

**Determinants of Marketing Performance in Micro Food and Beverage Enterprises:
Mediating Role of Competitive Advantage**

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ABSTRACT

Purpose: This study investigates the effects of digital marketing, market orientation, and product innovation on marketing performance, with competitive advantage serving as an intervening variable among micro food and beverage enterprises.

Method: A quantitative research design was applied through a survey involving 98 owners of micro food and beverage businesses. The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to assess both the direct and indirect relationships among the variables.

Result: The findings indicate that digital marketing and product innovation exert a significant positive effect on marketing performance, whereas market orientation does not have a significant direct effect. Product innovation also has a significant positive effect on competitive advantage, while digital marketing and market orientation do not significantly influence competitive advantage. Furthermore, competitive advantage has a significant positive effect on marketing performance and mediates the relationships of digital marketing and product innovation with marketing performance. However, it does not mediate the relationship between market orientation and marketing performance.

Practical Implications for Economic Growth and Development: The results underscore the strategic importance of enhancing digital marketing capabilities, promoting continuous product innovation, and developing sustainable competitive advantage to improve the performance of microenterprises. These efforts may contribute to local economic development, employment generation, and the competitiveness of micro, small, and medium enterprises (MSMEs).

Originality/Value: This study offers a significant contribution by developing an integrated explanatory model that links digital marketing, market orientation, and product innovation to marketing performance through the mediating role of competitive advantage among micro food and beverage enterprises.

Keywords: *Digital Marketing, Market Orientation, Product Innovation, Competitive Advantage, Marketing Performance, Micro F&B Enterprises*

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INTRODUCTION

In the era of globalization and rapid digital transformation, firms are increasingly required to adapt to technological change and intensifying market competition. Within this context, Micro, Small, and Medium Enterprises (MSMEs) play a vital role in economic development through their contributions to employment generation, innovation, and inclusive growth. Despite their economic significance, MSMEs frequently encounter structural constraints, including limited access to digital technology, inadequate innovation capacity, and weaknesses in strategic management. These challenges often hinder their ability to strengthen market positioning and improve business performance in highly competitive environments.

Digital marketing has become an important strategic instrument that enables firms to expand market reach, strengthen customer engagement, and improve marketing effectiveness in a relatively cost-efficient manner (Chaffey & Chadwick, 2019). Beyond the adoption of digital technology, internal capabilities such as market orientation and product innovation are also widely recognized as critical determinants of organizational performance. Market orientation supports firms in identifying customer needs, monitoring competitor behavior, and responding effectively to market changes. At the same time, product innovation contributes to value creation and differentiation, thereby enhancing a firm's ability to compete in dynamic markets.

In Indonesia, MSMEs constitute approximately 99.9% of all business entities and make substantial contributions to national economic growth, accounting for around 61% of gross domestic product and employing nearly 97% of the workforce (Perbanas.id, 2025). Nevertheless, many MSMEs continue to face difficulties in optimizing digital technology, implementing innovation-driven strategies, and building sustainable competitive advantage. These issues are particularly relevant in the Food and Beverage (F&B) sector, which has experienced rapid growth due to relatively low entry barriers and strong consumer demand. However, such conditions also intensify competition, requiring firms to continuously improve their marketing performance. Jember Regency, as one of Indonesia's developing regions, illustrates this condition, with a growing number of micro F&B enterprises operating in an increasingly competitive and dynamic market environment.

Empirical findings on the determinants of marketing performance remain inconclusive. Several studies have demonstrated that digital marketing significantly enhances marketing performance (Effendi et al., 2023; Elim et al., 2024), whereas others have reported insignificant or mixed effects (Fitri & Halik, 2023; Ramadhani et al., 2022). A similar inconsistency is evident in the relationship between market orientation and performance. Although market orientation is theoretically expected to improve business performance through better customer understanding and responsiveness, empirical evidence suggests that its effect is not always significant, particularly among MSMEs where strategic implementation is often limited (Amin et al., 2019; Sari & Farida, 2020). Likewise, product innovation is commonly regarded as a key driver of competitive advantage and marketing performance (Abdullah et al., 2023; Talambanua et al., 2023). However, some studies have identified weak or insignificant relationships, implying that the effectiveness of innovation may depend on specific contextual and strategic conditions (Rahmadi et al., 2020; William et al., 2023).

In addition, previous studies have generally examined digital marketing, market orientation, and product innovation in isolation, with limited attention to the underlying mechanism through which these variables influence marketing performance. In particular, the mediating role of competitive advantage remains insufficiently explored, especially in the context of microenterprises and emerging regional markets. To address this gap, the present study integrates digital marketing, market orientation, and product innovation into a single analytical framework with competitive advantage positioned as a mediating variable. By adopting a mechanism-based perspective, this study explains how internal strategic capabilities are translated into improved marketing performance. Moreover, it provides empirical evidence from micro food and beverage enterprises in a regional context, thereby offering a more contextually grounded understanding of how broader strategic management concepts operate within local MSME environments. Accordingly, this study aims to analyze the effects

of digital marketing, market orientation, and product innovation on marketing performance, while also examining the mediating role of competitive advantage in explaining these relationships.

