

**THE INFLUENCE OF CUSTOMER ORIENTATION ON MSME  
PERFORMANCE, WITH SOCIAL MEDIA ADOPTION  
AS A MODERATION VARIABLE  
(STUDY ON MSME CULINARY SECTOR IN PEKANBARU CITY)**

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*ABSTRACT*

*The aim of this research is to examine the influence of customer orientation on MSME performance mediated by social media adoption. This research was conducted with a research sample of 115 respondents in the culinary sector of MSMEs in Pekanbaru City. This research adopts a quantitative approach with a descriptive point of view. Sampling is usually done randomly. Structural Equation Modeling software based on Partial Least Square (SEM-PLS). The results of this research show that customer orientation and social media adoption have a direct relationship with the performance of MSMEs. In an indirect relationship, customer orientation influences MSME performance through social media adoption.*

**Keywords:** *Customer orientation, performance, social media adoption*

## **INTRODUCTION**

As times progress, the development of Micro, Small and Medium Enterprises (MSMEs) in an area has become quite influential on the economy of that area. MSMEs have also been recognized as a driving force for economic growth capable of creating jobs. However, MSMEs in Indonesia are currently facing a difficult situation amidst changes in the business environment which is becoming increasingly complex and competition is getting tougher along with the rapid flow of free trade which means competition comes from all corners, domestic, regional and even global.

One way to assess whether a business has good marketing progress or not is to look at its marketing performance. Performance (business performance) refers to the level of achievement of the company in a certain period which is said to be good if it is marked by good sales growth and profit. which is always increasing and capital is always increasing. Marketing performance is generally used to measure the impact of company strategy and is one aspect in determining business performance which can improve if the company is able to choose and implement the right approach.

Apart from companies paying attention to marketing performance, companies must also pay attention to customer orientation as the main factor for improving marketing and sales performance. Customer orientation is a company's willingness to understand the needs and desires of its customers. So companies must focus on customers to provide good service to customers, because by providing

good service, customers will feel satisfied and ultimately decide to make repeat purchases.

The touch of information technology, namely the use of social media via the internet, has become one of the trends in marketing efforts for MSME products in Indonesia, especially those located in big cities. They chose Social Media to use in marketing because it is considered to have diversity in supporting the marketing of their products which have the characteristics of 'home/hand made' products with limited production quantities. With the status update feature which can always be done at any time and anywhere, the internet network service coverage feature which can be accessed anywhere is an advantage of Social Media as a marketing tool for MSME products. The goal of many forms of social media sites is primarily to get people involved. Through the involvement of many people or users, the Social Media created will further expand the marketing reach of MSME products. Creating user involvement in Social Media is not only carried out by MSME products which are relatively unknown in society, but is also widely used by consumer goods producers who are already well-known in the market to keep customers using their products. Recent business trends actually show an increase in business investment in terms of marketing development through Social Media applications.

The development of MSMEs in the culinary sector in Pekanbaru City is mushrooming in Pekanbaru despite the Corona pandemic. However, there are also many culinary entrepreneurs who cannot survive due to tough

business competition. The Head of Bapenda also conveyed the issue regarding the difficulty of surviving the culinary business sector as follows:

*"Competition in the culinary business is very tough. In one day, we can get 10 restaurants or cafes signing up. "However, there were 20 restaurants and cafes which closed on the same day," said Head of the Pekanbaru City Regional Revenue Agency (Bapenda) Zulhelmi Arift<sup>4</sup>.*

The Chairperson of the Riau Province Association of Indonesian Jasaboga Organizers (PPJI), Alfa Frisa Septania, said that when COVID-19 first hit the world, various activities were stopped, including activities in the culinary sector, as follows:

*After going through adjustments to the effects of COVID-19, business actors must be technologically literate in order to trade online. "In fact, many new business actors have emerged who are trying their luck in doing culinary business online," said Frisa.<sup>5</sup>*

Given the marketing problems and ability to survive in the culinary sector, researchers are interested in analyzing more deeply the factors that influence the marketing performance of MSMEs which can be traced from customer orientation factors with the adoption of social media as a mediator.

