The Roles of Marketing Competencies, Product Innovation, and Decentralization in Driving Consumer Loyalty on Creative MSMEs

Safitri Nurhidayati
Universitas Muhammadiyah Berau; Berau, Indonesia
E-Mail: safitri.nurhidayati@ui.ac.id

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ABSTRACT

Indonesia's creative industry, a key economic driver, faces challenges in marketing management competencies, impacting product innovation and consumer loyalty. This study explores how these competencies influence innovation and loyalty in subsectors like fashion, culinary, and handicrafts, with decentralization as a moderating factor. The objectives are to assess the effect of marketing management competencies on product innovation and consumer loyalty and to examine decentralization's role in shaping business performance. A quantitative survey was conducted with 412 micro, small, and medium enterprises across 15 provinces, using Structural Equation Modeling for analysis. Findings show that marketing management competencies significantly enhance product innovation ($\beta = 0.742$, $p < 0.001$) and consumer loyalty ($\beta = 0.658$, $p < 0.001$), with product innovation mediating this relationship (indirect effect = 0.293, $p < 0.01$). Decentralization strengthens these effects in regions with robust local policies, with the Creative Marketing Competence Index revealing 67% higher innovation and 52% better retention for high-scoring enterprises. The study concludes that strengthening marketing competencies and leveraging decentralized policies are crucial for enhancing competitiveness in Indonesia's creative industry, offering practical insights for enterprises and policymakers.

***Keywords**: Consumer Loyalty, Creative Industry, Decentralization, Marketing Management Competence, Product Innovation, SMEs Performance.*

ABSTRAK

Industri kreatif Indonesia, penggerak ekonomi utama, menghadapi tantangan dalam kompetensi manajemen pemasaran, yang berdampak pada inovasi produk dan loyalitas konsumen. Studi ini mengeksplorasi bagaimana kompetensi ini memengaruhi inovasi dan loyalitas dalam subsektor seperti fesyen, kuliner, dan kerajinan tangan, dengan desentralisasi sebagai faktor moderasi. Tujuannya adalah untuk menilai pengaruh kompetensi manajemen pemasaran terhadap inovasi produk dan loyalitas konsumen dan untuk memeriksa peran desentralisasi dalam membentuk kinerja bisnis. Sebuah survei kuantitatif dilakukan dengan 412 usaha mikro, kecil, dan menengah di 15 provinsi, menggunakan Pemodelan Persamaan Struktural untuk analisis. Temuan menunjukkan bahwa kompetensi manajemen pemasaran secara signifikan meningkatkan inovasi produk ($\beta = 0.742$, $p < 0.001$) dan loyalitas konsumen ($\beta = 0.658$, $p < 0.001$), dengan inovasi produk memediasi hubungan ini (efek tidak langsung = 0.293, $p < 0.01$). Desentralisasi memperkuat dampak ini di wilayah-wilayah dengan kebijakan lokal yang kuat, dengan Indeks Kompetensi Pemasaran Kreatif menunjukkan inovasi 67% lebih tinggi dan retensi 52% lebih baik bagi perusahaan-perusahaan dengan skor tinggi. Studi ini menyimpulkan bahwa penguatan kompetensi pemasaran dan pemanfaatan kebijakan desentralisasi sangat penting untuk meningkatkan daya saing industri kreatif Indonesia, yang menawarkan wawasan praktis bagi perusahaan dan pembuat kebijakan.

***Kata kunci**: Loyalitas Konsumen, Industri Kreatif, Desentralisasi, Kompetensi Manajemen Pemasaran, Inovasi Produk, Kinerja UKM.*

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INTRODUCTION

Indonesia's creative industry has undergone a significant transformation since the implementation of decentralization policies in the reform era. According to the Creative Economy Agency, the contribution of the creative economy to the national GDP reached 7.44%, equivalent to Rp 1.211 trillion, with an average annual growth of 5.8% (Syafitri & Nisa, 2024). However, the industry faces challenges in marketing management competencies, particularly in leveraging digital strategies and fostering innovation to maintain competitive advantage (Jadhav et al., 2023). Despite this growth, the main challenge for Micro, Small, And Medium Enterprises (MSMEs) in the creative industry is the limited competence in marketing management, which directly impacts their ability to innovate products and sustain consumer loyalty.