Hypotheses Development

Digital Marketing on Marketing Performance

Digital marketing refers to the use of internet-based and digital technologies integrated with conventional communication channels to achieve marketing objectives. This approach enables firms to develop a deeper understanding of customers, including their profiles, behaviors, values, and loyalty levels (Chaffey & Chadwick, 2019). In addition, digital marketing adopts creative and data-driven strategies in the promotion and distribution of products or services, allowing firms to reach target customers more effectively, efficiently, and at lower cost (Mustika & Kurniawati, 2022). Marketing performance reflects the outcomes achieved by a firm over a certain period based on predetermined indicators, such as sales growth, customer growth, and profitability (Taufiq et al., 2020). In the context of MSMEs, digital marketing can strengthen brand awareness, enhance customer interaction, and improve responsiveness to market feedback, which in turn may contribute to improved marketing performance. Previous studies have consistently shown that digital marketing exerts a positive effect on marketing performance (Effendi et al., 2023; Elim et al., 2024).

H1: Digital marketing has a significant and positive effect on marketing performance

Market Orientation on Marketing Performance

Market orientation refers to a firm's propensity to respond to customer needs and achieve competitive advantage through coordinated organizational activities (Antari & Widagda K, 2022). This orientation enables firms to develop a better understanding of customer preferences, enhance customer satisfaction, and adapt more effectively to changes in the market environment. As a strategic capability, market orientation emphasizes customer orientation, competitor awareness, and the use of market intelligence in decision-making processes. Marketing performance reflects a firm's ability to attain desired outcomes through strategic decisions and continuous management processes (Fitriati et al., 2020). In the context of MSMEs, a strong market orientation can enhance adaptability and responsiveness to customer demands and competitive pressures, thereby contributing to improved marketing performance. Empirical studies have shown that market orientation has a positive influence on marketing performance (Falakhusyiaifusoni et al., 2022; Harini et al., 2022; Mamengko et al., 2023).

H2: Market orientation has a significant and positive effect on marketing performance

Product Innovation on Marketing Performance

Product innovation refers to improvements and transformations in products, processes, or services that generate added value for customers (Fadhillah et al., 2021). It encompasses the development of creative and original solutions that are aligned with market trends and customer needs. For MSMEs, effective product innovation can enhance product value, broaden market segments, and create differentiation from competitors. Continuous innovation also enables firms to sustain customer interest and respond more effectively to changing market demands, thereby contributing to improved marketing performance. Previous studies have demonstrated that product innovation has a positive effect on marketing performance (Abdullah et al., 2023; Talambanua et al., 2023).

H3: Product innovation has a significant and positive effect on marketing performance

Digital Marketing on Competitive Advantage

Digital marketing enables MSMEs to reach broader markets, interact more effectively with customers, and promote products efficiently through digital platforms such as social media, marketplaces, and websites. In this context, competitive advantage refers to a firm's ability to attain a favorable position within the industry through the implementation of effective competitive strategies (Sugiarto & Hargyatni, 2024). By utilizing digital marketing, MSMEs can strengthen brand visibility, improve communication with customers, and create product or service differentiation, all of which may contribute to the development of sustainable competitive advantage. Previous studies have supported the positive relationship between digital marketing and competitive advantage (Hudha et al., 2022; Padli, 2022).

H4: Digital marketing has a significant and positive effect on competitive advantage

Market Orientation on Competitive Advantage

Market orientation emphasizes a firm's ability to understand customer needs, monitor competitor behavior, and utilize market information to create superior value. Firms with a strong market orientation tend to be more adaptive and responsive to changes in the business environment. In this regard, competitive advantage can be achieved through the efficient use of resources and the implementation of differentiation strategies (Aprizal, 2018). For MSMEs, market orientation plays an important role in identifying customer preferences and developing unique offerings that enhance competitive positioning. Previous studies have shown that market orientation has a positive relationship with competitive advantage (Nugraha & Sukaatmadja, 2020; Rahmadi et al., 2020).

H5: Market orientation has a significant and positive effect on competitive advantage

Product Innovation on Competitive Advantage

Product innovation involves the creation and development of new or improved products, designs, or business processes (Fauzi & Mandala, 2019). Through innovation, firms are able to offer superior value and differentiate themselves from competitors in increasingly competitive markets. For MSMEs, continuous product innovation can generate unique advantages in terms of quality, design, and time-to-market, thereby strengthening competitive advantage. By introducing distinctive and relevant offerings, firms are better positioned to respond to customer needs and sustain their market position. Previous studies have demonstrated that product innovation has a positive effect on competitive advantage (Lestari et al., 2020; Rahmadi et al., 2020).