## **THEORETICAL BASIS**

### **Customer Orientation**

According to Nurfarida et al. explains that customer orientation is a company's ability to identify, understand and respond to what the market wants with the aim of achieving competitive advantage. Companies that have a strong customer orientation tend to prioritize the needs of their customers for the current and future. Being customer oriented will attract customers to buy products and services which will increase the company's opportunity to grow. Meanwhile Lubis et al. explains that customer orientation is a type of organizational orientation in which the needs of consumers become the basis for an organization to be able to plan or design its business strategy. Customer orientation can be used more successfully in small companies because of the more natural interactions between business owners and consumers than experienced by large companies. Meanwhile, according to Islam & Zhe, a customer-oriented organization will lead to new

services or product development, where these activities will have an impact on organizational performance.

The concept of customer orientation can be interpreted as a deep understanding of customer purchasing targets with the aim of creating superior value for customers continuously. Understanding here includes understanding the entire buyer's value chain, both currently and in future developments. A comprehensive understanding of the buyer's value chain can be achieved through obtaining information about customers and knowledge of the political and economic constraints faced by each level in the distribution channel.

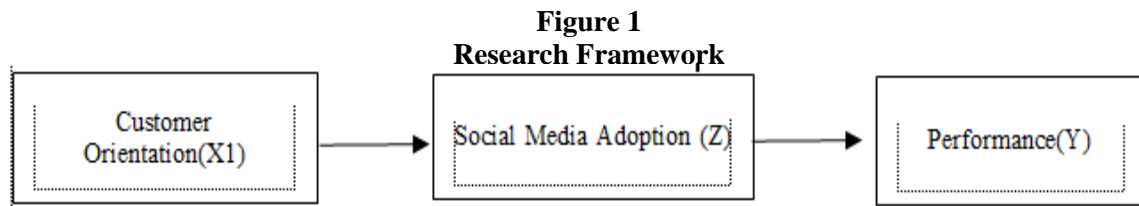
### **MSME performance**

According to Neneh, a company's performance is a very multidimensional thing where the measurement of a company's performance is usually measured from financial and non-financial based indicators. Company performance is a very important criterion in evaluating companies which is measured by comparing company performance from the previous year. Financial factors are something that is very important to pay attention to when discussing the performance of a company. A similar thing was also stated by Akmesese et al., where the performance of a company can be measured through financial performance with the use of social media being a factor in improving its performance. Marketing Performance plays an important role in the business world for the survival of the company. Business performance is a measure of achievement obtained from the overall marketing process activities of a company or organization. Marketing performance can also be viewed as a concept used to measure the extent to which market performance has been achieved by a product produced by a company

### **Social Media Adoption**

Social media is defined as internet-based capabilities and technology resources that enable its use to strengthen the synergy of an organization. The importance of using social media in an organization in various fields, namely research and development, sales, customer support, operations, and also marketing. The impact of using social media is in terms of purchasing decisions by consumers, where the use of social media can increase brand recognition and get feedback from consumers, which provides benefits for business actors for market research data.

**RESEARCH FRAMEWORK**



Source: Research Journal

**Research Hypothesis**

The hypothesis in this research is

- H1 : Suspected customer orientation influence on performance
- H2 : Suspected adoption of social media influence on performance
- H3 : Suspected customer orientation influence performance through social media adoption

**RESEARCH METHODOLOGY**

This research is a study that applies a descriptive approach using quantitative methods. Quantitative methods are used to explore certain aspects of selected populations and samples, where sample collection is usually carried out randomly. Data is collected using appropriate research tools, and data analysis is carried out using a quantitative or statistical approach, aiming to test the hypothesis that has been formulated.

