

THE INFLUENCE OF INNOVATION AND MARKETING STRATEGY ON CONSUMER PURCHASING POWER IN MARKETS IN DHARMASRAYA REGENCY

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ABSTRAK

This article examines the influence of innovation and marketing strategy on consumer purchasing power in the markets of Dharmasraya Regency. Using a quantitative approach, the research involved 30 randomly selected respondents from the local population. The findings indicate that while innovation is important for creating competitive advantages, it does not have a significant impact on consumer purchasing power. In contrast, marketing strategy has been shown to have a significant effect, suggesting that effective marketing approaches can enhance consumer experience and satisfaction. Consumer purchasing power is influenced by various factors, including economic conditions and community habits. These findings emphasize the importance of appropriate marketing strategies in enhancing purchasing power, while innovation must still be pursued to remain competitive in an increasingly tight market.

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Introduction

The consumption patterns of the Indonesian populace are not significantly influenced by the segmentation of the economy. This fact, whether accurate or not, contributes to the country's economic growth. Indonesia's diverse business sector, which varies in type and level of sophistication, provides consumers with a wide range of options, allowing them to make choices based on their needs and capabilities. For example, in the clothing sector, some customers are willing to pay a premium for high-quality, branded goods, while others may not be willing to invest as much in such products. Additionally, some consumers may only be inclined to pay lower prices and may not prioritize branded or high-quality items. Micro, Small, and Medium Enterprises (UMKM) play a crucial role in the national economy and are strategically positioned to contribute to a more balanced, mature, and stable economic environment. To achieve this goal, domestic economics must be supported by social economics, promoting a competitive, fair, reliable, accountable, and transparent economic system in both domestic and international markets (M. Fathrezza Imani, M. Khoirul Fikri, and Almas Filzah 2022)

Business competition can no longer be avoided in the technology era. All business players must have new breakthroughs to remain competitive. Each entrepreneur is required to identify opportunities and potential risks, as this is essential to avoid falling behind in the competition. In marketing, a multitude of brilliant ideas and accurate calculations are needed to yield results from creative ideas and innovations in services that can create a unique and attractive image and value in the eyes of consumers (Utaminingsih, 2016). Innovative ideas must be continuously pursued and developed within a business to create a competitive advantage. Innovation can also help combat the increasingly competitive nature of business. Creating elements of creativity can generally be observed in the livelihoods of the surrounding community, where seeking new ideas can lead to changes that present opportunities for enhancing the purchasing power of the community. The diverse occupations within the community support the existing economic momentum, particularly in Dharmasraya Regency, which is the focus of this research (Alfon Tuhoni Zebua1 2024)

According to Kotler and Keller, marketing strategy is a process of preparing and implementing decisions related to the target market, value commitment, and marketing mix to achieve competitive advantage. An effective marketing strategy allows businesses to reach their customers more accurately and efficiently, as well as create positive experiences that contribute to customer satisfaction (Aryanti and Ali 2025)

Businesses that are prevalent in Indonesia and can survive economic crises are Micro, Small, and Medium Enterprises (UMKM). UMKM are closely related to the community and have a significant impact, acting as one of the drivers of the economy. Therefore, they are a focus of development programs designed by the government to continue to advance and grow. UMKM operate in various sectors, including culinary (food and beverages), fashion, agribusiness, handicrafts, electronics, furniture, small shops, and daily stalls, among others. They typically have limited capital sourced from the owners. The resilience and ongoing growth of UMKM can serve as a driving force for building and enhancing the national economy. This can be seen from the advantages of UMKM: first, they easily adapt to market fluctuations and demand, making them quite flexible. Second, they can significantly contribute to exports and trade due to their wide diversity. Third, they can quickly create job opportunities compared to other business sectors. In Dharmasraya Regency, efforts are being made to implement effective and efficient UMKM operations (Arsya n.d.)

Literature Review

Based on the research conducted by (M. Fathrezza Imani, M. Khoirul Fikri, and Almas Filzah 2022) the results show that creativity has an impact on consumer purchasing power with a significance value of 0.000. Innovation significantly affects consumer purchasing power at a value of 0.008, and marketing strategy significantly influences consumer purchasing power with a value of 0.001. The variables of creativity, innovation, and marketing strategy collectively affect consumer purchasing power.