H6: Product innovation has a significant and positive effect on competitive advantage

Competitive Advantage on Marketing Performance

Competitive advantage reflects a firm's ability to adapt, innovate, and optimize its resources in order to sustain its position in the market (Jayanto et al., 2025). From the perspective of the Resource-Based View (RBV), competitive advantage arises from a firm's capacity to utilize valuable, rare, inimitable, and non-substitutable (VRIN) resources to achieve superior outcomes. In this sense, firms with stronger competitive advantages are more likely to attain higher levels of marketing performance. By possessing distinctive strengths that are difficult for competitors to replicate, firms can attract and retain customers more effectively, which in turn contributes to increased sales, customer growth, and profitability. Previous studies have demonstrated a positive relationship between competitive advantage and marketing performance (Naninsih et al., 2022; Nofrizal et al., 2021).

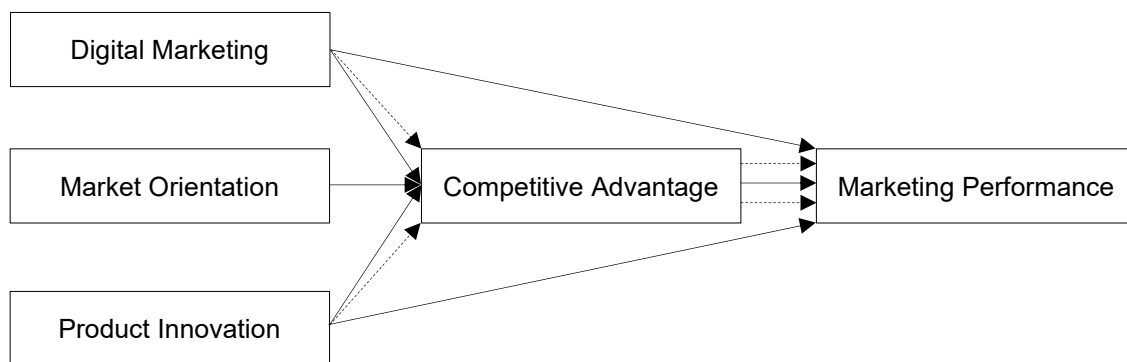
H7: Competitive advantage has a significant and positive effect on marketing performance

Digital Marketing on Marketing Performance through Competitive Advantage

Digital marketing not only has the potential to improve marketing performance directly, but also contributes indirectly through the development of competitive advantage. By enhancing brand differentiation, strengthening customer engagement, and enabling faster responses to market changes, digital marketing supports firms in creating distinctive advantages that are difficult for competitors to replicate. From the perspective of the Resource-Based View (RBV), digital marketing capability can be regarded as a strategic resource; however, its value depends on the extent to which it is effectively utilized to generate unique competitive strengths. In this regard, competitive advantage serves as an intervening mechanism through which digital marketing enhances marketing performance. Previous studies have supported the mediating role of competitive advantage in the relationship between digital marketing and marketing performance (Talambanua et al., 2023).

H8: Competitive advantage mediates the effect of digital marketing on marketing performance

Figure 1. Research Framework



Source: Developed by the authors (2025)

Market Orientation on Marketing Performance through Competitive Advantage

Market orientation enables firms to acquire and utilize market intelligence in order to better understand customer needs and competitor strategies. When effectively implemented, this capability can foster differentiation and value creation, thereby strengthening competitive advantage and improving marketing performance. From the perspective of the Resource-Based View (RBV), market orientation can be regarded as an intangible organizational capability that generates competitive advantage when it is valuable, rare, and difficult for competitors to imitate. Accordingly, competitive advantage functions as a mediating mechanism through which market orientation influences marketing performance. Previous studies have supported the mediating role of competitive advantage in the relationship between market orientation and marketing performance (Mamengko et al., 2023; Sugiarto & Hargyatni, 2024).

H9: Competitive advantage mediates the effect of market orientation on marketing performance

Product Innovation on Marketing Performance through Competitive Advantage

Product innovation enables firms to develop unique and valuable offerings that are aligned with customer needs and evolving market trends. Such innovation enhances product differentiation and creates superior value, thereby strengthening competitive advantage and

contributing to improved marketing performance. From the perspective of the Resource-Based View (RBV), product innovation represents a strategic capability that is difficult for competitors to imitate, making it an important source of sustained competitive advantage. Accordingly, competitive advantage serves as a mediating mechanism through which product innovation influences marketing performance. Previous studies have supported the mediating role of competitive advantage in the relationship between product innovation and marketing performance (Anderson & Hidayah, 2023; Sunyoto, 2015).