**Table 1**  
**Variables and dimensions**

Variable	Definition	Dimensions	Scale
Customer Orientation	a company's ability to identify, understand and respond to what the market wants with the aim of achieving competitive advantage	Customer Focus Competitor Customer Value	Likert
Performance	A very important criterion in evaluating a company which is measured by comparing the company's performance from the previous year	Sales Volume Customer Growth Profitability	Likert
Social Media Adoption	internet-based capability resources and technology that enable their use to strengthen the synergy of an organization	Innovator Final follower	Likert

Source: Processed Results, 2024

**RESULTS AND DISCUSSION**

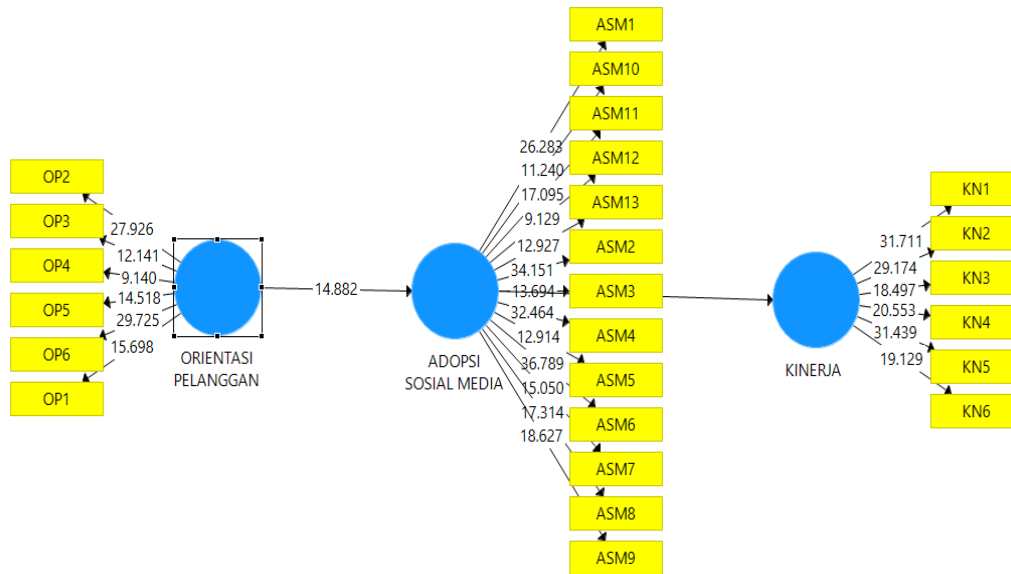
Testing this research hypothesis uses a Structural Equation Model (SEM) approach utilizing Partial Least Square (PLS). PLS is a variant of component-based structural equation modeling (SEM). SEM, a branch of statistical analysis, allows the simultaneous assessment of a series of complex relationships that are difficult to measure. According to Ghozali, PLS-based SEM presents an alternative shift from a covariance-based SEM approach to a variance-based approach. This research will utilize path analysis through Structural Equation Model (SEM) with

Partial Least Squares (PLS) using Smart PLS 3.3 software.

**Outer Model Testing (Measurement Model)**

This research includes analysis with the help of Smart PLS 3.0 Software using the Partial Least Square (PLS) method. Assessment of the indicators that form the reliability and validity of the latent construct is carried out by examining the results of the measurement model (outer model). Attached below is a path algorithm diagram for this research.

**Figure 2 Path Algorithm**



Source: Smart PLS 3.0 Data Processed Results, 2024

External models containing reflective indicators were assessed using confirmatory factor analysis, which involves examining convergent validity and discriminant validity.

**Convergent Validity Test Results**

**Table 2**  
**Construct Loading Factor Value**

	Social Media Adoption	Performance	Customer Orientation
ASM1	0.846		
ASM10	0.770		
ASM11	0.840		
ASM12	0.745		
ASM13	0.781		
ASM2	0.866		
ASM3	0.789		
ASM4	0.874		
ASM5	0.832		
ASM6	0.892		
ASM7	0.827		
ASM8	0.855		
ASM9	0.856		
KN1		0.881	
KN2		0.889	
KN3		0.852	
KN4		0.858	
KN5		0.885	
KN6		0.844	
OP2			0.864
OP3			0.709
OP4			0.706
OP5			0.821
OP6			0.857
OP1			0.817

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on the results in Table 2, it can be seen that each construct has an outer loading value > 0.60. Thus, the remaining indicator values can be

considered appropriate or valid for research purposes and can be used for further analysis.