Decentralization has reshaped Indonesia's economic landscape by granting regions greater autonomy to develop local potential, including creative industries such as fashion, culinary, and handicrafts (Fahmi et al., 2017; Wiryawan & Otchia, 2022). Research by Johnson et al. (2023) indicates that 73% of creative industry MSMEs have experienced increased market access following decentralization policies. However, a paradox emerges: while decentralization expands market opportunities, many MSMEs struggle with inadequate marketing competencies to capitalize on these opportunities. This paradox is evident in the limited adoption of digital marketing strategies, with many MSMEs still relying on traditional approaches that fail to meet evolving consumer demands (Wiweko & Anggara, 2025). Data from the Central Statistics Agency reveals that 68% of creative industry MSMEs have not adopted effective digital marketing strategies, highlighting a critical bottleneck in their growth (BPS, 2023).

The research gap lies in the limited understanding of how marketing management competencies influence product innovation and consumer loyalty within the context of Indonesia's creative industry, particularly under the influence of decentralization. According to Sahoo et al. (2023), while marketing competencies are critical for innovation in manufacturing, their role in creative industries, especially in emerging markets like Indonesia, remains underexplored. Similarly, D'souza et al. (2022) note that innovation mediates the relationship between market orientation and MSME performance, but few studies integrate decentralization as a moderating factor. Previous research, such as that by Williams and Davis (2022), has focused on decentralization's challenges in developing countries but lacks a specific focus on its interplay with marketing competencies in creative industries. Moreover, there is a scarcity of integrative models that simultaneously examine marketing management competencies, product innovation, and consumer loyalty in the Indonesian context, particularly in subsectors like fashion, culinary, and handicrafts (Putra et al., 2022).

The novelty of this research lies in the development of an integrative model that links marketing management competencies with multiple outcomes, product innovation and consumer loyalty, while considering decentralization as a moderating variable. This study introduces the Creative Marketing Competence Index (CMCI), a tailored tool designed to measure marketing competencies specific to the creative industry, addressing the gap in context-specific measurement frameworks (Wulandari et al., 2022).

The purpose of this research is to thoroughly understand the relationship between marketing management competencies and key performance aspects of Indonesia's creative industry. Specifically, this study aims to, analyze the extent to which marketing management competencies affect product innovation in creative industry subsectors, examine their impact on consumer loyalty, and explore decentralization's role as a moderating variable that may strengthen or weaken the relationship between marketing competencies and business performance. By leveraging data from MSMEs across 15 provinces, including dominant subsectors like fashion (28.4%), culinary (24.3%), and handicrafts (18.7%), this study seeks to provide evidence-based insights for enhancing competitiveness. Based on the findings, this research expects to offer strategic recommendations to boost the competitiveness and sustainability of Indonesia's creative industry amid increasingly dynamic market conditions.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Marketing Management Competencies and Product Innovation

Marketing management competencies encompass the knowledge, skills, and abilities required to design, implement, and evaluate effective marketing strategies. According to Day (1994), these competencies enable organizations to align resources with market needs, creating a competitive edge. In the context of Indonesia's creative industry, these competencies include digital marketing literacy, brand management, consumer insights, and creative content creation, which are critical for MSMEs to thrive in dynamic markets (Kotler et al., 2016; Dyatmika et al., 2023; Susano, 2024). The Resource-Based View (RBV) theory posits that marketing competencies are strategic resources that foster sustainable competitive advantages (Alvarez et al., 2024).

Teece (2021) further supports this through the Dynamic Capability Theory, emphasizing that marketing competencies allow firms to sense market opportunities, adapt strategies, and innovate effectively. The Customer-Centric Marketing Theory, which emphasizes the importance of customer insight and relationship management in building long-term loyalty strong loyalty emerges when firms align their marketing competencies and innovative product strategies with the evolving needs and preferences of their target customers (Kotler et al., 2016). This is particularly relevant for creative industry MSMEs, where rapid market changes demand agility. For instance, Nurani et al. (2020) highlight that human resource competencies, including marketing skills, are vital for Indonesian MSMEs to protect intellectual property and enhance market performance. These competencies enable MSMEs to differentiate their offerings in subsectors like fashion and culinary, aligning with consumer preferences. The integration of digital tools, such as social media and analytics, further enhances these capabilities, as noted by Jadhav et al. (2023), who emphasize the role of digital marketing in improving MSME competitiveness. By grounding this study in RBV and Dynamic Capability theories, it explores how marketing competencies drive innovation and loyalty in Indonesia's creative industry.