H10: Competitive advantage positively and significantly mediates the effect of product innovation on marketing performance

METHOD

This study employed a descriptive survey method with a quantitative approach to examine the causal relationships among variables based on the formulated hypotheses. The study involved independent, dependent, and intervening variables. The independent variables consisted of digital marketing, market orientation, and product innovation. Marketing performance of MSMEs was treated as the dependent variable, while competitive advantage functioned as an intervening variable linking the independent variables to the dependent variable (Sugiyono, 2018).

The population of this study comprised 4,767 micro-enterprises in the food and beverage sector located in Summersari District, Jember Regency. The sample size was determined using the Slovin formula with a 10% margin of error, resulting in 98 respondents (Sugiyono, 2018). The sampling technique used was purposive sampling, based on the following criteria: the enterprises were located in Summersari District, operated in the food and beverage sector, had implemented digital marketing, and had been established for more than one year. The respondents were business owners who were considered capable of providing comprehensive information regarding their business conditions.

Data were primarily collected using a questionnaire designed to measure respondents' perceptions of each research variable indicator through a five-point Likert scale ranging from strongly disagree to strongly agree (Sugiyono, 2018). To complement the questionnaire data, interviews were conducted to obtain deeper insights into the research context. In addition, secondary data were collected from books, scientific journals, articles, and official documents relevant to the topic of the study (Sugiyono, 2021).

Data analysis was conducted using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach with the assistance of SmartPLS or WarpPLS software (Ghozali, 2020a). The analysis included evaluation of both the measurement model (outer model) and the structural model (inner model). The outer model was assessed through tests of convergent validity, discriminant validity, and composite reliability to ensure the validity and reliability of the measurement instrument. The inner model was evaluated by examining model fit, coefficient of determination (R^2), and effect size (F^2) to analyze the relationships among latent variables. Hypothesis testing was performed using the bootstrapping procedure at a 5% significance level, with relationships considered statistically significant when the t-statistic exceeded 1.96 (Ghozali, 2020a).

Table 1. Operational Variables

Variable	Indicator	Statement	Source
Digital Marketing	Accessibility	Information about the business and its products on digital platforms is presented clearly and can be easily accessed by customers.	Utomo et al. (2023)

Variable	Indicator	Statement	Source
	Interactivity	The business responds promptly and effectively to customer interactions through digital platforms.	
	Entertainment	The digital content presented by the business is engaging and encourages customer interaction.	
	Credibility	Information regarding products or services on digital platforms is transparent, accurate, and regularly updated.	
	Irritation	Digital advertisements are presented in a manner that is varied, appropriate, and comfortable for customers to view.	
	Informativeness	The information provided through digital platforms helps customers make purchase decisions.	
Market Orientation	Customer Orientation	The business adapts to customer feedback in order to better understand customer behavior and preferences.	Mamengko et al. (2023)
	Competitor Orientation	The business conducts competitor analysis to improve product differentiation and quality.	
	Market Information	The business uses market information to support segmentation and product-related decision-making.	
Product Innovation	Product Development	The business conducts continuous development efforts to ensure that its products remain aligned with market trends.	Anderson and Hidayah (2023)
	Product Creation	The business plans to develop new products in the near future.	

Variable	Indicator	Statement	Source
	New Product Leadership	The business encourages team members to generate innovative and creative ideas for new products.	
Competitive Advantage	Price	The business adjusts its pricing strategy periodically to attract customers while considering competitors' prices.	Sunyoto (2015)
	Quality	The business uses high-quality raw materials and consistently maintains product quality.	
	Delivery Reliability	The business has an effective system to ensure timely delivery of products to customers.	
	Innovation	The business develops improved products or services to create added value for customers.	
	Time to Market	The business implements efficient processes to accelerate product innovation and market introduction.	
Marketing Performance	Sales Growth	The business has experienced an increase in sales compared to the previous year.	Dewi et al. (2022)
	Customer Growth	The business implements effective strategies to retain existing customers and attract new ones.	
	Profit Growth	The business's operational efficiency contributes to increased profitability.	

Source: Compiled by the authors (2025)

RESULT AND DISCUSSION

Respondents' Characteristics

Data were collected through an online questionnaire administered to 98 food and beverage (F&B) MSME owners in Summersari District, Jember Regency. The respondent profile was

relatively balanced by gender, with 52% male and 48% female, indicating fairly even participation in the sector. In terms of educational background, most respondents had completed senior high school (37.8%), followed by junior high school and bachelor's degree holders (23.5% each), while diploma graduates accounted for 15.3%. This distribution suggests that F&B MSMEs are predominantly managed by individuals with secondary education, although a considerable proportion are also operated by those with higher educational qualifications.