Based on the research conducted by (Alfon Tuhoni Zebua1 2024) the findings indicate that product innovation influences consumer purchasing decisions to a certain extent. Purchasing decisions are not partially influenced by marketing strategies. Meanwhile, at Javas Cycle café in Jambi City, customer purchasing decisions are affected by both marketing strategies and product innovation.

Innovation

According to (Pebriani and Busyra 2023) innovation is an effort to create or reconstruct new products developed by a company, such as older products that no longer appear attractive in the market. Product innovation is the company's effort to process both existing products and create new product variations aimed at capturing market share.

Indicator of innovation

- a Quality
- b Product Variants
- c Style and Design

Marketing Strategy

Marketing strategy is a series of goals and objectives, policies, and guidelines that provide direction for marketing efforts over time, at each level and reference point, as well as their allocation. It is primarily a response by the company to the constantly changing environment and competitive conditions (Hulu, Dakhi, and Zalogo 2021)

Indicator of marketing strategy

- a Product Life Cycle
- b Competitive Position in the Market
- c Economic Situation

Consumer Purchasing Power

Consumer purchasing power refers to the ability of consumers, in this case the community, to make purchases of goods and services they need. An increase or decrease in purchasing power is indicated by changes in consumer behavior. Purchasing power increases when it is higher compared to previous periods, while a decrease can be identified when consumers have less ability to buy compared to earlier periods. The ability of consumers to purchase a large quantity of goods in a market is influenced by price levels, income levels, and specific time periods. Generally, purchasing power is defined as an individual's capacity to consume a product. There are variations in purchasing power among individuals, which can be influenced by factors such as individual status, occupation, income, and other factors (Atmaja and Maryani 2021)

Indicator of consumer purchasing power

- a Income level
- b Education level
- c Level of Needs
- d Community Habits
- e Price of goods
- f Mode

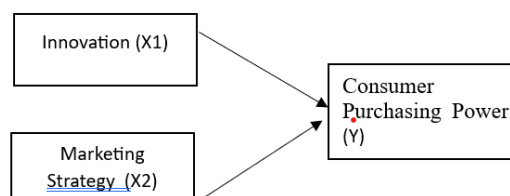
Research Methodology

This research uses a quantitative approach, which is rooted in positivism, to characterize the population by taking a representative sample. The quantitative approach involves the use of questionnaires to obtain data, and the analysis used is aimed at testing predetermined hypotheses. The positivist philosophy views reality, symptoms, and phenomena as categorical, relatively stable, real, observable, and measurable. The population consists of the entire community of Dharmasraya Regency, and the sample is taken using Slovin's technique, which includes 30 respondents representing the entire population (Adolph 2016)

The research method is a correlational survey and correlation analysis. Data processing is conducted using SmartPLS version 3 software, and the analysis employs path analysis (Path Analysis) using Partial Least Squares (PLS) data analysis techniques (Saftari and Sinta 2022)

Figure 1.1

"Framework of Thought



Result and Discussion

This research is conducted to measure validity and reliability tests, as well as to assess the direct effects of each research variable, which will be presented in the following tables. in table 1.1

there are several indicators that are not valid due to their loading factors being less than 0.7. To ensure all indicators are valid, a second validity test of loading factors should be conducted by removing the indicators that do not meet the validity criteria.

Table 1.1
Loading factor validity test

	CPP (Y)	I (X1)	MS (X2)
X1.1		0,803	
X1.2		0,854	
X1.3		0,841	
X1.4		0,786	
X1.5		0,853	
X1.6		0,825	
X2.1			0,809
X2.2			0,732
X2.3			0,676
X2.4			0,643
X2.5			0,560
X2.6			0,799
Y1	0,629		
Y10	0,681		
Y11	0,495		
Y12	0,682		
Y2	0,498		
Y3	0,582		
Y4	0,747		
Y5	0,677		
Y6	0,458		
Y7	0,525		
Y8	0,742		
Y9	0,701		

Table 1.2
Loading factor after cut

	CPP(Y)	I (X1)	MS (X2)
X1.1		0,791	
X1.2		0,841	
X1.3		0,837	
X1.4		0,793	
X1.5		0,857	
X1.6		0,838	
X2.1			0,910
X2.2			0,785
X2.6			0,910
Y4	0,746		
Y8	0,867		
Y9	0,897		