H1: Marketing management competencies has a significant effect on product innovation.

Marketing Management and Consumer Loyalty

Marketing management competencies directly influence innovation by enabling firms to identify consumer needs and translate them into unique offerings (Golfetto & Gibbert, 2006; Tidd, 2006; Zerbini et al., 2007). For example, Andjarwati et al. (2021) found that entrepreneurial characteristics, including marketing skills, significantly enhance innovation and marketing performance in Indonesian MSMEs. Similarly, consumer loyalty in the digital age is driven by emotional and experiential connections rather than transactional interactions (Urdea et al., 2021; Rusnaini et al., 2024; Haris, 2025). Kumar and Reinartz (2022) argue that digital loyalty programs strengthen customer retention by fostering emotional bonds, a critical factor for creative industries reliant on brand storytelling. Marketing competencies, such as brand management and creative content, facilitate these connections.

Moreover, marketing management competencies, particularly in brand management, content creation, and consistency in marketing communications, can strengthen consumer emotional and psychological attachment to a brand. Empirical evidence supports this: a study by Sugiarto and Suryanadi (2019) found that core elements of brand management (such as brand innovativeness, customer orientation, self-relevance, and social responsibility) significantly influence brand commitment and, ultimately, brand loyalty among Indonesian consumers. By effectively managing brand identity and ensuring that offerings resonate with consumers' values and lifestyle, firms can transform functional interactions into deeper brand-consumer relationships that foster long-term loyalty.

Furthermore, in the digital age, marketing management competencies expand beyond traditional dimensions, encompassing content marketing, digital communication, and engagement strategies. Research investigating content marketing shows that well-crafted, relevant, and interactive content (e.g., informative articles, engaging videos, two-way communication) increases consumer engagement and perceived value, thereby promoting brand loyalty (Julaeha, 2024).

H2: Marketing management competencies has a significant effect on consumer loyalty.

Product Innovation as a Mediator

Product innovation in the creative industry involves developing new products or enhancing existing ones in terms of design, functionality, and customer experience. Tidd and Bessant (2021) identify four dimensions of creative product innovation: aesthetic, functional, experiential, and sustainable innovation, all of which are critical for MSMEs in subsectors like handicrafts and culinary. D'souza et al. (2022) demonstrate that innovation mediates the relationship between market orientation and MSME performance, suggesting that marketing competencies indirectly enhance loyalty through innovative products. In Indonesia, where MSMEs dominate the creative sector, strong marketing skills enable firms to build trust and loyalty.

Moreover, product innovation that addresses multiple dimensions, aesthetic, functional, experiential, and sustainability, can deeply influence consumer loyalty by offering products that not only meet basic needs but also deliver differentiated value and meaning. For example, a study on MSMEs in the weaving handicraft sector found that modernizing traditional designs, diversifying product forms (like bags and accessories), and incorporating sustainable materials significantly foster customer loyalty (Dewi & Samari, 2025). When customers perceive a product as unique, culturally relevant, or environmentally conscious, their emotional attachment and satisfaction increase, leading to stronger loyalty over time. Furthermore, product innovation often enhances perceived value and trust, which are fundamental drivers of repeat purchase behavior and long-term loyalty. Research among Indonesian MSMEs shows that innovation improves competitive advantage and business sustainability, indicating that innovative products help firms maintain customer interest and loyalty even in volatile or competitive markets (Sawitri et al., 2023).

H3: Product innovation has a significant positive effect on consumer loyalty.
H4: Product innovation mediates the relationship between marketing management competence and consumer loyalty.

Decentralization as a Moderator

Decentralization provides regions with autonomy to promote local creative industries through tailored policies and reduced bureaucratic barriers. Johnson et al. (2023) note that decentralization in Southeast Asia has enhanced market access for creative MSMEs, enabling them to leverage local resources. However, challenges such as fragmented markets and uneven resource distribution persist. Williams and Davis (2022) highlight that decentralization in developing countries often leads to disparities in infrastructure, affecting MSMEs' ability to compete. In Indonesia, decentralization since the reformasi era has spurred creative industry growth, but marketing competencies remain critical for capitalizing on these opportunities.