The business profiles show substantial variation across subsectors, with bakeries (21.4%), coffee shops (20.4%), and beverage businesses (20.4%) representing the largest shares, followed by snack stores (13.3%), food stalls (12.2%), and street food vendors (12.2%). Most enterprises had operated for 1–3 years (30.6%), followed by less than one year (26.5%) and 3–5 years (24.5%), whereas only 18.4% had been established for more than five years. This pattern indicates that most respondents were still in the early stages of business development. In terms of digital marketing adoption, respondents commonly used multiple platforms, with the combination of Instagram, WhatsApp, and delivery applications such as GoFood and GrabFood being the most prevalent (26.5%). Facebook (22.4%) and WhatsApp (20.4%) were also widely used, reflecting the growing integration of social media and digital delivery platforms in expanding market reach and supporting sales performance.

Table 2. Respondents' Characteristics

Characteristic	Category	Frequency (Persons)	Percentage (%)
Gender	Male	51	52.0
	Female	47	48.0
	Total	98	100.0
Education	Junior High School	23	23.5
	Senior High School	37	37.8
	Diploma (D3)	15	15.3
	Bachelor's Degree (S1)	23	23.5
	Total	98	100.0
Type of Business	Coffee Shop	20	20.4
	Snack Shop	13	13.3
	Street Food	12	12.2
	Bakery	21	21.4
	Food Stall	12	12.2
	Beverage Stall	20	20.4
	Total	98	100.0
Duration of Business	< 1 Year	26	26.5
	1–3 Years	30	30.6
	3–5 Years	24	24.5
	> 5 Years	18	18.4
	Total	98	100.0
Type of Marketing Platform	Instagram and WhatsApp	17	17.3
	WhatsApp	20	20.4
	Instagram, WhatsApp, and GoFood/GrabFood	26	26.5
	Facebook	22	22.4
	Instagram	13	13.3
	Total	98	100.0

Source: Processed data (2025)

Outer Model Evaluation

Convergent Validity

Convergent validity assesses the extent to which the indicators of a construct are highly correlated and collectively represent the same underlying concept. A construct is considered to have adequate convergent validity when its outer loading values exceed 0.70 and the Average Variance Extracted (AVE) is greater than 0.50, indicating sufficient explanatory power of the construct (Ghozali, 2020a). The results of the SmartPLS 3 analysis show that all indicators of the research variables satisfy these criteria. Therefore, the measurement model can be considered to have met the standards of convergent validity and is appropriate for further structural model analysis.

Table 3. Loading Factor Values

Variable	Indicator	Loading Factor	Interpretation
Digital Marketing	DM1	0.887	Valid
	DM2	0.706	Valid
	DM3	0.727	Valid
	DM4	0.826	Valid
	DM5	0.781	Valid
	DM6	0.755	Valid
Market Orientation	MO1	0.860	Valid
	MO2	0.856	Valid
	MO3	0.711	Valid
Product Innovation	PIN1	0.807	Valid
	PIN2	0.730	Valid
	PIN3	0.875	Valid
Competitive Advantage	CA1	0.752	Valid
	CA2	0.799	Valid
	CA3	0.740	Valid
	CA4	0.758	Valid
	CA5	0.766	Valid
Marketing Performance	MP1	0.940	Valid
	MP2	0.954	Valid
	MP3	0.833	Valid

Source: Processed data (2025)

Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) represents the average proportion of variance captured by a construct from its indicators, with a construct considered valid when the AVE value exceeds 0.50 (Ghozali, 2020a). The results of the reliability and validity assessment indicate that all constructs met the required criteria. All Cronbach’s Alpha values were greater than 0.70, demonstrating satisfactory internal consistency, while all AVE values exceeded 0.50, indicating that each construct explained more than 50% of the variance in its indicators. These findings confirm that the measurement model (outer model) is both reliable and valid, and therefore suitable for subsequent analysis of the structural model (inner model).

Table 4. Cronbach’s Alpha and Average Variance Extracted (AVE) Values

Variable	Cronbach’s Alpha	Average Variance Extracted (AVE)
Digital Marketing	0.834	0.546
Market Orientation	0.733	0.650

Variable	Cronbach's Alpha	Average Variance Extracted (AVE)
Product Innovation	0.773	0.525
Competitive Advantage	0.895	0.829
Marketing Performance	0.773	0.659

Source: Processed data (2025)

Discriminant Validity

Discriminant validity ensures that each construct in the model is empirically distinct from the others. This criterion is achieved when the cross-loading values of each indicator exceed 0.70 on its corresponding construct and when the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs (Ghozali, 2020a). The results of the statistical analysis indicate that all indicators load more strongly on their respective latent constructs than on other constructs. Therefore, the measurement model can be considered to have satisfied the requirements of discriminant validity.

