deliver consistent and superior value to customers. This internal alignment has proven particularly impactful among Indonesian SMEs, where it has emerged as the strongest determinant

of business performance—highlighting its strategic importance within the creative economy [27], [30]. In the context of Indonesia's dynamic and rapidly evolving creative sector, effective market orientation empowers startups to stay relevant, swiftly adapt to emerging trends, and offer products and services that align closely with consumer expectations. This holistic approach to market orientation—encompassing customer, competitor, and inter-functional dimensions—not only enhances responsiveness but also lays a solid foundation for sustainable growth and competitiveness in increasingly saturated markets.

b. Product Innovation and Business Performance

Product innovation has a strong positive influence on business performance, underscoring its central role in driving the growth and sustainability of creative startups. This aligns with prior studies [31], which highlight that innovative firms are better equipped to meet evolving market demands, differentiate their offerings, and maintain a competitive advantage. In the creative industry, where novelty and originality are key to consumer appeal, continuous innovation in products and services becomes essential for attracting and retaining customers. Both incremental and radical innovations are needed—incremental improvements help maintain relevance, while radical innovations introduce breakthroughs that reshape markets [32]. The ability to innovate is also influenced by environmental factors and organizational characteristics, with smaller and younger firms often having greater flexibility to adapt and experiment [32]. Effective innovation management involves structured processes that support idea generation, evaluation, and development, while cultivating a culture that encourages creativity [33]. However, innovation is not without challenges; firms frequently face barriers, especially when launching novel offerings, making it crucial to recognize and overcome these obstacles for sustained performance [34]. In creative industries specifically, entrepreneurs must strike a balance between commercial viability and creative expression to foster innovation that not only resonates with audiences but also sustains business success [35].

c. Digital Marketing and Business Performance

Digital marketing was found to significantly enhance business performance, reinforcing the importance of digital engagement strategies—such as content marketing, search engine optimization, social media campaigns, and influencer partnerships—as essential tools for creative startups to expand reach, build strong customer relationships, and drive sales. This aligns with existing research emphasizing the role of digital platforms in enabling real-time interaction and personalized marketing, offering resource-constrained startups a scalable and cost-effective means to compete with larger firms and strengthen brand presence. Social media platforms like Instagram, Facebook, and LinkedIn play a pivotal role in increasing brand visibility and fostering customer trust, allowing startups to engage segmented audiences at low costs, with 87% of SMEs in Brazil using social media as their primary marketing channel and 65% reporting increased sales from targeted campaigns [36]. Content marketing through blogs, e-books, and educational videos helps attract, engage, and convert potential

customers, creating long-term value and boosting brand presence—startups investing in quality content have seen a 30% increase in traffic and improved conversion rates [36]. Paid advertising, including Google Ads and Facebook Ads, when strategically implemented, can deliver substantial returns—startups allocating at least 15% of their marketing budget to paid ads experienced a 25% growth in sales within six months [36]. However, despite these benefits, many startups face obstacles such as limited budgets, lack of technical expertise, and intense competition, making skill development and strategic planning essential to fully leverage digital marketing [37], [38].

d. Brand Equity and Business Performance

Among the four predictors, brand equity had the strongest effect on business performance, underscoring its strategic significance in the creative sector. A strong brand fosters consumer trust, emotional connections, and perceived value—factors that drive customer loyalty and enable premium pricing—aligning with Aaker's (1991) theory on brand equity and empirical findings that highlight its financial and market benefits. Brand awareness, as a foundational component, ensures that consumers recognize and recall a brand, leading to greater market share and customer retention [39], while brand associations—the mental links consumers form with a brand—enhance perceived value and differentiation, contributing to sustained competitive advantage [40]. Perceived quality, another critical element, significantly influences brand loyalty, as customers tend to evaluate brands more positively and remain loyal when they perceive superior quality—vital for startups aiming to build strong market presence [41]. At the core of brand equity is brand loyalty, which provides long-term strategic value by reducing price sensitivity and encouraging brand advocacy, thereby boosting sales and market share [26], [42]. Additionally, proprietary brand assets, such as trademarks and patents, help protect unique brand elements and strengthen a firm's competitive position [40]. For creative startups, investing in brand development is not merely a marketing activity but a long-term strategy for achieving sustainable competitive advantage and fostering lasting customer relationships.

e. Theoretical and Practical Implications

Theoretically, this study validates an integrated model that positions strategic orientation (market orientation), innovation capability, marketing execution (digital marketing), and brand management as key drivers of startup performance. By applying this framework within the context of creative startups in a developing economy, the research contributes to the existing literature by offering empirical evidence that supports the interplay of these constructs in enhancing business outcomes, particularly in dynamic and resource-constrained environments like Indonesia.

Practically, the findings offer actionable insights for startup founders and managers. They are encouraged to foster a market-oriented culture by actively gathering market intelligence and responding to evolving customer needs, prioritize product innovation through creativity and user-centric design, and leverage digital marketing for targeted outreach, engagement, and performance tracking. Furthermore, they should invest in building strong brand equity through consistent

messaging, storytelling, and delivering high perceived value. These insights can also inform policymakers and incubators in designing capacity-building programs that strengthen these strategic capabilities within the startup ecosystem.

5. CONCLUSION

This study concludes that market orientation, product innovation, digital marketing, and brand equity each play a significant and positive role in enhancing the business performance of creative startups in Indonesia. The results demonstrate that startups that are responsive to market needs, engage in continuous innovation, utilize digital platforms effectively, and build strong brand identities are more likely to experience sustained growth and competitive advantage. Brand equity, in particular, showed the highest influence on performance, highlighting the value of strategic brand development. These insights provide a useful reference for startup founders, practitioners, and policymakers in designing growth-oriented strategies that leverage customer focus, innovation capability, digital tools, and brand positioning. Future research may explore mediating or moderating factors such as entrepreneurial orientation, ecosystem support, or digital readiness to deepen understanding of performance drivers in the creative startup context.

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