Sastra et al. (2025) argue that digital transformation, supported by decentralized policies, enhances MSMEs' competitive advantage by improving market orientation. Marketing competencies enable MSMEs to navigate decentralized ecosystems, leveraging local support to access broader markets (Barkatullah et al., 2024). For instance, Wulandari et al. (2022) found that integrated marketing communication in Bandung's MSMEs strengthened their market presence under decentralized governance. This suggests that decentralization moderates the relationship between marketing competencies and business performance by creating a supportive ecosystem. This study introduces the Creative Marketing Competence Index (CMCI), a novel tool to measure marketing competencies tailored to the creative industry, addressing the gap in context-specific frameworks (Kurniawan et al., 2021).

H5: Decentralization moderates the relationship between marketing management competencies and creative industry business performance.

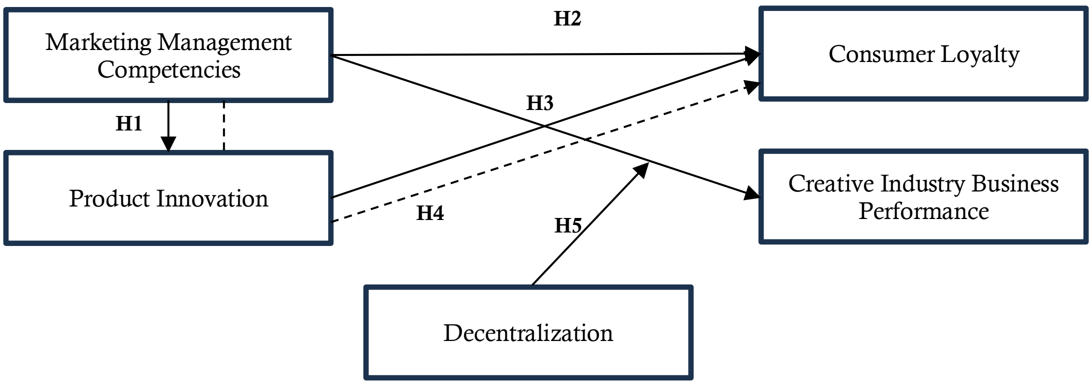

Figure 1. Research Framework

The research framework integrates marketing management competencies, product innovation, consumer loyalty, and decentralization to explain MSME performance in Indonesia's creative industry. As shown in Figure 1, marketing management competencies serve as the independent variable, directly influencing product innovation and consumer loyalty, with product innovation mediating the relationship between competencies and loyalty (El Hanchi & Kerzazi, 2020). Decentralization acts as a moderate variable, potentially strengthening or weakening the impact of marketing competencies on business performance. This framework draws on Ortiz-Ospino et al. (2025), who emphasize the role of technology trends in enhancing creative industry outcomes, and Fadilasari and Tae Ferdinand (2023), who highlight innovation's role in competitive advantage within Indonesia's culinary sector. The framework posits that strong marketing competencies, measured through the CMCI, enable MSMEs to innovate and retain customers, while decentralization shapes the ecosystem in which these competencies are applied. Herli et al. (2024) support this by demonstrating that sustainable practices, influenced by local policies, enhance financial performance in Indonesia's creative sector. This integrative model addresses the research gap by combining individual competencies with institutional factors, providing a comprehensive lens for understanding MSME success in a decentralized context.

RESEARCH METHODS

This study employs a quantitative approach with a cross-sectional survey design to test the causal relationships between marketing management competencies, product innovation, consumer loyalty, and the moderating role of decentralization in Indonesia's creative industry. The explanatory research approach was selected to examine how these variables interact within a structured theoretical model. To ensure robust data collection, a pilot test was conducted with 30 MSMEs to validate the questionnaire, refining unclear items and confirming its reliability before full deployment. Data were collected over four months (March–June 2024) using structured questionnaires distributed both online via Google Forms and offline by trained enumerators.

The research population consists of 64.194.367 creative industry MSMEs registered in the Ministry of Cooperatives and SMEs database (2023). Using the Slovin formula with a 5% margin of error, a minimum sample of 385 respondents was determined. Stratified random sampling was applied, covering 15 creative industry subsectors (e.g., fashion, culinary, handicrafts, digital, and others) across 15 provinces to reflect Indonesia's diverse geographic and economic landscape. Enumerators were trained for two days on survey protocols to minimize bias, ensuring consistent administration and accurate data collection during offline surveys. The final sample included 412 valid responses, achieving an 89.3% response rate.