Table 5. Cross Loading Values

Construct	Digital Marketing	Product Innovation	Market Orientation	Competitive Advantage	Marketing Performance
DM1	0.834	0.766	0.770	0.629	0.801
DM2	0.778	0.525	0.745	0.359	0.508
DM4	0.848	0.667	0.758	0.527	0.810
DM5	0.786	0.723	0.678	0.650	0.607
MO1	0.734	0.766	0.870	0.629	0.761
MO2	0.678	0.525	0.845	0.359	0.508
MO3	0.562	0.419	0.706	0.265	0.347
PIN1	0.786	0.823	0.678	0.650	0.607
PIN2	0.423	0.731	0.359	0.510	0.409
PIN3	0.806	0.872	0.741	0.556	0.815
CA1	0.776	0.749	0.808	0.656	0.847
CA2	0.735	0.787	0.842	0.644	0.867
CA3	0.695	0.591	0.665	0.580	0.837
CA4	0.503	0.605	0.419	0.676	0.384
CA5	0.616	0.535	0.561	0.781	0.634
MP1	0.413	0.462	0.344	0.818	0.461
MP2	0.495	0.444	0.411	0.776	0.575
MP3	0.834	0.766	0.770	0.629	0.801

Source: Processed data (2025)

Discriminant validity was further evaluated using the Fornell–Larcker criterion and the Heterotrait–Monotrait ratio (HTMT). Under the Fornell–Larcker criterion, discriminant validity is established when the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs, indicating that the construct explains more variance in its own indicators than in other latent variables.

Table 6. Fornell-Larcker

	CA	DM	MO	MP	PIN
CA	0.764				
DM	0.674	0.817			
MO	0.579	0.749	0.810		

MP	0.683	0.817	0.837	0.849	
PIN	0.705	0.756	0.758	0.778	0.811

Source: Processed data (2025)

In addition, HTMT was employed as a more rigorous measure of discriminant validity, with values below the recommended thresholds of 0.85 or 0.90 indicating adequate discriminant validity.

Table 7. HTMT Test

	CA	DM	MO	MP	PIN
CA					
DM	0.821				
MO	0.638	0.727			
MP	0.810	0.818	0.845		
PIN	0.736	0.750	0.747	0.810	

Sourced : Processed data (2025)

Reliability Test

Reliability testing is conducted to ensure that research instruments measure constructs consistently and objectively. The results of the statistical analysis show that all constructs have Cronbach’s Alpha and Composite Reliability values exceeding the recommended threshold of 0.70, indicating satisfactory internal consistency. These findings confirm that all constructs in the measurement model are reliable and appropriate for further analysis (Ghozali, 2020a).

Table 8. Reliability Test Result

Variable	Cronbach’s Alpha	Composite Reliability	Minimum Threshold	Decision
Digital Marketing	0.834	0.876	> 0.70	Reliable
Market Orientation	0.773	0.852	> 0.70	Reliable
Product Innovation	0.733	0.847	> 0.70	Reliable
Competitive Advantage	0.773	0.846	> 0.70	Reliable
Marketing Performance	0.895	0.935	> 0.70	Reliable

Source: Processed data (2025)

Inner Model Evaluation

R-Square

The R-square values of the endogenous constructs were used to assess the predictive power of the structural model, indicating the extent to which the exogenous variables explain the variance in the endogenous variables (Ghozali, 2020a). The results show that Competitive Advantage has an R-square value of 0.607, meaning that 60.7% of its variance is explained by the exogenous variables included in the model, while the remaining 39.3% is influenced by factors outside the model. This value indicates a moderate to substantial level of explanatory power. Meanwhile, Marketing Performance has an R-square value of 0.814, indicating that 81.4% of its variance is explained by the model, which reflects a strong level of explanatory power. Overall, these findings suggest that the structural model has substantial predictive accuracy and is appropriate for explaining the relationships among the variables under investigation.

Table 9. R-square Value

Variable	R-square	R-square Adjusted
Competitive Advantage	0.607	0.594
Marketing Performance	0.814	0.806

Source: Processed data (2025)

Direct Effect

The relationships among the latent variables were examined through path analysis using the bootstrapping procedure in SmartPLS to assess the significance of the structural paths. At the 5% significance level, a path is considered statistically significant when the t-statistic exceeds 1.98, indicating that the null hypothesis is rejected and the alternative hypothesis is accepted (Ghozali, 2020b). Table 10 indicates that digital marketing has a significant positive effect on marketing performance ($t = 7.387$; $p < 0.05$), whereas market orientation does not have a significant effect ($t = 1.239$; $p > 0.05$). Product innovation exerts a significant positive effect on both marketing performance ($t = 1.986$; $p < 0.05$) and competitive advantage ($t = 1.995$; $p < 0.05$). In contrast, digital marketing ($t = 1.492$; $p > 0.05$) and market orientation ($t = 1.873$; $p > 0.05$) do not significantly influence competitive advantage. Furthermore, competitive advantage has a significant positive effect on marketing performance ($t = 4.387$; $p < 0.05$).