**Discriminant Validity Test Results**

**Table 3 Construct Cross Loading Value**

	<b>SOCIAL MEDIA ADOPTION</b>	<b>PERFORMANCE</b>	<b>CUSTOMER ORIENTATION</b>
ASM1	<b>0.846</b>	0.790	0.786
ASM10	<b>0.770</b>	0.681	0.635
ASM11	<b>0.840</b>	0.632	0.603
ASM12	<b>0.745</b>	0.572	0.533
ASM13	<b>0.781</b>	0.602	0.518
ASM2	<b>0.866</b>	0.819	0.799
ASM3	<b>0.789</b>	0.739	0.765
ASM4	<b>0.874</b>	0.715	0.726
ASM5	<b>0.832</b>	0.664	0.667
ASM6	<b>0.892</b>	0.735	0.686
ASM7	<b>0.827</b>	0.710	0.644
ASM8	<b>0.855</b>	0.711	0.629
ASM9	<b>0.856</b>	0.656	0.607
KN1	0.731	<b>0.881</b>	0.728
KN2	0.750	<b>0.889</b>	0.742
KN3	0.626	<b>0.852</b>	0.660
KN4	0.772	<b>0.858</b>	0.711
KN5	0.767	<b>0.885</b>	0.743
KN6	0.734	<b>0.844</b>	0.668
OP2	0.696	0.690	<b>0.864</b>
OP3	0.557	0.514	<b>0.709</b>
OP4	0.566	0.553	<b>0.706</b>
OP5	0.651	0.662	<b>0.821</b>
OP6	0.774	0.805	<b>0.857</b>
OP1	0.582	0.645	<b>0.817</b>

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on the results in Table 3, each construct shows a higher correlation value between the construct and its indicators compared to the correlation value with other constructs. Therefore,

it can be concluded that all latent constructs or variables show strong discriminant validity in forming their respective variables.

**Average Variant Extracted (AVE) Test Results, Construct Reliability**

**Table 4 MarkAverage Variant Extracted(AVE), Construct Reliability**

	<b>Cronbach's Alpha</b>	<b>rho_A</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
<b>SOCIAL MEDIA ADOPTION</b>	<b>0.962</b>	<b>0.965</b>	<b>0.966</b>	<b>0.689</b>
<b>PERFORMANCE</b>	<b>0.935</b>	<b>0.937</b>	<b>0.949</b>	<b>0.754</b>
<b>CUSTOMER ORIENTATION</b>	<b>0.885</b>	<b>0.896</b>	<b>0.913</b>	<b>0.638</b>

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on the data in Table 4, it can be concluded that this construct has good reliability because the Cronbach's alpha value is greater than 0.75, which is in accordance with the specified

minimum value limit. Apart from that, rho\_A also has a value of more than 0.70, which indicates that all latent variables have met the specified criteria. Furthermore, if we look at the composite reliability

value, the value also exceeds 0.70, shows that the questionnaire used is reliable with a high level of reliability coefficient. This shows that each variable used has a high level of reliability coefficient, and each construct has a good

correlation between the items in reliable model testing. Therefore, it can be concluded that all construct variables meet the reliability requirements.

**Inner Model Testing (Measurement Model)**

**R Square Test Results**

**Table 5 MarkR SquareConstruct**

	R Square	R Square Adjusted
<b>SOCIAL MEDIA ADOPTION</b>	0.651	0.648
<b>PERFORMANCE</b>	0.712	0.710

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on the data in Table 5, we can see that the R-square for the social media adoption concept is 0.651, which can be concluded that the influence of the customer orientation concept on social media adoption is around 65.1%, while the remaining 34.9% can be attributed to other factors not examined in this study. Furthermore, the R-

square for performance is 0.712, which means that the impact of customer orientation on performance is approximately 71.2%, with the remaining 28.8% can be explained by other factors not included in this study.

**Hypothesis Test Results**

**Table 6 Hypothesis Test Results (Direct Effect)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>Social Media Adoption -&gt; Performance</b>	0.844	0.840	0.042	20,329	<b>0,000</b>
<b>Customer Onboarding -&gt; Social Media Adoption</b>	0.807	0.805	0.054	14,882	<b>0,000</b>
<b>Customer Onboarding -&gt; Performance</b>	0.681	0.678	0.070	9,674	<b>0,000</b>

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on Table 6, the following hypothesis conclusions can be drawn:

**1. Influence of Customer Orientation on Performance**

Based on the data listed in the table, we can observe that the calculated t value is 9,674, while the t-statistic value is 1.98 (9,674 > t-table 1.98). Apart from that, the p-value is also smaller than alpha (0.000 < 0.05). Therefore, we can conclude that the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. The research results show that customer orientation has a significant influence on performance.