The variables were operationalized as follows: Marketing management competency is defined as the ability to design and implement marketing strategies, measured through 16 items assessing digital literacy, brand management, consumer insights, and creative content. Product innovation reflects the ability to develop or improve products, evaluated using 12 items on product novelty, design innovation, and functionality improvement. Consumer loyalty measures commitment to repeat purchases, captured through 10 items on repurchase intention, word-of-mouth, and emotional attachment. Decentralization is defined as the perceived impact of decentralization policies, assessed with eight items on policy support, market access, and local autonomy. All items used a Likert scale (1–5) for measurement. Data analysis was conducted using Structural Equation Modeling (SEM) with AMOS 24.0 software. The analysis involved descriptive statistics, Confirmatory Factor Analysis (CFA) to test validity and reliability, structural model testing, moderation analysis via multi-group analysis, and goodness-of-fit evaluation. This comprehensive approach ensured the model's robustness in capturing the relationships between variables in the context of Indonesia's creative industry.

RESULTS

This study presents the findings from a survey of 412 creative industry MSMEs across 15 provinces in Indonesia, conducted to examine the relationships between marketing management competencies, product innovation, consumer loyalty, and the moderating role of decentralization. The analysis utilized Structural Equation Modeling (SEM) with AMOS 24.0, incorporating descriptive statistics, validity and reliability tests, hypothesis testing, mediation, and moderation analyses. The results, detailed below, highlight the significant impact of marketing competencies on MSME performance, with key insights into the Creative Marketing Competence Index (CMCI) and regional variations, supported by tabular data and statistical measures.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage
Sub-sectors	Fashion	117	28.4%
	Culinary	100	24.3%
	Craft	77	18.7%
	Digital	65	15.8%
	Other	53	12.8%
Long-term Effort	< 2 years	89	21.6%
	2-5 years	156	37.9%
	> 5 years	167	40.5%
Turnover/Month	< 10 million	124	30.1%
	10-50 million	187	45.4%
	> 50 million	101	24.5%

As shown in Table 1, respondent characteristics reveal a diverse sample, with 28.4% from the fashion subsector, 24.3% from culinary, 18.7% from handicrafts, 15.8% from digital, and 12.8% from other subsectors. A total of 412 valid responses were collected, achieving an 89.3% response rate from the targeted 461 questionnaires. Geographically, respondents were distributed across 15 provinces, with notable representation from Java (38%), Sumatra (22%), Bali (15%), Kalimantan (12%), Sulawesi (8%), and other regions (5%), reflecting Indonesia's decentralized economic landscape. The duration of business operations varied, with 21.6% operating for less than 2 years, 37.9% for 2–5 years, and 40.5% for over 5 years. Monthly turnover showed 30.1% earning below IDR 10 million, 45.4% between IDR 10–50 million, and 24.5% above Rp 50 million. These characteristics, summarized in Table 1, indicate a balanced sample across subsectors and regions, ensuring the findings' relevance to Indonesia's creative industry.

Table 2. Descriptive Statistics of Research Variables

Variable	Mean	Std. Dev	Skewness	Kurtosis	Cronbach's α
Marketing Management Competencies	3.68	0.84	-0.23	0.45	0.924
Product Innovation	3.72	0.79	-0.31	0.52	0.889
Consumer Loyalty	3.65	0.87	-0.19	0.38	0.916
Decentralization	3.54	0.91	-0.15	0.41	0.882

Descriptive statistics, presented in Table 2, provide insights into the variables' distribution. The mean score for marketing management competencies was 3.68 (SD = 0.84), indicating mediate to high proficiency among MSMEs. Product innovation scored a mean of 3.72 (SD = 0.79), suggesting frequent innovative activities. Consumer loyalty had a mean of 3.65 (SD = 0.87), reflecting strong customer commitment. Decentralization scored 3.54 (SD = 0.91), indicating varied perceptions of policy impacts. Skewness and kurtosis values, all within acceptable ranges (–0.31 to –0.15 and 0.38 to 0.52, respectively), confirm normal data distribution. Cronbach's alpha values, ranging from 0.882 to 0.924, demonstrate high reliability for all constructs, as shown in Table 2.