Table 10. Direct Effect Test Result

Structural Path	t-Statistic	p-Value	Decision
Digital Marketing → Competitive Advantage	1.492	0.136	Rejected
Digital Marketing → Marketing Performance	7.387	0.000	Accepted
Product Innovation → Competitive Advantage	1.995	0.001	Accepted
Product Innovation → Marketing Performance	1.986	0.000	Accepted
Competitive Advantage → Marketing Performance	4.387	0.000	Accepted
Market Orientation → Marketing Performance	1.239	0.255	Rejected
Market Orientation → Competitive Advantage	1.873	0.062	Rejected

Source: Processed data (2025)

Indirect Effect

Mediation analysis was conducted to examine the significance of indirect relationships among latent variables within the structural model. At the 5% significance level, an indirect effect is considered statistically significant when the t-statistic exceeds 1.98, indicating rejection of the null hypothesis and confirmation of a mediating effect (Ghozali, 2020b). The results presented in Table 11 show that digital marketing has a significant indirect effect on marketing performance through competitive advantage ($t = 1.966$; $p < 0.05$), indicating that competitive advantage mediates this relationship. In contrast, market orientation does not have a significant indirect effect on marketing performance through competitive advantage ($t = 1.127$; $p > 0.05$), suggesting the absence of a mediating effect. Product innovation, however, has a significant indirect effect on marketing performance through competitive advantage ($t = 1.986$; $p < 0.05$), confirming that competitive advantage mediates the relationship between product innovation and marketing performance.

Table 11. Indirect Effect Test Result

Indirect Effect Path	t-Statistic	p-Value	Decision
Digital Marketing → Competitive Advantage → Marketing Performance	1.966	0.013	Accepted

Indirect Effect Path	t-Statistic	p-Value	Decision
Market Orientation → Competitive Advantage → Marketing Performance	1.986	0.001	Accepted
Product Innovation → Competitive Advantage → Marketing Performance	1.127	0.260	Rejected

Source: Processed data (2025)

Discussion

The findings demonstrate that digital marketing has a positive and significant effect on marketing performance, thereby supporting H1. In the context of MSMEs in the food and beverage sector, this result may be attributed to the widespread use of digital platforms such as Instagram, WhatsApp Business, and online marketplaces. These platforms enable businesses to expand market reach, interact directly with customers, and promote products more efficiently. For micro-scale enterprises, digital marketing represents a relatively low-cost and flexible strategic tool. Moreover, businesses with greater operational experience are generally better able to optimize digital strategies, including content scheduling and customer targeting, which further strengthens their marketing performance. This finding is consistent with previous studies reporting that digital marketing significantly enhances marketing performance (Effendi et al., 2023; Elim et al., 2024).

In contrast, market orientation was found to have no significant effect on marketing performance, leading to the rejection of H2. This result suggests that, among MSMEs, market orientation tends to operate at an intuitive rather than strategic level. Although business owners may understand customer needs, such understanding is often not systematically translated into actionable marketing strategies. Most decisions are based on practical experience rather than formal market analysis, while limited resources constrain the ability of MSMEs to conduct structured market research and develop strategic responses. Consequently, market orientation remains largely conceptual and does not directly contribute to improved marketing outcomes. This finding is in line with earlier studies showing that market orientation does not always exert a significant influence on marketing performance in MSMEs (Amin et al., 2019; Sari & Farida, 2020).

The results further indicate that product innovation has a positive and significant effect on marketing performance, confirming H3. In the food and beverage sector, consumer preferences are highly dynamic, with customers often seeking novelty in taste, presentation, and product variety. MSMEs that continuously introduce innovations through menu variation, packaging improvements, or new product concepts are therefore better positioned to attract and retain customers. In addition, enterprises with longer business experience appear to have a greater capacity to adapt to shifting consumer preferences, reinforcing the role of innovation as a key determinant of marketing performance. This result supports prior research emphasizing the positive contribution of product innovation to marketing performance (Abdullah et al., 2023; Talambanua et al., 2023).

The analysis also shows that digital marketing does not significantly affect competitive advantage, resulting in the rejection of H4. This finding may be explained by the fact that most MSMEs rely on similar digital platforms and employ comparable promotional practices. As a result, digital marketing tends to function as a standard operational instrument rather than a distinctive strategic resource. From the perspective of the Resource-Based View (RBV), digital marketing in this context does not fully satisfy the criteria of rarity and inimitability, thereby limiting its potential to generate sustained competitive advantage. This result differs from previous studies that identified a significant relationship between digital marketing and competitive advantage (Hudha et al., 2022; Padli, 2022), suggesting that contextual variations in digital capability and implementation may influence the outcome.