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Based on Table 1.2 above, the results of the loading factors can be seen after removing the invalid indicators, allowing for testing in the next stage

Table 1.3
Average Variance Extracted (AVE)

	Cronbach's Alpha	rho_A	Composite Reliability	(AVE)
CPP (Y)	0,786	0,784	0,877	0,704
I (X1)	0,908	0,923	0,928	0,683
MS(X2)	0,837	0,847	0,903	0,758

From Table 1.3 above, it can be seen that the AVE values for each variable are valid, and we can proceed with testing the inner model, specifically the direct effects of variables X1 and X2 on Y

Table 2.1
Path coefitien

	Original Sample (O)	T Statistics (O/STDEV)	P Values
I(X1) -> CPP (Y)	0,255	1,047	0,296
MS (X2) -> CPP (Y)	0,490	2,172	0,030

Based on the results of the inner model testing in Table 2.1 above, it can be seen that innovation does not have a significant effect on consumer purchasing power, as the t-statistic does not meet the criterion of being greater than 1.96 and the p-value is also less than 0.005. However, the marketing strategy variable has a significant effect on consumer purchasing power in the existing markets in Dharmasraya Regency.

Discussion

The article "The Influence of Innovation and Marketing Strategy on Consumer Purchasing Power in Markets in Dharmasraya Regency" addresses a highly relevant theme in the business context of Indonesia. This research shows that although innovation is deemed important for creating competitive advantages, its impact on consumer purchasing power is not significant. This may be due to local economic conditions and diverse consumer behaviors, where consumers pay more attention to factors like price and daily needs rather than being solely influenced by product

innovations. On the other hand, marketing strategies have been found to significantly affect consumer purchasing power, emphasizing the importance of appropriate and effective marketing approaches to enhance customer experience. Marketing that is based on local consumer needs and habits, such as using social media and local promotions, can help reach more consumers. Additionally, consumer purchasing power is influenced by economic conditions and community habits, with MSMEs in Dharmasraya having great potential to adapt to market changes. Support from the government and training for MSME entrepreneurs in marketing and product innovation is crucial for enhancing their competitiveness. These findings have implications for policymakers and stakeholders to create an environment that supports MSMEs through training, access to capital, and better marketing strategies. Overall, the article emphasizes the importance of appropriate marketing strategies and a deep understanding of consumer needs to improve purchasing power, where, although innovation remains important, other factors also require greater attention.

Conclusion

The article concludes that Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, particularly in Dharmasraya Regency, contributing significantly to economic growth and job creation. While innovation is considered vital for creating competitive advantages, the research shows that innovation does not have a significant impact on consumer purchasing power in the Dharmasraya market, as evidenced by the t-statistic not meeting significant criteria. In contrast, marketing strategy has a significant effect on consumer purchasing power, indicating that effective marketing approaches can enhance consumer experience and satisfaction, which in turn affects their purchasing ability. Consumer purchasing power is influenced by various factors, including economic conditions and community habits, making a deep understanding of these factors essential for business actors to achieve success. Overall, this research emphasizes the importance of appropriate marketing strategies in enhancing consumer purchasing power, while innovation must continue to be pursued to compete in an increasingly competitive market.

Limit

The article "The Influence of Innovation and Marketing Strategy on Consumer Purchasing Power in Markets in Dharmasraya Regency" has several limitations. Firstly, the research is focused on Dharmasraya Regency, meaning the findings may not be fully generalizable to other regions in Indonesia or abroad. Secondly, the study involves only 30 randomly selected respondents from the local population, which may not accurately represent the entire population, and results could differ if a larger sample size were used. Additionally, the research primarily examines two variables—innovation and marketing strategy—while other external factors affecting purchasing power, such as macroeconomic conditions or government policies, are not analyzed in depth. The methodology employed is quantitative, using surveys and path analysis through SmartPLS, which may overlook qualitative aspects that could provide deeper insights into consumer behavior. Furthermore, data collection occurs during a specific period, meaning changes in consumer behavior over time are not accounted for in this analysis. Lastly, the study focuses on product innovation and does not consider innovations in services or business processes, which could also impact consumer purchasing power. By establishing these limitations, readers can better understand the context and constraints of the research, leading to more accurate interpretations of the findings.

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