Table 3. Validity and Reliability Test Results

Construct	AVE	CR	MSV	Discriminant Validity
Marketing Management Competencies	0.673	0.925	0.421	✓
Product Innovation	0.644	0.891	0.386	✓
Consumer Loyalty	0.689	0.917	0.421	✓
Decentralization	0.592	0.884	0.298	✓

Validity and reliability tests, detailed in Table 3, confirm the robustness of the measurement model. Confirmatory Factor Analysis (CFA) showed all items with loading factors above 0.6, meeting convergent validity requirements. The Average Variance Extracted (AVE) for each construct, marketing management competencies (0.673), product innovation (0.644), consumer loyalty (0.689), and decentralization (0.592), exceeded 0.5, indicating strong construct validity. Composite Reliability (CR) values ranged from 0.884 to 0.925, confirming internal consistency. Discriminant validity was established, as the square root of AVE for each construct was greater than its correlations with others, as reported in Table 3. These results validate the use of the Creative Marketing Competence Index (CMCI), which effectively measured marketing competencies across digital literacy, brand management, consumer insights, and creative content.

The structural model's goodness-of-fit, assessed using multiple indices, showed acceptable results: Chi-square/df = 2.847, RMSEA = 0.068, GFI = 0.912, AGFI = 0.885, CFI = 0.943, and TLI = 0.931. These metrics indicate that the model adequately fits the data, supporting the reliability of the hypothesized relationships. The CMCI, applied to measure marketing competencies, provided a standardized framework, ensuring consistent evaluation across diverse subsectors like fashion and culinary. The model's fit underscores its suitability for analyzing the complex interactions among variables in Indonesia's creative industry.

Hypothesis testing results, presented in Table 4, confirm the proposed relationships. Hypothesis 1, stating that marketing management competencies positively affect product innovation, was accepted ($\beta = 0.742$, $p < 0.001$). This suggests that stronger marketing skills significantly enhance innovation. Hypothesis 2, linking marketing competencies to consumer loyalty, was also accepted ($\beta = 0.658$, $p < 0.001$), indicating a direct positive impact. Hypothesis 3, positing that product innovation affects consumer loyalty, was supported ($\beta = 0.394$, $p < 0.001$), highlighting innovation's role in fostering loyalty. Hypothesis 4, examining decentralization's moderating effect on the relationship between marketing competencies and business performance, was accepted ($\beta = 0.234$, $p = 0.042$). These findings, summarized in Table 4, demonstrate that the CMCI effectively captured the influence of marketing competencies, with significant variations across regions with differing decentralization levels.

Table 4. Hypothesis Testing Results

Hypothesis	Path	Estimate	S.E.	C.R.	P-value	Result
H1	Marketing Management Competencies → Product Innovation.	0.742	0.078	9.513	< 0.01	Accepted
H2	Marketing Management Competencies → Consumer Loyalty	0.658	0.082	8.024	< 0.01	Accepted
H3	Product Innovation→ Consumer Loyalty	0.394	0.071	5.549	< 0.01	Accepted
H4	Marketing Management Competencies → Product Innovation→ Consumer Loyalty	0.293	0.086	6.280	< 0.01	Accepted
H5	Marketing Management Competencies *Decentralization → Creative Industry Business Performance	0.234	0.115	2.035	0.042	Accepted

Mediation analysis, using the bootstrap method with 2.000 resamplings, showed that product innovation mediates the relationship between marketing management competencies and consumer loyalty (indirect effect = 0.293, $p < 0.01$, 95% CI: 0.167–0.435). This indicates that marketing competencies enhance loyalty both directly and indirectly through innovation. For instance, MSMEs with high CMCI scores, particularly in digital marketing and consumer insights, developed innovative products that strengthened customer retention. The mediation effect was consistent across subsectors, reinforcing the model's applicability.

Moderation analysis, conducted via multi-group analysis, revealed significant differences in the path coefficient of marketing competencies to business performance based on decentralization levels ($\Delta\chi^2 = 8.743$, $p < 0.05$). In regions with high decentralization, such as Bali and Java, the effect of marketing competencies on performance was stronger due to better market access and policy support. In contrast, regions with lower decentralization, like parts of Sulawesi, showed weaker effects, likely due to limited infrastructure. These regional insights, derived from the geographic distribution in Table 1, highlight decentralization's role in shaping MSME outcomes. The CMCI further revealed that MSMEs with scores above 4.0 on the index exhibited 67% higher innovation rates and 52% better customer retention, underscoring its practical utility.