Similarly, market orientation was found to have no significant effect on competitive advantage, indicating that H5 is rejected. Although MSMEs may possess an understanding of customer

preferences and market conditions, they often lack the ability to transform such knowledge into effective differentiation strategies. Constraints related to resources, managerial capability, and strategic planning may prevent market orientation from evolving beyond general awareness into a source of distinctive competitive value. This finding contrasts with prior studies that reported a positive influence of market orientation on competitive advantage (Nugraha & Sukaatmadja, 2020), implying that implementation capability is a critical factor in determining whether market orientation can produce strategic benefits.

By contrast, product innovation has a positive and significant effect on competitive advantage, thus supporting H6. In a highly competitive food and beverage market, differentiation is essential for business sustainability. MSMEs that offer unique flavors, appealing packaging, or innovative business concepts are more likely to establish a strong market position. Such innovations are often difficult to imitate because they are rooted in creativity, accumulated experience, and tacit knowledge, thereby meeting the VRIO criteria within RBV theory. This finding is consistent with previous studies emphasizing the role of product innovation in strengthening competitive advantage (Lestari et al., 2020).

The findings also reveal that competitive advantage has a positive and significant effect on marketing performance, confirming H7. MSMEs that possess superior product quality, competitive pricing, better service, and clearer differentiation are more capable of attracting and retaining customers. In a competitive business environment, firms with identifiable advantages are better positioned to sustain sales growth and broaden their market share. This result supports prior empirical evidence showing that competitive advantage contributes positively to marketing performance (Naninsih et al., 2022; Nofrizal et al., 2021).

Furthermore, the results indicate that competitive advantage significantly mediates the relationship between digital marketing and marketing performance, thereby supporting H8. This finding suggests that digital marketing alone is insufficient to generate optimal performance outcomes unless it is strategically used to communicate unique product value, strengthen branding, and highlight service quality. Since digital platforms are widely accessible and commonly used by MSMEs, competitive advantage becomes the key mechanism through which digital marketing produces stronger performance effects. This result is consistent with previous research showing that digital marketing affects performance both directly and indirectly through competitive advantage (Talambanua et al., 2023).

However, competitive advantage does not mediate the relationship between market orientation and marketing performance, leading to the rejection of H9. Although MSMEs may claim to understand customer needs, such understanding is generally informal and experience-based. Without systematic market analysis and effective strategic execution, market orientation is unlikely to generate competitive advantage. Consequently, it also fails to improve marketing performance through an indirect mechanism. This finding differs from earlier studies that identified a mediating role of competitive advantage in this relationship (Mamengko et al., 2023), indicating that the effectiveness of market orientation depends heavily on its strategic application.

Finally, competitive advantage significantly mediates the relationship between product innovation and marketing performance, confirming H10. This finding implies that product innovation not only improves performance directly, but also strengthens a firm's competitive position, which in turn enhances marketing outcomes. In a highly competitive food and beverage market, continuous innovation allows businesses to remain relevant, create differentiation, and maintain customer interest. Therefore, the effect of product innovation on marketing performance operates through both direct and indirect pathways. This result is supported by previous studies demonstrating that product innovation contributes to both competitive advantage and marketing performance (Anderson & Hidayah, 2023).

CONCLUSION

This study examined the effects of digital marketing, market orientation, and product innovation on marketing performance, while also assessing the mediating role of competitive advantage among micro food and beverage (F&B) enterprises. The findings show that digital marketing and product innovation have significant positive effects on marketing performance, whereas market orientation does not exert a significant effect. Product innovation was also found to significantly strengthen competitive advantage, while digital marketing and market orientation did not significantly influence it. In addition, competitive advantage significantly improved marketing performance. With regard to indirect effects, competitive advantage was confirmed to mediate the relationships between digital marketing and marketing performance, as well as between product innovation and marketing performance; however, it did not mediate the relationship between market orientation and marketing performance.

These results suggest that innovation-oriented capabilities and the strategic use of digital marketing are more influential in enhancing MSME performance than market orientation alone. Accordingly, MSMEs should move beyond merely maintaining a digital presence or understanding market conditions and instead emphasize strategic implementation. Digital marketing should be optimized not only for promotional purposes but also for branding and differentiation, while continuous product innovation should be prioritized to create distinctive value and strengthen competitive positioning. Moreover, market insights need to be translated into concrete strategic actions that directly support competitive advantage and business performance. Future research is recommended to incorporate additional variables, such as brand image, service quality, and digital literacy, in order to provide a more comprehensive explanation of MSME performance. Broader research coverage across sectors and regions would also improve generalizability, while the use of mixed-method approaches could offer deeper insight into how MSMEs implement strategies and respond to dynamic market conditions.

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