**2. Influence Social Media Adoption on Performance**

Based on the data listed in the table, we can observe that the calculated t value is 20.329, while the t-statistic value is 1.98 (20.329 > t-table 1.98). Apart from that, the p-value is also smaller than alpha (0.000 < 0.05). Therefore, we can conclude that the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. The research results show that social media adoption has a significant influence on performance.

**Table 7 Hypothesis Test Results (In-Direct Effect)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>Customer Onboarding -&gt; Social Media Adoption -&gt; Performance</b>	0.681	0.678	0.070	9,674	<b>0,000</b>

Source: Smart PLS 3.0 Data Processed Results, 2024

Based on Table 7, the following hypothesis conclusions can be drawn:

**3. Influence of Customer Orientation on Performance Through Social Media Adoption**

Based on the data listed in the table, we can observe that the calculated t value is 9,674, while the t-statistic value is 1.98 ( $9,674 > t\text{-table } 1.98$ ). Apart from that, the p-value is also smaller than alpha ( $0.000 < 0.05$ ). Therefore, we can

conclude that the null hypothesis ( $H_0$ ) is rejected, and the alternative hypothesis ( $H_a$ ) is accepted. The research results show that customer orientation has a significant influence on performance through social media adoption.

Based on the results of this research, the following is a recapitulation of the results of the research hypothesis:

**Table 8**  
**Recapitulation of Hypothesis Testing Results**

Hypothesis	Statement	Probability Value	Level of Significance	Results
H1	Suspected customer orientation influence on performance	0,000	0.05	Accepted
H2	Suspected adoption of social media influence on performance	0,000	0.05	Accepted
H3	Suspected customer orientation influence performance through social media adoption	0,000	0.05	Accepted

Source: Smart PLS 3.0 Data Processed Results, 2024

**DISCUSSION**

Based on the results of the research that has been carried out, researchers can implement the following things:

**1. Influence of Customer Orientation on Performance**

The research results show that customer orientation has a significant influence on performance. This shows that the stronger the customer orientation possessed by MSME players, the greater the influence on MSME performance. The results of this research are in line with the theory which states that a deep understanding of customer purchasing targets has the aim of creating superior value for customers continuously. so that the performance of MSMEs gets better. The results of this research are in line with the results of research conducted by Rifqi Yudanta Febriansyah, Fajar Sidiq Adi Prabowo (2023) which stated that customer orientation has a significant influence on performance.

**2. Influence Social Media Adoption on Performance**

The research results show that social media adoption has a significant influence on performance. This shows that the better the use of social media by MSME actors, the greater the influence on MSME performance. The results of this research are in line with the theory which states that most companies, especially small scale

ones, tend to rely on their marketing via Social Media to expand the market share of their products. This happens because the budget for MSMEs in the marketing sector is relatively low or not even taken into account, so using the internet, especially Social Media, could be the cheapest marketing method with a wide reach to customers and potential buyers of their products. The results of this research are in line with the results of research conducted by Evi Septiana Pane (2014) which states that social media adoption has a significant influence on performance.

**3. Influence of Customer Orientation on Performance Through Social Media Adoption**

The research results show that customer orientation has a significant influence on performance through social media adoption. This shows that the better the use of social media by MSME actors, the greater the influence it will have on MSME performance and if it is mediated. Customer orientation is placed by researchers as the highest priority in terms of providing superior values to customers. Where customers are the most important thing in selling a product and determine the success of the product. So if it is mediated by the adoption of social media, it will still have a good influence on performance. The results of this research are in line with the results of research conducted by Syed Zamberi Ahmad, Abdul Rahim

Abu Bakar, Norita Ahmad (2018) which stated that customer orientation has a significant influence on performance through social media adoption.

## CONCLUSION

1. Customer orientation influence on performance
2. Social media adoption influences performance
3. Customer orientation influences performance through social media adoption.

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