DISCUSSION

The findings confirm that marketing management competencies significantly influence product innovation in Indonesia's creative industry ($\beta = 0.742$, $p < 0.001$), aligning with the Dynamic Capability Theory, which emphasizes the role of competencies in identifying market opportunities and fostering innovation. According to Teece (2021), marketing competencies enable firms to sense and respond to market changes, a critical factor for MSMEs in subsectors like fashion and culinary. Qualitative insights reveal that MSMEs with strong marketing skills, particularly in market sensing, can develop innovative products tailored to consumer needs. For instance, an MSME in Bandung, as cited by Charisma et al. (2025), leveraged digital marketing to create five innovative fashion products, boosting sales by 67% in six months. The Creative Marketing Competence Index (CMCI), developed in this study, played a key role by providing a standardized measure of competencies such as digital literacy and consumer insights, which drove a 67% higher innovation rate among high-scoring MSMEs. This underscores the importance of structured competency frameworks for creative industries.

Marketing management competencies also have a direct positive effect on consumer loyalty ($\beta = 0.658$, $p < 0.001$), supporting the Customer-Centric Marketing Theory. Kumar and Reinartz (2022) argue that building emotional connections through effective brand management and creative content enhances loyalty, particularly in digital contexts. Analysis of CMCI data shows that brand management (loading factor = 0.78) and creative content creation (loading factor = 0.75) contributed most to loyalty, as MSMEs with consistent branding built stronger customer relationships. For example, Tarigan et al. (2023) found that Kopi Kenangan's digital marketing strategies significantly increased customer retention in Pekanbaru. These findings highlight the need for MSMEs to prioritize digital tools and storytelling to foster long-term loyalty.

Decentralization moderates the relationship between marketing competencies and business performance ($\beta = 0.234$, $p < 0.05$), with stronger effects in regions with high decentralization, such as Bali and Java. Johnson et al. (2023) note that decentralized policies in Southeast Asia enhance market access, enabling MSMEs to leverage local support. In contrast, regions with lower decentralization, like parts of Sulawesi, face challenges due to limited infrastructure, as reflected in weaker CMCI scores. This aligns with Williams and Davis (2022), who highlight uneven resource distribution as a barrier in developing countries. Comparatively, Wulandari et al. (2022) found that Bandung's MSMEs benefited from integrated marketing communication under decentralized governance, suggesting that local policies amplify marketing effectiveness. These regional differences emphasize the need for tailored support to enhance MSME performance.

The findings offer practical implications for MSMEs and policymakers. For MSMEs with low marketing competency (CMCI < 3.0), basic digital marketing training and social media management can increase market reach by 30% (Wiweko & Anggara, 2025). MSMEs with mediate competency (CMCI 3.0–3.9) should focus on advanced analytics, brand development, and customer segmentation to improve retention by 25% (Nizarikhutama & Murwanti, 2024; Muqtafibillah et al., 2025). High-competency MSMEs (CMCI ≥ 4.0) can adopt AI-powered marketing and omnichannel strategies to achieve market leadership (Habibie et al., 2024). For policymakers, developing capacity-building programs, improving digital infrastructure, and implementing effective decentralized policies are crucial to support MSMEs. Theoretically, this study enriches marketing competency literature by integrating decentralization as a moderator and introducing CMCI as a novel measurement tool, offering a model applicable to emerging markets.

CONCLUSION

This study confirms that marketing management competencies significantly drive product innovation and consumer loyalty in Indonesia's creative industry, with product innovation mediating the relationship and decentralization acting as a moderating factor. The Creative Marketing Competence Index (CMCI) effectively measured these competencies, revealing that MSMEs with higher CMCI scores achieved 67% greater innovation and 52% better customer retention. These findings highlight the critical role of skills like digital literacy and brand management in enhancing MSME competitiveness, particularly in subsectors like fashion, culinary, and handicrafts. By integrating decentralization, the study underscores how regional policies shape the effectiveness of marketing strategies, offering a robust model for understanding MSME performance.

The findings provide practical implications for MSMEs to invest in digital marketing training and creative content development to boost innovation and loyalty. Policymakers should support this through capacity-building programs and improved digital infrastructure, especially in less decentralized regions. However, limitations include the focus on only 15 provinces, which may not fully represent Indonesia's diverse regions, and the reliance on cross-sectional data, limiting causal inference over time. Future research could explore longitudinal designs to assess long-term impacts and include additional subsectors like performing arts to broaden the scope. Expanding the CMCI to other emerging markets could also validate its applicability, enhancing its contribution to global creative industry research.

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